

## Consumers and Credit Risk - UK - February 2017

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“The changing demographic profile of the UK highlights the growing need for more non-mainstream lending products. However, despite positive signs of engagement, there is a disconnect between how confident people feel about being able to access credit, and the likelihood that they are trying to improve their credit score.”

– **Jessica Galletley, Financial Services Analyst**

This report looks at the following areas:

- Different factors affect people’s level of access to credit
- Changing employment landscape creates opportunities
- Life events spark engagement with credit scores

Consumer credit markets have boomed in recent years as people make the most of low interest rates and an improved economic backdrop. However, access to credit varies significantly across the population, which has in turn driven the development of new products and markets to provide credit to those who fall outside the prime lending market. So-called “subprime borrowers” represent only a small segment of the overall credit market, although many more people have one or more factors that might limit their access to different types of credit.

This Report explores the credit risk profile of consumers in the UK, identifying the factors that can limit people’s access to credit, and looks at who these people are. It explores how consumers engage with their credit profile, the credit products they use and their confidence in being able to access credit. The Report also identifies some key factors driving growth in the non-mainstream credit market, including wider economic trends and the changing demographic profile of the UK.

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The facts

The implications

## The Market – What You Need to Know

Unsecured lending continues to grow

Insolvencies remain low

According to the latest data from The Insolvency Service, the number of individual insolvencies rose in 2016 for the first time since 2010 to 85,000. However, this figure is still lower than it was two years ago, and significantly below the number seen immediately after the financial crisis.

Despite these comparatively low figures, the debt charity StepChange has reported an increase in the number of people seeking advice on how to manage their debt. According to the charity's mid-year review, the first six months of 2016 saw record numbers of people seeking debt advice. As such, these new figures could suggest that the tide is turning.

FCA reviews entire high-cost credit market

The Open Banking Standard will help to address financial exclusion

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Unsecured lending continues to grow

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FCA reviews entire high-cost credit market

The Open Banking Standard will help to address financial exclusion

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Few large lenders seek lion's share of the subprime unsecured lending market

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Guarantor loans  
 Credit-builder cards  
 Free credit score checks

## The Consumer – What You Need to Know

Over half of the population could face difficulty accessing credit  
 The majority of people are confident they could access credit  
 Discomfort with credit means most want to repay quickly  
 Two in five want their provider to take a more active role  
 Important life events spark the need to improve scores

## Credit Risk Consumer Profile

Lenders and credit risk  
 Over half of the population could face difficulty accessing credit  
 Mintel's research has found that more than half (56%) of all adults in the UK have at least one factor that could affect their ability to access credit. People with more severe issues are likely to struggle to access mainstream credit products. However, those with a less-than-perfect credit score could be offered a higher rate by mainstream lenders such as their current account provider.  
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