**Invitation to tender: The impact of the poverty premium on low income consumers**

**Introduction**

Around 10 million people who live in poverty in the UK pay extra costs for essential goods and services, like heating, loans, insurance and buying essential items for their homes. If they can’t pay these costs many of them will end up going without. These costs, known as the poverty premium, lock people in a cycle where getting out of poverty becomes more and more difficult. Research by the Personal Finance Centre at Bristol University showed that the poverty premium costs low income households an average of £490 every year[[1]](#endnote-1). However, low-income households vary in their exposure to different premiums, and the premium could be as much as £750 for some households.

**What is Fair By Design?**

Fair By Design is a movement dedicated to ending the poverty premium: Our campaign works with businesses, government, and regulators to design out the poverty premium. Our venture fund provides capital to help grow innovative ventures developing products that make markets fairer.

**The task**

Fair by Design, in partnership with anti-poverty charity Turn2us, wishes to tender a research project looking at the impact of the poverty premium, or the extra costs of being on a low income. The research will use a mixed methods research approach, collecting and using both qualitative and quantitative data, to assess the wider implications of price penalties for low income families particular in relation to consumer debt.

We would like to see the research to cover the following subjects:

* The prevalence of high cost credit use, such as payday loans or rent to own purchases, and what the reasons are for using this type of credit (for example for essential household items such as fridges, freezers, washing machines and cookers).
* The costs of home contents and protection insurance, whether low income households have access to this type of cover, and the implications on their lives of not having them.
* The costs of energy, how people on low incomes feel empowered or disempowered to change their suppliers, the costs of default tariffs, and the potential complications that many individuals and households experience in switching to better deals (for example the time constraints in comparing prices of different energy providers, or digital exclusion issues).

In addition to collecting this quantitative data, we wish to look at the impact on families: the costs to emotional and physical health and well-being, of being unable to purchase essential household items for example white goods, carpets and curtains.

**Methodology**

Turn2us is one of the leading providers of information and guidance for people on low incomes, and the research data will be drawn from people using their services and their stakeholder network. We propose four elements;

1. A brief literature review
2. Incidence and quantifying cost: a survey of people using Turn2us services to explore the prevalence of the poverty premium and the costs of it to individuals and society.
3. Impact: a series of focus groups created from the survey respondents which will provide a deep dive into the impact of the extra costs of being poor.
4. Ideas and solutions: in the spirit of the principle “nothing about us, without us,” we wish to use the focus groups to create a bottom-up, user-centred set of ideas and solutions to eradicate the poverty premium. We will use this evidence to structure both policy consultation responses and off-the-shelf future consultancy services helping product and service designers innovate around what people need rather than create products where one-size-fits-all.

Fair By Design has an ambassadors programme in partnership with Gingerbread, consisting of a range of individuals that have had lived experience of the poverty premium. We put people with lived experience at the heart of our work, so our ambassadors will be involved in the design of the research project, in oversight and dissemination, at a minimum.

The research will form the basis of published report featuring the results and a series of recommendations. Fair By Design and Turn2us will lead on a joint dissemination and influencing strategy aimed at those who can reduce the poverty premium: policy makers, regulators and businesses. We will also use the research findings and ideas/solutions to raise awareness of this issue amongst the media and the public through an effective communications strategy to gain traction on the issue.

**Budget and tender details**

The budget available for this piece of work is up to £15,000 (plus VAT if payable).

Please submit a proposal of up to three sides of A4, setting out:

- How you would approach this project

- Your track record in delivering work of this kind (particularly the focus on poverty, and working with people with lived experience)

- Your suggestions for the format of the research outputs (e.g. a written public interest report, video, other formats)

- Brief details of the staff member(s) who would be involved and their relevant experience

- Confirmation that you are able to meet the timeframe set out below.

Submissions should be sent to Carl Packman, Head of Corporate Engagement at Fair By Design email: [c.packman@barrowcadbury.org.uk](mailto:c.packman@barrowcadbury.org.uk) by 10th June 2019.

Interviews will take place on the 25th June 2019 at Turn2Us offices in Hammersmith, London. We intend for the beginning of the project to be in July 2019 and be completed within 3-4 months culminating in the report launch in September/October 2019.

1. Davies, S *et al* (2016) The Poverty Premium - When low-income households pay more for essential goods and services. Bristol: University of Bristol [↑](#endnote-ref-1)