

# Funding the Future

## The unbanked - and what to do about the problem

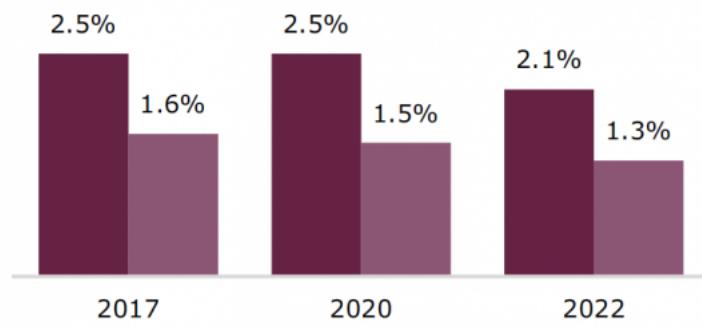
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If the media was to be believed, the fact that there are people without access to bank accounts in the UK has only just been discovered. Nothing could be further from the truth. The issue is real and ongoing. Let's have some facts. [A thread](#)....

The Financial Conduct Authority (the FCA) has responsibility for monitoring this issue. It issued a report on it earlier this year. The data in this [thread all comes from there](#).

The number of unbanked adults in recent years was as follows:

**Figure 5.1: Unbanked adults (2017/2020/2022)**



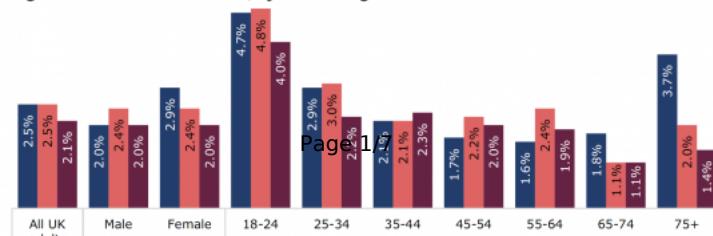
- Unbanked (No current account or e-money account)
- Unbanked+ (No day-to-day account at all)

**Source:** FLS **Base:** All UK adults (2017: 12,865/2020: 16,190/2022: 19,145) **Question:** POSum1. CAVEAT

Around one in fifty adults are unbanked.

The demographic looks like this:

**Figure 5.2: Unbanked adults, by sex and age (2017/2020/2022)**



As ever, it seems to be the young who lose out: it is also especially hard for them to be unbanked, I suspect.

The demographics of those unbanked are further explained as follows:

**Table 5.1: Demographic groups most likely to be unbanked (2022)**

	Unbanked (No current account)	Unbanked+ (No day-to-day account at all)
All UK adults	2.1%	1.3%
Muslim	10%	7%
Unemployed	7%	5%
Long-term sick, temporarily sick, looking after home, carer	7%	5%
No educational qualifications	7%	5%
Definitely have dyslexia, dyscalculia, or dyspraxia	6%	5%
Poor financial numeracy	6%	4%
Digitally excluded	6%	4%
In financial difficulty	6%	3%
Aged 18-21	5%	3%
Low confidence in managing money	5%	3%
Household income <£15,000	5%	3%
Students	4%	3%

Source: FLS Base: All UK adults (2017: 12,865/2020: 16,190/2022: 19,145) Question: P0Sum1. CAVEAT

As the FCA also notes:

*There were higher proportions of unbanked adults in Southern Scotland (6%), Outer London – West and North West (5%), Greater Manchester (4%), and the West Midlands (4%).*

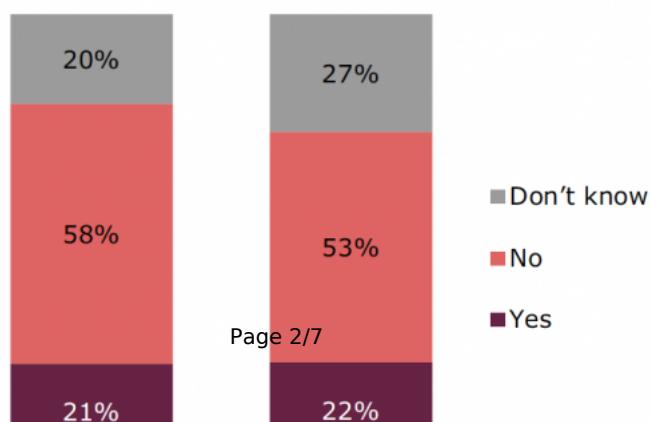
They add:

*There is also a strong link to deprivation, as 3.6% of adults in the most deprived areas of the UK are unbanked, compared with less than 0.6% in the least deprived areas.*

So, let's be clear that the problem of being unbanked does not mainly arise from having a bank account closed: it arises because a bank account is not available.

This, however, is not seen as a problem for all those without bank accounts. As the FCA notes:

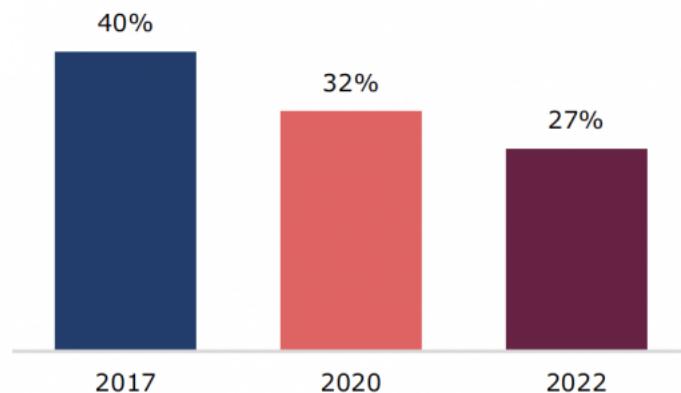
**Figure 5.3: Unbanked adults who want a current account (2020/2022)**



One-quarter of the unbanked might not want a bank account. Around one-fifth do. The rest would like the option.

What is apparent is that people are not aware that large banks are legally obliged to offer basic bank accounts. These do not allow overdrafts. They do provide payment cards:

**Figure 5.4: Unbanked adults aware that the largest banks have to offer everyone basic bank accounts (2017/2020/2022)**

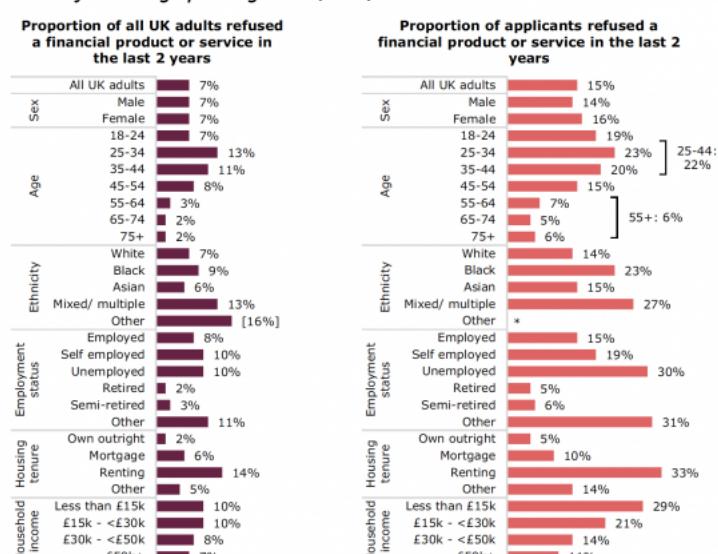


**Source:** FLS **Base:** All unbanked adults (2017: 272/2020: 303/2022: 270) **Question:** UN8. Before today, were you aware that the largest banks have to offer everyone a basic bank account?

It would seem that very little effort is being made to make people aware of this service.

Around 15% of all applications for financial services products are refused, according to the FCA. Those being refused have the following profile, with all the usual prejudices in society obviously present:

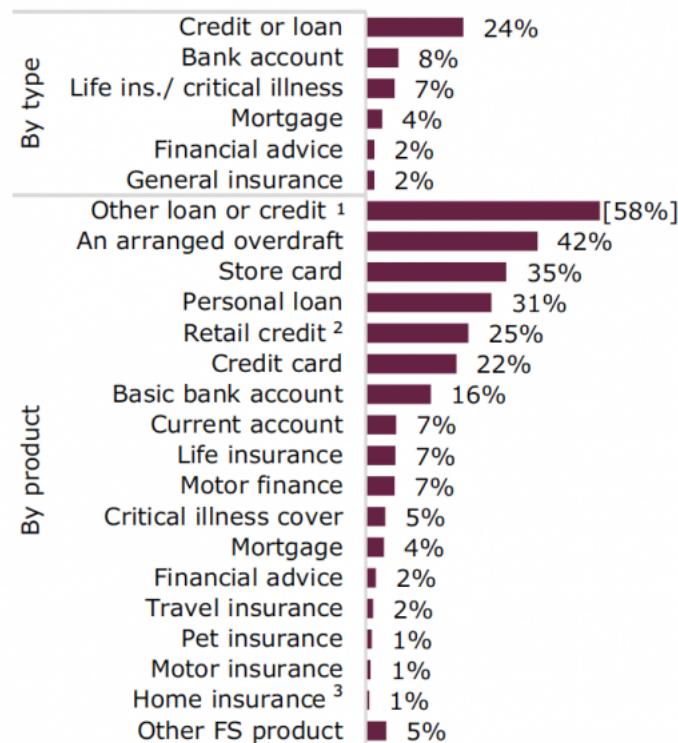
**Figure 5.5: Adults refused a financial product or service in the last two years, across a variety of demographic segments (2022)**



**Source:** FLS **Base:** All UK adults (2022: 19,145) excluding 'don't know' responses (2%) **Question:** AC1NEW (Rebased). In the last two years, has a financial services provider declined to sell you, or provide you with, any financial products or services? CAVEAT

Credit facilities were by far the most likely product to be refused:

**Figure 5.6: Applicants refused a financial product or service in the last two years, by product or service (2022)**



**Source:** FLS **Base:** All UK adults who had applied for each product in the previous two years (2022: varies by product) **Question:** AC12/AC1NEW summary. **Notes:**

<sup>1</sup> Other loan or credit includes payday loans, short-term instalment loans, pawnbroking loans, logbook loans or home-collected credit. <sup>2</sup> Retail credit includes catalogue credit, retail instalment credit or retail hire purchase. <sup>3</sup> Home insurance includes buildings, contents, and contents and buildings (combined) insurance

However, bank accounts were also refused:

#### **Adults refused a bank account**

Overall, 5.8 million adults (11% of adults) said they applied for a bank account in the two years to May 2022, of whom 0.5 million adults were refused (8% of those who made an application in this period). These figures include applications for current accounts and basic bank accounts.

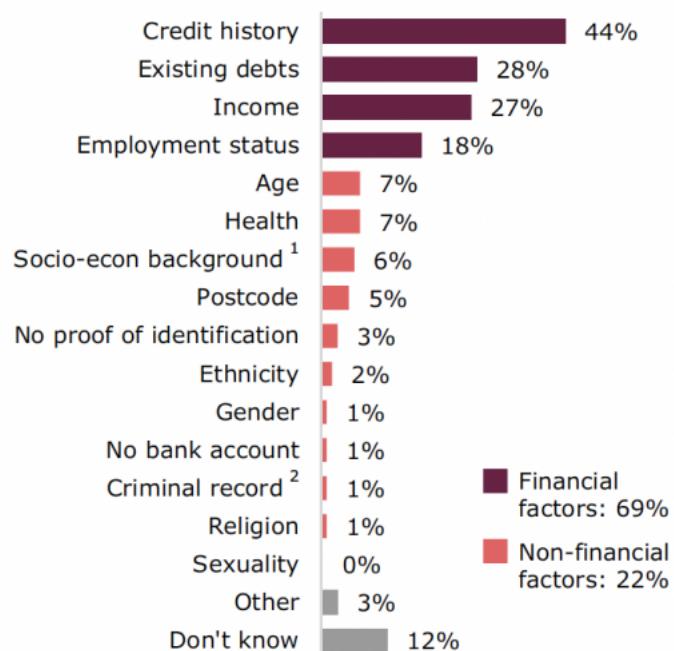
- **Current accounts:** 5.3 million adults made an application (10% of all adults), of whom 0.4 million were refused (7% of those who made an application)
- **Basic bank accounts:** 0.9 million adults made an application (2%) of whom 0.1 million were refused (16% of those who made an application)

A staggering 16% of those who applied for a basic bank account were refused, double

the rate for routine accounts.

There were reasons for rejection, of course:

**Figure 5.11: Factors contributing to being declined (2022)**



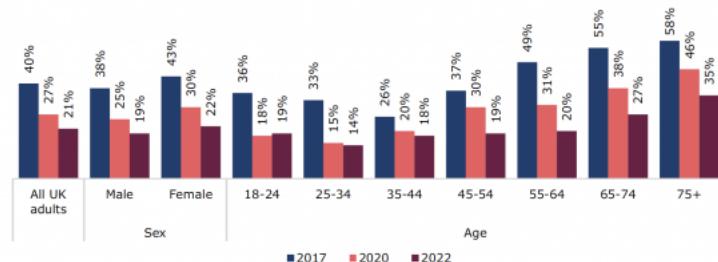
**Source:** FLS **Base:** All UK adults who have been refused a financial product or service in the last two years (2022: 1,194)

**Question:** AC9. Do you think any of the following circumstances contributed to your being declined? **Note:**<sup>1</sup> Socio-economic background explained as 'a combination of your income, occupation and social background'. <sup>2</sup> Criminal record explained as 'your criminal record or a household member's criminal record (any unspent criminal convictions you, or other people in your household, have)'.

It would appear that potential political bias by the organisation to which the application was made is a very limited issue.

There were much stronger reasons why people felt unbanked. One was because some (mainly older) people have a dependence on branch banking:

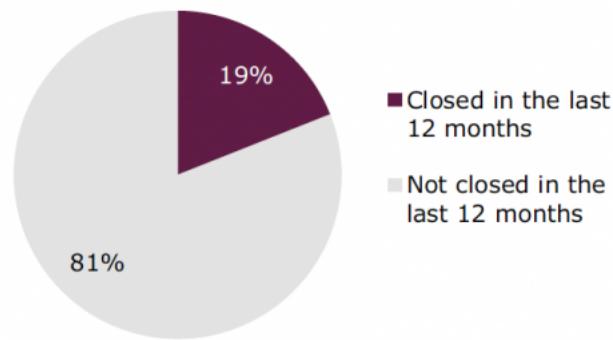
**Figure 5.17: Day-to-day account holders who used a particular bank branch regularly in the last 12 months (2017/2020/2022)**



**Source:** FLS **Base:** All UK adults who have a day-to-day account (2017: 2,565/2020: 4,310/2022: 7,298) **Question:** RB133a. Still thinking of your main day-to-day account, over the last 12 months have you used a particular branch regularly, ie at least once a month?

Too many of these people are being unbanked by the closure of their branches:

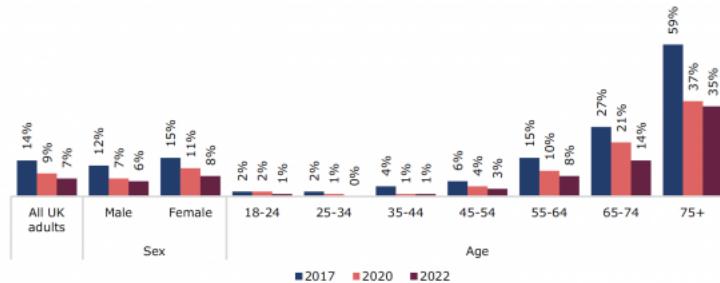
**Figure 5.18: Adults for whom a branch they used to use regularly closed in the last 12 months (2022)**



**Source:** FLS **Base:** All UK adults who have a day-to-day account (2022: 7,298) excluding 'don't know' responses (15%) **Question:** RB133 (Rebased). Has a branch that you used to use regularly closed in the last 12 months?

There is also a massive problem with exclusion as a result of banks relying on digital access:

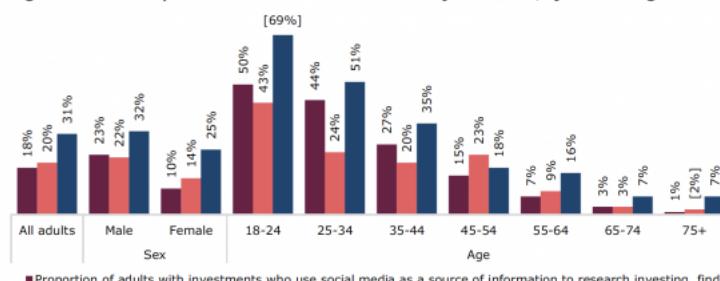
**Figure 5.25: Digital exclusion, by sex and age (2017/2020/2022)**



**Source:** FLS **Base:** All UK adults (2017: 12,865/2020: 16,190/2022: 19,145) **Question:** DE\_DV Those with poor or non-existent digital skills CAVEAT

There is also a barrier to data on banking for the same reason:

**Figure 5.29: Examples of how social media is used by investors, by sex and age (2022)**



■ Proportion of adults with investments who use social media as a source of information to research investing, find opportunities to invest or keep up to date with investments  
 ■ Proportion of adults with high-risk investment products who saw social media advertising before investing  
 ■ Proportion of online investment platform users who used social media to compare platforms

So, what to suggest?

I think that there are three vital issues to note.

The first is that if access to banking is now a social necessity (and I think it is), then the current situation of those unbanked is unacceptable.

Second, it is apparent that the current behaviour of commercial banks is not addressing this issue. Their focus on supposed efficiency is achieved at a considerable cost to many of their customers, many of whom might be considered the more vulnerable.

Third, when 16% of applications for basic bank accounts are being refused there is no safety net being provided.

In that case there is a need for real reform and this can only come from a state bank that:

- \* Guarantees basic bank accounts
- \* Has a wide High Street presence
- \* Is focussed on providing financial assistance
- \* Has the goal of achieving inclusion.

Which party will offer this?