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Financial exclusion in the EU

New evidence from the EU-SILC special module

European Commission

Social Situation Observatory – Income distribution and living conditions

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Introduction

There is a growing recognition across the EU that having access to a bank account and the financial services that banks and other financial institutions provide, including credit facilities, is, in many countries, a necessary condition for social inclusion. It is equally the case that the countries in which this is so are tending to increase over time as their financial systems become more developed. There is a question, however, as to how far financial exclusion, in the sense of not being able to access or use '*financial services in the mainstream market that are appropriate to (people's) needs and enable them to lead a normal life in the society in which they belong*' (European Commission, 2008) is an independent cause of social exclusion rather than a symptom of it. People who have difficulty in obtaining a bank account or access to credit, therefore, tend to be those who are out of work or who have particularly low levels of income, which are independent causes of social exclusion. Moreover, as financial systems develop, it is in the interest of banks and other similar institutions to offer their services to a widening proportion of the population since this is the way in which they can expand their deposits and, accordingly, their income and profits.

Competition between financial institutions should, therefore, ensure that everyone in society who has need for financial services and who is able to pay for them – in the same way as for other services or goods – should be able to access them. Consequently, while inability to pay may be a cause of financial exclusion as well as social exclusion, the former in itself would not in these circumstances be an independent cause of the latter, though it would, of course, contribute to it and might well reinforce it, adding to the difficulties of escaping from exclusion. The key issue here, however, is over the ability to pay and how this is defined, or identified, by financial institutions as well as over the extent of competition between institutions, which may not be sufficient to ensure that all sections of the community are adequately served.

Financial services and, in particular, the provision of credit facilities, differ from most other goods and services in that payment is not made at the time when they are provided but only some time after. Institutions, therefore, need to assess whether or not the person, or household, to whom credit is extended is able to meet the charges involved and ultimately to repay. In the case of bank accounts, the issue is over whether or not the amount deposited – and the return that banks are able to make on this through their financial operations – and the charges levied are likely to cover the costs of managing the account. If financial institutions take a conservative view over the ability to pay and impose restrictive conditions on borrowers, and if lack of competition reinforces this by normal banking services being withheld from those with who able to deposit only relatively small amounts in their accounts, then it might well be the case that some of those who are not socially excluded for other reasons are financially excluded. Being financially excluded, moreover, carries a serious risk of social exclusion, since not having access to banking and other financial services in many EU countries makes it difficult for someone 'to lead a normal life in the society in which they belong'.

The concern here is to examine the extent of financial exclusion across the EU on the basis of the data collected by the EU-SILC module for 2008 which contained a set of questions relating to this issue. The questions covered whether or not the households concerned had a bank account and a credit or store card and, if not, the reasons for this. The analysis of the responses and of the characteristics of those without access to a bank account or a credit card focuses on the individuals living in the households concerned, including the children where relevant, rather than the households as such since all of the people involved are affected by a lack of access to credit, just as they are by a low level of income or not being able to afford certain goods or services.

People without bank accounts

There are various forms of financial exclusion, but one of the most basic is a lack of access to a bank account, which in most countries in the EU would be regarded as essential in order to be able to handle the transactions which are a normal part of daily life.

It should be noted, however, that although possession, or non-possession, of a bank account might seem straight-forward to identify, there are difficulties attached to defining a bank account in a comparable way across countries. Despite common developments in the financial services sector, there are still differences between Member States in the services typically provided by normal current accounts, and the functions which account holders typically want or expect. These differences mean that what is generally regarded as a bank account in the countries concerned may not conform with the definition of this in the EU-SILC questionnaire (see Box), although the specific questions asked in the survey may differ from country to country in line with the philosophy of the survey to take account of national peculiarities in the design of questions[1].

Definition of a bank account in the EU-SILC module

A bank current account is defined as a deposit account offering facilities for day-to-day money management, such as flexible payment methods to allow customers to distribute money directly to others. Standard services offered by current accounts include a cheque book, the facility to arrange standing orders, direct debits and payment via a debit card.

A savings account is not a current account where no such facilities are available.

Across the EU as a whole, almost 12% of people lived in households which reported not having a bank account in 2008 (Table 1). This proportion varies considerably between countries, with over 80% of people in Bulgaria not having access to an account, 75% in Romania and over 70% in Greece. These three countries are the only ones in the EU, however, in which the total not having an account is over 20%, though there are three more where the proportion is only marginally below 20% - Italy, Cyprus and Hungary.

Although the figures for Bulgaria and Romania seem high, they do not appear to be entirely implausible given the lagging development of the two countries. On the hand, the high figure for Greece, which has an average GDP per head some three times that of these two, is more unexpected. Here the explanation, which could apply in some degree to Bulgaria and Romania, appears to lie in the definition of bank account used allied with the way in which accounts seem to be employed in the country, which essentially tends to be as a store of money with most transactions, even relatively large ones, being carried out in terms of cash rather than bank transfers or even cheques. Given this, it is more rational for Greeks to have savings accounts, which pay interest – and which are explicitly excluded from the definition of a bank account for purposes of the question – than current accounts which do not.

[1] The approach is to leave it to Member States to decide how to collect data on a particular issue, which may be OK in principle but it means in practice that in a few cases the question asked differs so much that the results are not comparable across countries.

The same might apply to some extent to Bulgaria and Romania, where many banks, especially those in rural areas, may not offer the facilities which are used in the survey to define a bank current account. To the extent that this is the case in these two countries as well as in Greece, it is highly questionable that the non-possession of accounts with these facilities can be taken as an indicator of financial exclusion in these countries and the people without such accounts being regarded as financially excluded when the great majority of people are in the same position.

At the other extreme, there are 8 countries where the proportion without a bank account is less than 1% (the three Nordic countries, the three Benelux countries, Germany and France), another three (Spain, Austria and the UK), where the proportion is between 1% and 2% and four more (Estonia, Malta, Slovenia and Portugal), where it is between 3% and 5%. In all the 6 remaining countries (the Czech Republic, Ireland, Latvia, Lithuania, Poland and Slovakia), the proportion without an account is between 14% and 18%.

Table 1 People living in household with no bank account (% of each category)

	Total	Income over 60% median	Income below 60% median	Deprived of at least 3 of 9 items
Belgium	0.6	0.4	1.4	1.7
Bulgaria	82.9	79.5	95.6	92.2
Czech Republic	14.2	12.0	36.1	31.6
Denmark	0.0	0.0	0.0	0.0
Germany	0.4	0.2	1.6	1.3
Estonia	3.2	1.0	12.1	10.5
Ireland	16.8	14.1	32.0	44.9
Greece	70.1	67.7	79.4	86.6
Spain	1.2	0.5	3.8	3.8
France	0.3	0.2	0.9	:
Italy	19.1	13.3	44.8	47.0
Cyprus	19.8	13.0	54.5	31.4
Latvia	14.2	6.8	35.8	28.3
Lithuania	17.7	14.5	30.3	31.6
Luxembourg	0.2	0.2	0.3	0.9
Hungary	19.9	18.1	32.8	28.4
Malta	3.9	2.9	10.0	:
Netherlands	0.2	0.2	0.3	0.5
Austria	1.8	1.3	5.8	4.2
Poland	16.1	13.0	31.0	29.9
Portugal	4.6	2.9	12.3	14.4
Romania	75.5	70.4	92.1	86.6
Slovenia	4.5	2.8	16.7	10.8
Slovakia	14.0	11.9	31.1	28.4
Finland	0.0	0.0	0.0	0.0
Sweden	0.1	0.1	0.0	1.1
UK	2.1	1.3	5.7	11.4
EU	11.6	9.5	22.5	36.2

Note: The data in the final column is the indicator of material deprivation used in the EU (and approved by the Indicators sub-group of the Social Protection Committee). It essentially consists of not being able to afford any three of 9 items included in the EU-SILC. Note that there are no data for France and Malta because these two countries do not allow the microdata to be published to enable material deprivation to be calculated for those without a bank account.

Source: EU-SILC 2008

People without bank accounts more likely to be at risk of poverty or materially deprived

Living in a household which does not have a bank account tends to be associated with having a low level of income. Over the EU as a whole, over twice as many people with income less than 60% of the median do not have a bank account as those with income higher than this (23% as opposed to under 10%). Though the scale of the difference varies, those with low incomes are much more likely not to have a bank account than others in nearly all Member States. The only exceptions are, on the one hand, Bulgaria, Romania and Greece, where few household have banks account, as defined, irrespective of their income levels, and the countries where everyone or virtually everyone has an account. In the latter countries, therefore, most especially the three Nordic countries, Luxembourg and the Netherlands, though also Belgium, Germany and France, hardly anyone, including even those with very low income levels, does not have a bank account.

The difference in the proportion with and without bank accounts is particularly pronounced in Italy and Cyprus, where 45% and 55%, respectively, of people with income below 60% of the median live in households without a bank account, as compared with only around 13% of those with income higher than this. It is also large in another 6 of the EU12 countries – the Czech Republic, Latvia, Lithuania, Hungary Poland and Slovakia – together with Ireland, where around a third of people with income below 60% of the median do not have access to an account, in each case, around 2-3 times larger than the proportion with high income levels.

A similar difference is evident between those who are materially deprived and those who are not deprived, according to the EU indicator which has come to be used to distinguish the households concerned (not being able to afford three or more items from a list of 9 included in the EU-SILC[2]).

The proportion of people identified as being deprived who do not have a bank account is similar in most countries to the proportion of those with low income who do not have an account, in part reflecting the overlap between the groups concerned. There is, however, some difference between the EU12 and the EU15 countries (between those that entered the EU in 2004 and 2007 and the countries which were already members). In the EU15, the tendency is for the materially deprived to be slightly more likely not to have a bank account than those with low income *per se*. In the EU12 countries, the opposite is the case, suggesting perhaps that income levels are a more important determinant of having access to a bank account in these countries than in the EU15 and reflecting the fact that the materially deprived include many more with income above 60% of the threshold than in the latter.

Reasons for not having a bank account

The great majority of households without a bank account report not having one because they prefer not to rather than because they have difficulty accessing one. Only a very small proportion of people, therefore, live in households where the lack of a bank account is due to bank charges being too high, no bank being in easy reach, being refused an account or thinking that they would be refused if they applied for one – less than 2% at most overall across the EU (Table 2 - it should be noted that in the survey, questions about not having an account are asked separately, so that households can potentially report more than one reason for not having an account or no reason at all. Accordingly, the percentages do not necessarily sum to the total of those not having an account and can be either more or less than this. In each case, the figures in the table indicate the proportion of people answering the question who responded positively to it).

[2] To be more precise, the 9items include two which relate to financial problems – being in arrears in paying household bills and not being able to meet unexpected expenses.

Table 2 Reasons for not having a bank account (% of those answering question)

	Without bank account	No need - prefer dealing in cash	Charges too high	No bank branch close to home/work	Account application turned down	Banks refuse accounts to people like us
Belgium	0.6	0.4	0.1	0.0	:	0.1
Bulgaria	82.9	65.0	5.1	1.7	0.9	5.2
Czech Republic	14.2	10.5	2.7	0.8	0.0	0.3
Denmark	:	:	:	:	:	:
Germany	0.4	0.3	:	:	:	:
Estonia	3.2	3.1	0.0	0.0	:	:
Ireland	16.8	13.5	0.8	0.2	0.4	0.8
Greece	70.1	60.6	8.3	0.6	0.3	2.4
Spain	1.2	1.0	0.1	0.0	0.0	0.1
France	0.3	0.0	0.0	0.0	0.0	0.0
Italy	19.1	17.9	0.9	0.1	0.1	0.3
Cyprus	19.8	19.4	0.2	:	:	0.2
Latvia	14.2	11.8	0.2	0.4	0.0	0.2
Lithuania	17.7	17.2	0.2	0.4	0.4	0.4
Luxembourg	0.2	0.0	:	:	0.0	0.0
Hungary	19.9	16.8	1.9	0.2	0.0	0.9
Malta	3.9	1.2	0.7	0.0	0.1	0.4
Netherlands	0.2	0.1	:	:	0.0	0.0
Austria	1.8	1.6	0.1	0.0	0.1	0.1
Poland	16.1	13.8	0.8	0.5	0.1	0.1
Portugal	4.6	3.1	0.7	0.1	0.3	0.4
Romania	75.5	55.2	9.3	2.9	0.6	3.3
Slovenia	4.5	4.1	0.1	0.1	0.0	0.0
Slovakia	14.0	12.5	1.3	0.4	0.1	0.4
Finland	:	:	:	:	:	:
Sweden	0.1	:	:	:	:	:
UK	2.1	1.0	:	:	:	:
EU	11.6	9.4	1.0	0.2	0.1	0.4

Source: EU-SILC 2008

Only in Bulgaria (5%), Greece (2%) and Romania (3%) do more than 1% of people live in households where the belief that they would be refused if they applied is reported as a reason for not having a bank account. In none of these countries, however, had more than 1% of people without accounts actually been refused access to an account. In these three countries, there were also a significant proportion of households reporting that high bank changes were a reason for not having an account (8-9% in Greece and Romania), whereas elsewhere, the proportion exceeded 1% only in the Czech Republic (3%), Hungary (2%) and Slovakia (just over 1%). Except in Bulgaria (2%) and Romania (3%), in less than 1% of cases was the distance that people lived or worked from a bank reported as a reason for not having an account.

Although there are more people with low income who report being without a bank account because of problems of access than those with higher income, it is still the case that the great majority of those with income below 60% of the median without an account report that they prefer not to have one. Accordingly, even for those with low income, not having an account seems to be a matter of choice rather than a result of financial exclusion (Table 3). However, Bulgaria, Greece and Romania are joined by the Czech

Republic as a country where over 10% of people with low income are excluded from having a bank account, in this case because of high charges.

Table 3 Reasons for not having a bank account for those with income below 60% of median (% of those answering question)

	Without bank account	No need - prefer dealing in cash	Charges too high	No bank branch close to home/work	Account application turned down	Banks refuse accounts to people like us
Belgium	1.4	0.9	0.2	0.0	:	0.3
Bulgaria	95.6	68.0	8.1	1.9	2.0	10.9
Czech Republic	36.1	21.4	11.0	2.4	:	3.0
Denmark	:	:	:	:	:	:
Germany	1.6	1.0	:	:	:	:
Estonia	12.1	11.9	0.1	0.2	:	:
Ireland	32.0	24.7	2.4	0.5	0.6	2.5
Greece	79.4	64.0	11.8	1.4	0.8	5.4
Spain	3.8	3.2	0.3	0.0	0.0	0.3
France	0.9	0.1	0.0	0.0	0.0	0.2
Italy	44.8	41.5	2.5	0.2	0.4	0.8
Cyprus	54.5	52.6	1.0	:	:	1.4
Latvia	35.8	30.3	0.8	1.3	0.0	0.7
Lithuania	30.3	29.4	0.3	0.7	1.0	0.9
Luxembourg	0.3	0.2	:	:	0.0	0.0
Hungary	32.8	25.5	3.3	0.5	0.0	3.4
Malta	10.0	1.7	3.4	0.0	0.1	2.4
Netherlands	0.3	:	:	:	0.2	0.2
Austria	5.8	4.7	0.5	:	0.4	0.5
Poland	31.0	26.0	2.1	1.0	0.1	0.2
Portugal	12.3	8.3	2.1	:	0.4	1.6
Romania	92.1	66.8	11.8	4.3	0.5	6.2
Slovenia	16.7	14.7	0.7	0.2	0.3	0.3
Slovakia	31.1	25.1	4.3	1.5	0.8	2.7
Finland	:	:	:	:	:	:
Sweden	:	:	:	:	:	:
UK	5.7	2.5	:	:	:	:
EU	22.5	17.8	2.0	0.5	0.2	1.1

Source: EU-SILC 2008

The same is the case for those who are materially deprived according to the EU indicator (table not shown).

Slightly more women than men without a bank account and many more older people

The proportion of women who live in households which do not have a bank account is somewhat larger than for men (12% as against 11% in the EU as a whole), which is mainly a reflection of the larger number of women in older age groups, many of whom live alone (Table 4). Accordingly, the difference in the number of women and men without an account tends to be larger in EU12 countries than in EU15 Member States, mainly because of the much larger number of older people who do not have a bank account in these countries.

In the EU overall, some 18% of those aged 65 and over live in households without a bank account as opposed to just under 11% of those younger than this. In the EU12 countries, however, the difference is much larger. Estonia, Malta and Slovenia apart, over 40% of people of 65 and over in all of the countries, including Cyprus, report not having an account, whereas the proportion for those aged 25-64 is less than 16% in all of the countries except Bulgaria and Romania.

Table 4 People without a bank account by sex and age group

	Sex		Age		
	Men	Women	16-24	25-64	65+
Belgium	0.6	0.6	0.4	0.4	1.6
Bulgaria	82.8	83.1	80.8	81.2	91.3
Czech Republic	12.6	15.7	7.0	9.0	48.1
Denmark	:	:	:	:	:
Germany	0.5	0.3	0.4	0.5	0.5
Estonia	2.8	3.5	0.4	1.6	12.8
Ireland	16.6	17.1	16.6	15.0	28.9
Greece	69.3	70.9	71.6	67.5	81.9
Spain	1.2	1.2	1.3	0.9	2.1
France	0.2	0.3	:	0.3	0.3
Italy	17.6	20.6	18.7	15.9	29.8
Cyprus	18.3	21.1	11.1	15.6	63.9
Latvia	12.6	15.6	7.2	10.4	40.2
Lithuania	15.9	19.2	12.0	13.8	42.4
Luxembourg	0.1	0.2	0.0	0.2	0.0
Hungary	18.4	21.3	12.8	15.6	50.8
Malta	4.2	3.5	:	3.4	4.3
Netherlands	0.2	0.2	0.3	0.2	0.1
Austria	1.7	2.0	1.0	1.2	4.6
Poland	15.1	17.0	9.7	12.2	44.9
Portugal	4.4	4.8	3.8	3.8	9.4
Romania	75.3	75.6	73.4	72.8	87.2
Slovenia	3.6	5.3	1.2	2.3	18.5
Slovakia	11.8	16.0	4.6	8.1	55.4
Finland	:	:	:	:	:
Sweden	0.1	0.1	0.0	0.1	0.1
UK	2.0	2.2	1.5	1.8	2.8
EU	11.2	12.1	:	10.5	18.1

Note: No data available for age groups 18-24 and 25-64v for France, Malta and the EU. In each case, the figure under 25-64 relates to those aged 18-64

Source: EU-SILC 2008

In EU15 countries, it is also mostly the case that people aged 65 and over are less likely to have a bank account than those younger than this, but the difference tends to be much smaller. Only in Ireland, Greece and Italy is the difference more than 10 percentage points (in each case, around 14 percentage points).

A further difference between EU15 and EU12 countries relates to those aged 16-24. For these, the proportion living in households without a bank account tends to be smaller in the EU12 than for those aged 25-64 (the only exceptions are Bulgaria and Romania, where the figures are much the same. This contrasts with the situation in the EU15, where the proportions for the two groups tend to be much the same or larger (in Greece and Italy).

This may reflect a tendency for more of the younger generation in the EU12 countries to have a bank account than their parents, though because many young people in this age group continue to live with their parents (and the data for bank accounts are collected on a household rather than an individual basis), this is difficult to verify.

Exclusion from not having a bank account by sex and age

In most countries, there are no great differences between either men or women or people in different age groups who are excluded from having a bank account for reasons other than they prefer not to have one (Table 5, which is restricted to those not having a bank account for reasons of high charges, being refused one or a belief that they would be refused).

As in the case of the population as a whole, the great majority of the older people who do not have a bank account report that it is because they have no need for one rather than because they have problems in obtaining an account or paying the charges on it. Much the same proportion of those aged 65 and over, therefore, cite one of the latter as a reason for not having an account as those aged 25-64, in both cases, less than 1.5% of people. Only in Slovakia, Hungary, the Czech Republic, Bulgaria, Greece and Romania is the proportion larger than this for both age groups, only in the last four countries is it larger than 6% for those aged 65 and over and only in the last three, larger than 6% for those aged 25-64.

Table 5 People excluded from having a bank account by sex and age (% in each group)

	Sex		Age of the individual		
	Male	Female	16-24	25-64	65+
Belgium	0.2	0.1	0.2	0.2	0.1
Bulgaria	8.6	8.7	10.8	8.2	6.8
Czech Republic	2.6	3.0	2.0	2.0	7.7
Denmark	:	:	:	:	:
Germany	:	:	:	:	:
Estonia	:	0.0	:	:	0.1
Ireland	1.7	1.9	2.2	1.6	1.0
Greece	9.3	9.5	11.2	9.5	7.9
Spain	0.1	0.1	0.3	0.1	0.0
France	:	:	:	:	:
Italy	1.0	1.1	1.4	1.1	1.0
Cyprus	0.4	0.4	0.6	0.3	0.3
Latvia	0.5	0.3	0.2	0.4	0.6
Lithuania	0.4	0.5	1.0	0.5	0.1
Luxembourg	0.0	0.0	0.0	0.0	:
Hungary	2.7	2.9	2.6	2.6	4.3
Malta	:	:	:	:	:
Netherlands	:	0.1	:	0.0	:
Austria	0.2	0.1	0.1	0.1	0.2
Poland	0.9	0.9	0.8	0.8	1.3
Portugal	0.9	0.8	1.4	0.8	0.9
Romania	10.5	11.1	12.4	10.3	10.8
Slovenia	0.1	0.2	0.1	0.1	0.5
Slovakia	1.5	1.4	1.1	1.1	3.2
Finland	:	:	:	:	:
Sweden	:	:	:	:	:
UK	:	:	:	:	:
EU	1.3	1.4	1.7	1.3	1.4

Note: Those reporting any of the three reasons implying financial exclusion - 'Charges are too high', 'Household has applied for an account and been turned down' and 'Banks refuse accounts to such households'. No data are available for France and Malta. The eu total excludes these two countries.

Source: EU-SILC 2008

People without credit cards or other forms of borrowing

A significant proportion of people in the EU live in households which do not have a credit card, an overdraft facility or an outstanding loan of any form (including a mortgage). Overall, over a third of people (35%) in EU Member States fall into this category according to the responses to the EU-SILC *ad hoc* module. The proportion varies from over 70% in Romania, around two-thirds in Bulgaria and Lithuania and half or more in the Czech Republic, Hungary, Slovakia and Italy to only around 15% in the UK and just 7% in Luxembourg (Table 6).

Table 6 People living in households with no credit card, overdraft facility or outstanding loan, including mortgages (% of each category)

	Total	Above 60% of median	Below 60% of median	Materially deprived
Belgium	31.4	27.6	53.4	39.6
Bulgaria	66.8	62.5	82.5	74.4
Czech Republic	55.2	54.7	60.7	56.6
Denmark	19.5	17.1	37.9	30.7
Germany	27.8	24.8	44.6	35.4
Estonia	44.8	37.6	74.2	60.6
Ireland	25.7	21.2	50.5	48.6
Greece	46.0	43.5	55.7	55.3
Spain	20.0	15.9	36.5	25.4
France	:	:	:	:
Italy	50.0	45.3	70.1	59.4
Cyprus	23.3	16.2	59.6	32.8
Latvia	40.3	31.4	66.2	52.3
Lithuania	66.8	62.9	82.6	79.4
Luxembourg	7.0	5.1	19.8	24.9
Hungary	57.5	56.4	65.6	57.5
Malta	:	:	:	:
Netherlands	20.4	18.5	36.9	41.8
Austria	25.4	22.6	45.9	29.3
Poland	49.7	47.1	62.4	58.2
Portugal	37.6	32.7	59.3	54.7
Romania	72.2	66.7	89.9	79.8
Slovenia	21.1	17.7	45.7	27.2
Slovakia	54.1	53.3	60.8	58.9
Finland	21.6	17.0	50.9	38.2
Sweden	23.1	19.7	47.9	41.8
UK	15.5	11.4	33.5	37.7
EU	35.4	31.7	53.6	54.3

Note: No data available for France and Malta. Data for Germany exclude mortgages.
Source: EU-SILC 2008

A much larger proportion of those with low incomes or identified as being materially deprived do not have credit cards and/or outstanding loans of any kind than other people. In the EU as a whole, just over half of people with income below 60% of the median live in households with neither credit cards nor outstanding loans as opposed to just under a third of those with higher levels of income

The proportion of those on low income with no credit card or outstanding loans of any kind rises to over 80% in the majority of the EU12 countries (to 90% in Romania). The exceptions are the two countries with higher levels of income, Cyprus and Slovenia, together with Estonia, where the figure is close to three-quarters, and the Czech Republic and Slovakia, which stand out as having relatively little difference in the proportion with no credit card or outstanding loan between those with income below 60% of the median and those with income above this.

In the EU15 countries, over 70% of people with income below 60% of the median have no credit card or loans in Italy and almost 60% in Portugal, while in Belgium, Ireland, Greece and Finland, the proportion is over half, in each case (though to a lesser extent in Greece) substantially more than for those with income above this level. Indeed, even in the EU15, over a third of people with income below 60% of the median do not have a credit card or an outstanding loan in all countries apart from Luxembourg.

Much the same pattern is also evident for those who are materially deprived according to the EU indicator of this (essentially not being able to afford three out of 9 items)

The effect of separating mortgages from other forms of credit

The above findings are affected to some extent by the inclusion of mortgages as part of lending, though the fact that those on low incomes or materially deprived are much less likely to have a credit card or an outstanding loan of any kind is not altered. As would be expected, therefore, people with mortgages tend to be disproportionately those with higher income levels and in virtually all countries few people on low incomes have a mortgage.

Overall in the EU, only just over a quarter of people live in households with a mortgage and some 73% do not (Table 7).

The proportion of people without a mortgage, however, is well over 90% in most EU12 countries and over 80% in all of them, while in the EU15, it is also above 80% in Greece and Italy, but these two countries apart, it is under two-thirds in all Member States, except Portugal, where it is slightly over. On the other hand, the figure is less than half only in Sweden (44%) and the Netherlands (40%).

In all countries, in the EU12 as well as the EU15, the proportion of people with mortgages is smaller for those low income than for those with higher levels, though less so in the EU12, where the great majority of people irrespective of their income level own their own homes (a legacy of the privatisation process which occurred at the beginning of the transition in the early 1990s). In the EU as a whole, only just over 12% of people with income below 60% of the median have a mortgage, so that almost 88% do not, as against 70% for those with income above 60% of the median. In all EU12 countries, however, the proportion of those on low income without a mortgage is around 95%. In Greece and Italy, it is also over 90% and in all other EU15 countries, around 75% or more.

Interestingly, unlike the picture for all forms of credit, people who are materially deprived (or more precisely live in households which are deprived according to the EU indicator) are more likely to have mortgages than the rest of the population and far more likely to do so than those with low income levels *per se*. This is the case in virtually all countries, reflecting perhaps the burden which the cost of meeting mortgage payments tends to represent and the effect that this is has on the ability of households to purchase goods and services considered necessary for an acceptable standard of living.

Table 7 People living in households with no mortgage (% of each category)

	Total	Above 60% of median	Below 60% of median	Materially deprived
Belgium	59.9	56.1	81.4	57.8
Bulgaria	90.1	88.3	96.7	87.9
Czech Republic	88.1	87.5	94.2	87.8
Denmark	45.6	40.6	83.4	43.0
Germany	:	:	:	:
Estonia	87.7	85.3	97.7	86.9
Ireland	64.8	61.1	85.2	61.9
Greece	86.4	85.1	91.6	84.6
Spain	65.9	62.7	79.3	65.8
France	:	:	:	:
Italy	85.2	83.3	93.6	84.7
Cyprus	81.6	79.2	93.9	80.4
Latvia	92.4	90.5	97.9	90.9
Lithuania	92.7	91.3	98.2	91.5
Luxembourg	58.1	56.1	70.8	57.3
Hungary	81.3	81.0	83.6	81.5
Malta	:	:	:	:
Netherlands	39.6	35.3	76.6	36.4
Austria	66.2	63.5	85.3	64.8
Poland	95.3	94.8	98.0	93.6
Portugal	69.1	65.4	85.5	65.9
Romania	98.9	98.6	99.8	98.2
Slovenia	94.5	94.2	97.0	94.7
Slovakia	93.9	93.9	94.3	93.4
Finland	56.8	52.2	85.9	54.2
Sweden	43.9	39.8	73.9	41.0
UK	53.2	47.4	77.6	49.4
EU	73.2	70.2	87.5	69.7

Note: No data available for Germany, France and Malta.

Source: EU-SILC 2008

Excluding mortgages from credit and loans, as indicated above, tends to narrow the difference slightly between those with low incomes and those with higher levels but it does not change the above finding that the former are less likely to have a credit card or other forms of borrowing than the latter, in many cases, much less likely. In the EU as a whole, therefore, almost 57% of people with income below 60% of the median have no credit card or outstanding loan of any kind, other than a mortgage, as compared with 37% of those with income above 60% of the median (Table 8). The difference is particularly wide (around 30 percentage points or more) in Estonia, Latvia and Finland and, above all in Cyprus (where the difference is over 40 percentage points).

In this case, the proportion of people who are identified as being materially deprived according to the EU indicator who have no credit card or outstanding loan, excluding mortgages, is virtually the same at EU level as for those with income below 60% of the median (57%), emphasising the different situation of those with mortgages among people with low income. In a number of countries, however, it is still the case that the materially deprived are much more likely to have a credit card or outstanding loan than those with low income. In 10 of the 25 countries for which data are available, therefore, the proportion of the materially deprived without a credit card or outstanding loan, excluding mortgages, was over 10 percentage points smaller than for those with income below 60% of the median.

Table 8 People living in households with no credit card, overdraft facility or outstanding loan, excluding mortgages (% of each category)

	Total	Above threshold	Below threshold	Materially deprived
Belgium	45.3	42.9	59.7	45.6
Bulgaria	69.4	65.4	84.3	77.1
Czech Republic	60.6	60.2	64.2	60.4
Denmark	35.6	34.1	46.8	33.8
Germany	27.8	24.8	44.6	35.4
Estonia	47.0	40.3	74.7	61.4
Ireland	30.7	26.1	55.3	55.2
Greece	49.7	47.4	58.9	57.3
Spain	23.9	20.0	40.2	29.2
France	:	:	:	:
Italy	55.1	51.1	72.6	64.1
Cyprus	25.8	18.8	61.4	35.8
Latvia	41.5	32.9	66.7	53.6
Lithuania	69.4	65.9	83.8	82.1
Luxembourg	8.4	6.3	22.1	25.9
Hungary	67.2	66.1	74.6	67.2
Malta	:	:	:	:
Netherlands	39.1	37.9	49.5	43.1
Austria	33.6	31.2	50.5	34.1
Poland	50.7	48.3	62.8	58.6
Portugal	45.5	41.3	64.0	59.9
Romania	72.6	67.2	90.1	80.0
Slovenia	21.8	18.4	46.2	28.4
Slovakia	54.5	53.7	60.8	59.1
Finland	26.7	22.4	54.4	41.7
Sweden	43.4	41.2	59.0	49.8
UK	19.8	15.5	38.2	42.3
EU	40.0	36.7	56.5	56.8

Note: No data available for France and Malta.

Source: EU-SILC 2008

It should be noted that in nearly all countries, more people do not have a credit card or an outstanding loan than do not have a bank account. This is to be expected insofar as a bank account is a basic requirement in most cases for having a credit card or an overdraft facility, though it may be possible to have a store card or some kinds of loan without having an account. The only three exceptions are Bulgaria, Romania and, most notably, Greece, where 80% more people have a credit card or an outstanding loan than have a bank account. This reflects the point made earlier that it is almost certainly the case that many more Greek households have a bank account than are indicated in the EU-SILC module but not one that conforms with the definition of a current account used in the module. The bank accounts concerned, therefore, might provide access to a credit card or overdraft facility even though they might not include other facilities which are part of the module definition.

It is also the case that, even if mortgages are excluded, the proportion of people without a credit card or outstanding loan tends to be larger in the EU12 countries than the EU15. The 5 countries in which the proportion concerned is over 60% are all among the EU12. This reflects the fact that credit facilities are less developed in most of the EU12 countries than the EU15, so that access to borrowing is more limited than in the latter. This is especially the case for people with low income, though in the 5 countries concerned – Bulgaria, the Czech Republic, Lithuania, Hungary and Romania – over 60% of those with income above 60% of the median also had no credit card or outstanding loan.

At the same time, the same applies to over half the people in Italy and around half in Greece as well as to around 45% in Belgium, Portugal and Sweden in the EU15.

Reasons for not having credit card or outstanding loan

Not having a credit card, an overdraft facility or an outstanding loan, however, can in no way be taken as an indication of lack of access to credit. Most of the people in this situation (in this case including mortgages among outstanding loans) report having no need to borrow, while a significant proportion borrow from friends or relatives rather than from banks or other credit institutions.

Across the EU as a whole, therefore, some 40% of people living in households with no credit facilities or outstanding loans, report that they have no need to borrow, the proportion rising to almost 80% in Denmark and over 60% in Belgium and Germany (Table 9, in which, it should be noted, that the figures relate to those answering the questions indicated, which were asked individually in the module, except in some countries[3]; the low figures for most countries indicate that most people answering the question answered negatively).

On the other hand, in Italy, where half of the population lived in households with no credit facilities or outstanding loans, only 2% report that they have no need to borrow and around 40% report being able to borrow from friends or family. The extent to which people have access to credit or borrowing of some kind, therefore, is much larger than the figures for 'formal' arrangements imply. The same is the case in Bulgaria, Romania and Portugal, where around 40% or so report being able to borrow from informal sources, and, to a lesser extent, in Estonia, Latvia, Slovakia and Spain, where around 30% have access to borrowing from friends and family. Accordingly, informal arrangements tend to be important in countries where formal access to credit is relatively limited.

In some of these countries, it is also the case that a significant number of people do not have credit facilities or loans because of an inability to repay. This is particularly so in Romania, Bulgaria and Slovakia. It is also the case, however, in Hungary, Greece and, to a lesser extent, the Czech Republic, in all of which a relatively small proportion of people report being able to borrow from friends or relatives. In these countries, therefore, the implication is that there may be a significant unmet demand for borrowing among households.

The other reasons suggested for not having credit facilities or loans – to do with lack of access to such facilities – are relevant for only a very small proportion of people in most

[3] In the UK, respondents were asked to specify the main reason, with 'other' being included as an option, which meant a large number of missing values.

countries. Only in Romania, Bulgaria, Slovenia, Slovakia and Portugal do more than 1% of people live in households for which an application for credit or a loan has been turned down and only in Romania and Bulgaria have more than 1% of people had a credit facility withdrawn. While a larger proportion of people think that there is no point in applying for a credit facility because it would be refused, the figure across the EU as a whole is only just over 2%. Only in Romania and Bulgaria is it over 10% and, apart from these, only in Germany, Slovakia, Portugal and Hungary is it over 3%.

Table 9 Reasons for not having credit card, overdraft facility or outstanding loan (% of those answering question)

	No overdraft facility/credit card/ outstanding loans	No need to borrow	Can borrow from friends/ family	Not able to repay	Application for loan turned down	Loan facility withdrawn	Banks refuse credit to people like us
Belgium	31.4	69.3	0.9	4.6	0.2	0.0	1.3
Bulgaria	66.8	38.9	41.4	24.2	1.6	1.1	10.4
Czech Republic	55.2	48.9	9.4	11.9	0.9	0.2	2.5
Denmark	19.5	78.0	0.4	0.9	0.1	0.0	0.4
Germany	27.8	63.5	6.4	6.1	0.4	0.2	4.5
Estonia	44.8	41.2	29.5	2.4	0.5	0.0	1.8
Ireland	25.7	13.4	1.9	5.9	0.6	0.0	2.3
Greece	46.0	57.1	6.2	17.9	0.5	0.2	2.2
Spain	20.0	42.3	29.3	0.9	0.3	0.1	0.7
France	:	30.3	1.0	3.3	2.7	0.0	1.7
Italy	50.0	53.7	25.6	1.7	0.4	0.0	0.9
Cyprus	23.3	21.7	6.8	1.3	0.3	0.2	0.5
Latvia	40.3	44.9	31.9	7.9	0.6	0.1	2.3
Lithuania	66.8	50.9	16.0	5.3	0.3	0.1	1.6
Luxembourg	7.0	5.0	0.9	0.8	0.1	0.0	0.7
Hungary	57.5	29.8	6.4	34.0	0.7	0.1	3.2
Malta	:	25.2	0.7	2.5	0.2	0.0	1.1
Netherlands	20.4	14.8	0.0	0.3	:	:	:
Austria	25.4	27.3	15.5	3.0	0.4	0.4	0.9
Poland	49.7	36.6	22.3	8.4	0.6	0.1	0.8
Portugal	37.6	57.7	37.7	9.3	1.0	0.4	4.0
Romania	72.3	21.3	43.3	39.8	2.7	1.5	10.2
Slovenia	21.1	18.1	2.5	4.7	1.5	0.2	2.7
Slovakia	54.1	39.1	28.0	18.9	1.4	0.2	4.5
Finland	21.6	34.8	0.8	0.6	0.2	0.1	0.3
Sweden	23.1	0.2	0.0	:	:	:	:
UK	15.5	11.2	1.1	6.2	0.2	0.3	0.3
EU	35.5	40.1	14.0	7.3	0.8	0.2	2.3

Note: No information is available on mortgages for Germany, for which the figures are based on those with no credit facilities or outstanding loans apart from this.

Source: EU-SILC 2008

As would be expected, the proportion of people in households with income below 60% of the median without formal access to credit – or who think they do not have access – or report not being able to repay loans is larger than for the total population.

Overall for this group, a similar proportion of this income group without an overdraft facility, credit card or other loan reported that they had no need for such facilities as for the population as a whole (just over 42%), while a larger proportion (over 20%) reported that they could borrow from friends or relatives if necessary (Table 10).

Just over 16% of those with low income, however, reported that they would be unable to repay a loan if they took one out, as against just 7% of those with higher income levels, while just over 7% (as against only 2%) considered that they would be refused if they applied for a credit facility.

The proportion for those not able to repay if they were to borrow is especially large in the EU12 countries among those with income below 60% of the median. It was almost 60% in Romania and around 55% in Hungary, while in Bulgaria and Slovakia, it was around 40% and almost a third in the Czech Republic. In Greece, it was also around a third and almost 20% in Germany and Poland.

Table 10 Reasons for not having credit card, overdraft facility or outstanding loan among those with income below 60% of median (% of those answering question)

	No overdraft facility/credit card/ outstanding loans	No need to borrow	Can borrow from friends/ family	Not able to repay	Application for loan turned down	Loan facility withdrawn	Banks refuse credit to people like us
Belgium	53.4	61.2	1.2	13.6	0.5	:	6.2
Bulgaria	82.5	36.7	42.4	40.2	2.6	0.4	21.3
Czech Republic	60.7	33.2	14.5	32.6	5.4	0.9	13.5
Denmark	37.9	79.7	1.0	3.8	0.2	:	2.4
Germany	44.6	52.2	11.5	18.4	1.1	0.2	17.9
Estonia	74.2	63.4	46.9	8.1	1.0	:	6.2
Ireland	50.5	26.7	5.2	15.3	0.5	:	4.4
Greece	55.7	45.0	8.8	31.4	1.0	0.3	3.7
Spain	36.5	52.7	35.4	2.6	1.0	0.3	2.5
France	:	32.0	2.7	11.3	7.7	0.0	6.1
Italy	70.1	66.6	33.9	5.6	0.9	0.0	2.5
Cyprus	59.6	55.4	19.6	3.5	0.6	0.4	1.1
Latvia	66.2	56.1	38.5	15.6	1.7	0.2	5.8
Lithuania	82.6	51.9	28.9	11.3	0.2	0.3	5.3
Luxembourg	19.8	11.2	2.3	5.2	0.7	:	3.7
Hungary	65.6	11.7	3.7	53.9	2.6	:	7.9
Malta	:	31.9	2.0	6.3	1.4	0.0	3.0
Netherlands	36.9	26.9	:	0.5	:	:	:
Austria	45.9	38.4	27.9	8.8	1.6	1.3	3.9
Poland	62.4	37.0	28.8	19.3	1.3	0.0	2.3
Portugal	59.3	52.9	40.0	16.1	2.5	1.0	10.1
Romania	89.9	16.7	46.0	58.0	4.2	2.1	19.4
Slovenia	45.7	32.0	7.5	15.8	4.8	1.2	10.5
Slovakia	60.8	27.2	30.8	38.4	4.5	0.3	12.5
Finland	50.9	56.0	5.5	1.9	0.9	0.4	0.5
Sweden	47.9	0.5	0.1	:	:	:	:
UK	33.5	22.0	4.2	13.9	0.8	0.7	1.3
EU	53.6	42.5	20.9	16.4	2.0	0.4	7.3

Note: No information is available on mortgages for Germany, for which the figures are based on those with no credit facilities or outstanding loans apart from this.

Source: EU-SILC 2008

Equally, although only a few people with low income had had an application for a credit facility turned down – under 5% in all countries, apart from France (almost 8%) and the Czech Republic (just over 5%) – it was still the case that a significant proportion considered that they would be turned down if they applied. This proportion was around 20% in Bulgaria and Romania and 18% in Germany, while in the Czech Republic and Slovakia, it was around 13% and in Portugal and Slovenia, around 10%.

In a number of countries, therefore, there is evidence of a sizable proportion of people being excluded from having access to credit facilities either by not being able to repay or by believing that they would not obtain credit if they tried. In many of the countries, concerned, however, informal sources of borrowing in the shape of friends or relatives seem to be important if people need a loan. This is particularly the case in Bulgaria, Romania, Slovakia, Poland and Portugal.

The proportion of people who have a need to borrow but do not have access tends to be larger for those identified as being materially deprived according to the EU indicator than for those with low income. Across the EU as a whole, only just over 30% of the people concerned reported that they had not need for credit or to borrow as against over 40% of both the population as a whole and those with income below 60% of the median (Table 11).

Table 11 Reasons for not having credit card, overdraft facility or outstanding loan among those materially deprived (% of those answering question)

	No credit card/outstanding loans	No need to borrow	Can borrow from friends/family	Not able to repay	Application for loan turned down	Loan facility withdrawn	Banks refuse applications from people
Belgium	39.6	36.6	1.6	24.4	1.1	0.1	7.1
Bulgaria	74.4	36.2	40.6	36.0	2.7	1.2	15.7
Czech Republic	56.6	26.9	13.5	30.6	3.3	0.6	9.4
Denmark	30.7	53.8	3.1	11.0	1.8	0.9	5.2
Germany	35.4	30.5	9.4	22.6	1.8	0.4	21.8
Estonia	60.6	43.0	34.1	12.8	2.3	0.3	10.2
Ireland	48.6	14.6	3.9	24.5	4.3	0.3	10.7
Greece	55.3	38.6	9.3	35.0	1.7	0.3	5.1
Spain	25.4	29.3	15.3	4.9	2.6	1.1	5.4
France	:	:	:	:	:	:	:
Italy	59.4	55.4	20.6	7.9	1.7	0.0	3.8
Cyprus	32.8	28.6	10.1	3.4	0.8	0.3	1.3
Latvia	52.3	45.4	29.3	15.0	1.5	0.4	5.5
Lithuania	79.4	42.8	35.6	14.2	0.2	0.2	4.8
Luxembourg	24.9	9.5	2.3	11.1	2.4	:	8.2
Hungary	57.5	12.9	4.0	50.1	1.1	0.2	5.8
Malta	:	:	:	:	:	:	:
Netherlands	41.8	32.2	:	0.7	:	:	:
Austria	29.3	31.0	21.6	11.2	1.6	1.2	5.1
Poland	58.2	36.2	25.8	17.1	1.3	0.0	1.8
Portugal	54.7	41.1	32.2	22.7	4.0	1.3	14.1
Romania	79.8	16.2	40.2	55.7	3.4	2.0	14.9
Slovenia	27.2	19.1	7.0	16.1	5.3	0.6	10.1
Slovakia	58.9	22.4	29.6	39.2	3.1	0.2	10.8
Finland	38.2	33.0	5.8	2.6	0.2	0.6	0.8
Sweden	41.8	:	:	:	:	:	:
UK	37.7	13.5	5.4	20.8	1.9	2.3	2.6
EU	54.3	31.5	21.2	25.5	2.1	0.7	9.1

Note: No information is available on mortgages for Germany, for which the figures are based on those with no credit facilities or outstanding loans apart from this. No data available for France and Malta.

Source: EU-SILC 2008

Moreover, just over a quarter reported not having a credit facility or an outstanding loan because they were not able to pay (against just 7% of the population as a hole and 16% of those with low income), while 9% considered that they would be refused if they applied for credit to a bank or lending institution.

In the same way as for those without a bank account, there is a systematic difference in the proportion of those not being able to repay a loan between people with low income and those materially deprived in the EU15 countries as compared with the EU12 countries. In all the EU15 countries without exception, more people identified a materially deprived without a credit card or loan facility reported an inability to repay as a reason than those with income below 60% of the median. In all EU12 with the exception of Estonia, Lithuania and (marginally) Slovenia, the reverse was the case, reflecting, as indicated above, that material deprivation extends much further up the income range in these countries than in the EU15. Accordingly, in the EU15, material deprivation is more of an indicator of ability to pay than having income below 60% of the median, while in the EU12, the opposite applies.

Concluding remarks

The definition of a bank account adopted in the EU-SILC module makes it difficult to compare the proportion of the population without such an account between countries, in particular between countries with an advanced financial system and those with a less developed one. In particular, the very large proportions of people reported as not having a bank account in Bulgaria, Romania and, above all, Greece, almost certainly give a misleading impression of the situation in these countries as compared with other EU Member States, where only a small minority do not have an account.

Nevertheless, despite the uncertainty over the comparability of the data collected by the module, they do show clearly that in all countries those with low income, and in the EU15 in particular, those identified as materially deprived, are far more likely not to have a bank account than those with higher income levels. They are show that the great majority of people without a bank account are in such a situation by choice rather than because they do not have access to an account and while there are more of those with low incomes or materially deprived who do not have access, even for these, the numbers involved are very small, except in a few country (Bulgaria, Romania, Greece and the Czech Republic).

Slightly more women than men do not have a bank account and a larger proportion of older people of 65 and over, which because there are more women in the latter group is a prime reason for fewer women having accounts. These differences, however, seem to be down to preference rather than there being differential access as such.

Just over a third of people live in households which do not have an overdraft facility, credit card or outstanding loan of any kind, though the proportion is much larger in most cases in the EU12 countries than in the EU15. This partly reflects the less developed nature of the financial system in these countries, though the proportion is also large in a number of EU15 countries.

In both groups of countries, the proportion of people without a credit facility or outstanding loan is much larger among those with low incomes or identified as being materially deprived than among the rest of the population. This arises in some degree from mortgages being much more prevalent among those with higher income levels than with those with low levels, but it is also the case, perhaps surprisingly that the people identified as materially deprived are much more likely to have a mortgage than those with low incomes, which could be a factor underlying their deprivation.

As in the case of bank accounts, the great majority of those without a credit facility or an outstanding loan report preferring not to need one rather than not having access to one. Nevertheless, there are significant numbers of people in Bulgaria, Romania, Hungary and Slovakia, as well as Greece, who do not access, in particular, because of an inability to repay, and an even larger proportion of those with low income. This is also the case for the latter in the Czech Republic and to a lesser extent in Germany and Poland. Moreover, a sizable number (over 20%) of the materially deprived are in the same position in Belgium, Ireland, Portugal and the UK, as well as Germany.