

# REFUGEES IN EUROPE: BANKS NEED TO BE MORE UNDERSTANDING

According to the European Commission, in 2019, over 600,000 asylum seekers applied for international protection for the first time – many of whom are likely to struggle to access basic banking services. *Evie Rusman* looks at how banks can support refugees living in Europe

**I**t has been over five years since the refugee crisis in Europe began, and since then the number of migrants seeking asylum has increased.

Some would say that refugees pose a huge opportunity for banks to tap into an underserved market. By introducing services catered for this demographic, banks could not only expand their reach but contribute to a better-functioning society.

Village Capital, a venture capital firm specialising in financial inclusion, sees supporting innovation as an opportunity to help displaced communities. In its most recent report, the company outlines key solutions for fintechs and banks looking to close the gap between refugees and access to financial services.

Speaking to *RBI*, Marta Zaccagnini, programme manager at Village Capital Europe and author of the report, emphasises how fintechs have all the tools to help the vulnerable; however, she adds that these tools are not being used effectively.

“Fintech has proven its worth as a tool for financial inclusion of marginalised populations around the world,” she explains. “Mobile payments have lifted tens of millions out of the informal economy, for example, and European fintechs have provided some incredibly valuable solutions that address such populations’ needs, for example to prove their identity. But the startling reality is that these solutions are not being widely deployed in these fintechs’ own back yards to improve the daily lives of refugees, one of the most marginalised communities in Europe.”

## THE PROBLEM

Since 2014, over 3.5 million people have submitted applications for asylum in EU countries, resulting in various forms of legal protection, including refugee status for over 1.8 million. The report finds that this population, in particular, has difficulty in accessing financial services.

Why such a struggle? Judith Dennis, policy manager at the UK Refugee Council, explains to *RBI* why refugees find it difficult to integrate into the financial climates of their host countries.

“In the UK, it’s very difficult for newly recognised refugees to open a bank account, and this makes it significantly harder for them to find somewhere to live and start job hunting,” she says.

“Newly recognised refugees usually do not have the type of ID documents that high street banks require new customers to provide. However, they should have a Biometric Residence Permit, issued by the Home Office, and this should be regarded as sufficient ID to open a basic bank account.

“Furthermore, newly recognised refugees face a ‘catch 22’ situation in that they need to show an address and proof of income to access financial services, yet they can’t get long-term housing without the means to pay rent, and face significant barriers accessing welfare benefits without a bank account.”

Despite this, there are some services available to this population: in 2014 the EU passed a regulation requiring banks to offer basic payment accounts to all customers

legally residing in EU countries, including asylum seekers and refugees.

However, Village Capital argues that the regulation has been unevenly applied. To date, only half of EU country regulators have issued formal guidelines on the financial integration of refugees. More often than not, when financial services are available, they are usually difficult to access and very basic.

“There are four main reasons for this discrepancy: opaque and inconsistent regulations, difficulties in building partnerships between players such as NGOs and fintechs, a lack of investment, and an inadequate understanding of refugees’ needs,” Zaccagnini notes.

## MORE UNDERSTANDING

When it comes to finding solutions to this growing problem, banks can play a vital role in easing the stress experienced by refugees looking to become financially independent.

Speaking to *RBI*, Fabio Apollonio, development advisor for refugee services and restoring family links at Red Cross, believes banks must be more understanding when helping displaced communities.

“It is important for banks to educate their staff and also have access to language interpreters,” he says. “As well as this, there are questions that banks normally ask that can be quite traumatising for refugees because they are being made to relive their pasts, meanwhile they are trying to build their future. So, I think banks need to make an effort to be more understanding than they are.



Judith Dennis, UK Refugee Council

Ultimately, it is a matter of fully educating their staff.”

Apollonio continues: “A lot of the time one person will be speaking on behalf of their whole family – maybe the person who understands the new language and so on. And sadly, sometimes these people are at risk of financial abuse, so it is very important for banks to create a safe space for refugees to actually want to ask to open an account. Banks could also offer specific opportunities for this population – maybe loans etc.”

Apollonio also highlights that, because of their circumstances, refugees are often overlooked, which can make them feel unwelcome. By making access to financial services easier, Apollonio argues that migrants will better integrate into a new society and feel less isolated.

“One thing people always forget is that these refugees have left their countries, been through an incredibly painful journey, been separated from their families and then have

to live in a completely different country,” he adds. “I believe banks should trust people who have been on that journey. Financial integration is a key fundamental right in our society, and I think anything that can be done by banks is a long-term investment because these people are the future of society, especially their children.”

## SOLUTIONS

According to Village Capital, there are three ways in which fintechs can help make the process easier for refugees:

### Digital Identity

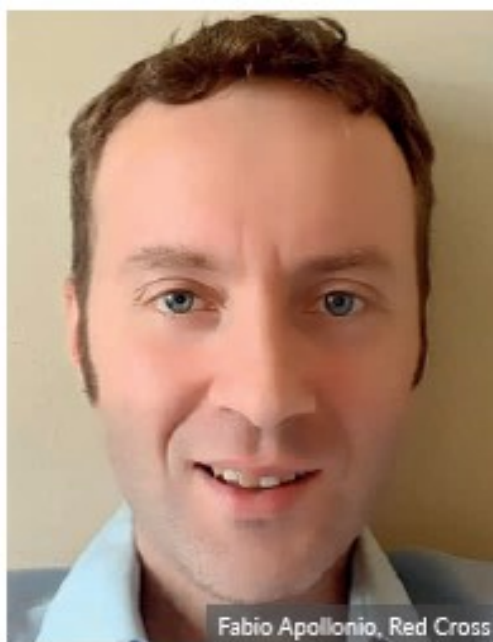
Many refugees do not have the basic identification documents required to access basic banking services. The report states that refugees could benefit from digital identity solutions such as distributed ledgers, which would enable them to carry their own financial history across borders, and hold and present their information at their choosing.

One company that uses this type of technology is Gravity, which helps individuals and small businesses to leverage their digital footprint for better access to finance, employment and aid.

### Digital banking products

Digital banking products designed to serve the needs of refugees include banking and insurance products, as well as cross-border payments and remittance services.

These services often need to be tailored to refugee clients because of specifics including difficulty in producing requisite identity documents for traditional banks’ KYC regulations, ties with countries under international sanctions and embargoes,



Fabio Apollonio, Red Cross

and difficulty in accessing refugee clients individually, which often necessitates partnership with NGOs, UN agencies or community groups.

### Alternative lending

Alternative lending tools use alternative data and loans to reduce the cost of underwriting and increase the speed of loan approvals.

At the moment, very few banks offer credit or loan facilities to refugees, despite evidence suggesting that refugees repay loans just as quickly as the average global borrower. Village Capital argues that alternative lending tools can help refugees to overcome the hurdles around KYC requirements and lack of credit history or collateral.

Assessing the solutions, Zaccagnini says: “If we can make progress in line with these recommendations and roll out solutions that already exist, then millions of refugees in Europe would be better integrated and better able to contribute to society.” ■

## COVID-19 IMPACT

As social distancing measures remain in place throughout much of Europe, access to financial services is even more of a struggle for refugees. Under growing pressure to not use cash, many shoppers are being encouraged to shop online or use contactless methods; however, this is not possible for many refugees, and access to basic necessities is becoming even more difficult as a result.

“During this pandemic, having a basic card is a way to access basic services from the comfort of your own home,” explains Red Cross development advisor Fabio Apollonio. “In the last few months, there have been a lot of refugees at the stage of being granted entry into European countries but, because of

their circumstances and not having access to a bank account, they have not been able to receive necessities such as benefits. They also are not able to shop online or top up their phones to speak to their families.

“Essentially, without a bank account, you almost can’t exist. Covid-19 has highlighted some of the challenges refugees face when settling in a new country,” Apollonio continues. “For instance, banks may require interviews with refugees before they are able to get a bank account, and because of the pandemic this is not possible due to closure of branches. I would definitely say that Covid-19 has impacted on their ability to access basic services.” ■