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Informal foreign cash transfers cheaper, says study

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Specialist money transfer companies are generally cheaper than high street banks for immigrants to send money home from the UK and informal methods are often the cheapest of all, according to new research from the Department for International Development.

The department's interest in money transfers reflects the huge and growing importance of remittances as a source of finance for poor countries. Total global remittances from migrants in rich countries are estimated to be at least Dollars 100bn (Pounds 53bn) a year, 1 1/2 times the level of all foreign aid, with remittances from the UK reckoned to be Pounds 2.3bn in 2001.

The results of the survey, carried out by mystery shoppers employed by NOP, the research company, will be posted on to a new website that compares the cost of sending money to developing countries.

The research found that, especially for amounts of about Pounds 100, the money transfer operators like Chequepoint, MoneyGram and Travelex Money Transfer were generally cheaper than banks. In sending Pounds 100 to India, for example, Western Union and First Remit were the cheapest, charging Pounds 4 and Pounds 5 respectively. HBOS was the lowest-cost high street bank at Pounds 7, with some forms of bank transfer costing up to Pounds 35. Banks tended to charge flat fees which were a higher proportion of the total for small amounts and the speed of delivery was, on average, longer.

But in spite of the differences in cost, migrants often used transfer systems based on habit rather than direct comparisons of cost and efficiency. Jeremie Alamazani, the UK-based commercial director of a publishing house with family in Congo and Senegal, said he sent about Dollars 5,000 (Pounds 2,650) a year back to Africa. "At the moment I don't have a scale of charges to enable me to make comparisons," he said. "I want the competition to be there." Mr Alamazani added that the test of the DfID's work was whether the information would actually be used by migrant communities in Britain.

Many immigrants prefer to use informal channels, such as sending money with a travelling relative or hawala systems, where a deposit with an agent in the UK can be withdrawn abroad. Titi Banjoko, the British-Nigerian director of Africa Recruit, a skills and employment agency, said: "I use informal methods a lot. If I send Pounds 500 to my mother (in Nigeria) that way, she will receive the full amount and can change the money on the black market when there is a good price rather than taking the bank rate."

Some informal networks, such as the hawala systems used in many Islamic countries, have come under pressure from the US-led clampdown on money laundering and terrorist finance following the attacks of September 11 2001. Gareth Thomas, the development minister, said the UK was working with central banks in Nigeria, Ghana and Bangladesh to develop low-cost money transfer systems while continuing to tackle money laundering.

The report said that for some remittances, such as those destined for remote villages in mainland China, **the lack of banks** or money transfer offices on the ground meant that informal methods were the only choice, in spite of frequent fears expressed about the security of the money. www.sendmoneyhome.org
<www.sendmoneyhome.org>