

Consumers and Credit Risk - UK - February 2017

Report Price: £1995.00 | \$2510.51 | €2325.77

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.



“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.

**BUY THIS
REPORT NOW**

VISIT:
store.mintel.com

CALL:
EMEA
+44 (0) 20 7606 4533

Brazil
0800 095 9094

Americas
+1 (312) 943 5250

China
+86 (21) 6032 7300

APAC
+61 (0) 2 8284 8100

EMAIL:
reports@mintel.com

DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market

Consumers and Credit Risk - UK - February 2017

Report Price: £1995.00 | \$2510.51 | €2325.77

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Table of Contents

Overview

What you need to know

Definitions

Executive Summary

The market

Unsecured lending continues to grow

Figure 1: Gross unsecured lending, 2012-16

Insolvencies rise for the first time...

Figure 2: Individual insolvencies in England and Wales, by type, 2011-16 (not seasonally adjusted)

Brexit will put a dampener on positive employment conditions

The Open Banking Standard will help to address financial exclusion

Use of alternative data will reduce financial exclusion

The consumer

Over half of the population could face difficulty accessing the credit they want

Figure 3: Factors affecting access to credit, October 2016

Two thirds of UK adults owe money on a loan or credit product

Figure 4: Loan and credit product ownership, October 2016

Majority are confident about accessing credit

Figure 5: Confidence in being accepted for credit or a loan, October 2016

Most credit users have their borrowing under control

Figure 6: Amount owed on all loan and credit products, October 2016

Credit use concerns mean people try to repay as quickly as possible

Figure 7: Attitudes towards borrowing, October 2016

Majority never check their credit score

Figure 8: Credit score checking behaviour, October 2016

Over a third are currently trying to improve their score

Figure 9: Attitudes towards credit scores, October 2016

What we think

Issues and Insights

Different factors affect people's level of access to credit

The facts

The implications

Changing employment landscape creates opportunities

The facts

The implications

Life events spark engagement with credit scores

**BUY THIS
REPORT NOW**

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

EMAIL: reports@mintel.com

Consumers and Credit Risk - UK - February 2017

Report Price: £1995.00 | \$2510.51 | €2325.77

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

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

Market Environment

Unsecured lending continues to grow

Figure 10: Gross unsecured lending, 2012-16

Availability of credit has improved...

...but regulation has meant tighter affordability checks

HCSTC cap has unmasked need for established non-mainstream lenders

Changing demographics highlight need for alternative lending products

Ageing population

Self-employed

Rising rental population

Insolvencies rise slightly in 2016...

Figure 11: Individual insolvencies in England and Wales, by type, 2011-16 (not seasonally adjusted)

...whilst more people are seeking debt advice

Unemployment continues to fall...

Figure 12: Total UK unemployment rate among people aged 16+, quarterly, January 2010-September 2016

...but Brexit could make the economic picture gloomier

Regulatory Context

FCA reviews entire high-cost credit market

The Open Banking Standard will help to address financial exclusion

FCA to review creditworthiness

Market Developments

Use of alternative data could reduce financial exclusion

Brokers play an important role in the non-mainstream market

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

Innovation in the non-mainstream lending markets

BUY THIS
REPORT NOW

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

EMAIL: reports@mintel.com

Consumers and Credit Risk - UK - February 2017

Report Price: £1995.00 | \$2510.51 | €2325.77

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

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.
Employment or circumstantial factors
Money management issues
Experienced financial difficulties
Figure 13: Factors affecting access to credit, October 2016
People with low-risk issues more likely to be offered a higher rate
Payday loans and credit
Education around some lifestyle factors will improve credit profile
Lower-income borrowers have less access to credit
Figure 14: Household income, October 2016

Loan and Credit Product Ownership

Two thirds of UK adults owe money on a loan or credit product
Figure 15: Loan and credit product ownership, October 2016
One in 10 have a personal loan
Only 8% of people have four or more different types of products
Figure 16: Repertoire of loan and credit product ownership, October 2016
Type of products owned depends on the type of borrower
Figure 17: Loan and credit product ownership, by factors affecting access to credit, October 2016

Confidence in Accessing Credit

Majority are confident about accessing credit
Figure 18: Confidence in being accepted for credit or a loan, October 2016
Half of people with financial difficulties remain confident
Figure 19: Confidence in being accepted for credit or a loan, by factors affecting access to credit, October 2016
Confidence rises as people get older

BUY THIS
REPORT NOW

VISIT: store.mintel.com
CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094
Americas +1 (312) 943 5250 | China +86 (21) 6032 7300
APAC +61 (0) 2 8284 8100 |
EMAIL: reports@mintel.com

Consumers and Credit Risk - UK - February 2017

Report Price: £1995.00 | \$2510.51 | €2325.77

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Figure 20: Confidence in being accepted for credit or a loan, by age, October 2016

Regional differences highlight need for financial support

Employment status affects confidence

Figure 21: Confidence in being accepted for credit or a loan, by employment status, October 2016

Lack of credit usage limits future access

Figure 22: Confidence in being accepted for credit or a loan, by loan and credit product ownership, October 2016

Amount Owed on Loan and Credit Products

Most credit users have their borrowing under control

Figure 23: Amount owed on all loan and credit products, October 2016

Debt-to-income ratio is a key indicator

Figure 24: Amount owed on all loan and credit products, by household income, October 2016

Attitudes towards Borrowing

Credit use concerns mean people try to repay as quickly as possible

Figure 25: Attitudes towards borrowing, October 2016

Two in five want their provider to take a more active role

Importance placed on expert advice as online information leads to confusion

Interest in protection products but significant barriers exist

Credit use concerns mean people prefer familiar providers

Non-mainstream providers need to do more to become 'first-choice' lenders

Figure 26: Attitudes towards borrowing, by factors affecting access to credit, October 2016

Credit Score Checking

Majority of people never check their credit score

Figure 27: Credit score checking behaviour, October 2016

Two in five credit users check their score at least once a year

Engagement falls when people owe less

People with existing issues are more engaged

Figure 29: Credit check scoring behaviour, by factors affecting access to credit, October 2016

Attitudes towards Credit Scores

Over a third are currently trying to improve their score

Figure 30: Attitudes towards credit scores, October 2016

Important life events spark the need to improve scores

Figure 31: Agreement with the statement 'I'm currently trying to improve my credit score', by age, October 2016

Lack of connection between acceptance and credit score

Figure 32: Agreement with the statement 'I'm currently trying to improve my credit score', by confidence in being able to access credit, October 2016

Paying a fee could be off-putting to those in most need of understanding their credit profile

Figure 33: Agreement with the statement 'I'm willing to pay a monthly fee for detailed information about my credit profile', by financial situation, October 2016

Millennials are more willing to pay for detailed information

Figure 34: Agreement with the statement 'I'm willing to pay a monthly fee for detailed information about my credit profile', by generation, October 2016

**BUY THIS
REPORT NOW**

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

EMAIL: reports@mintel.com

Consumers and Credit Risk - UK - February 2017

Report Price: £1995.00 | \$2510.51 | €2325.77

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Appendix – Factors Affecting Access to Credit

Employment or circumstance factors

Figure 35: Employment or circumstance factors affecting access to credit, October 2016

Money management factors

Figure 36: Money management factors affecting access to credit, October 2016

Financial difficulty factors affecting access to credit

Figure 37: Financial difficulty factors affecting access to credit, October 2016

Appendix – Data Sources, Abbreviations and Supporting Information

Abbreviations

Consumer research methodology

**BUY THIS
REPORT NOW**

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

EMAIL: reports@mintel.com