Britainthinks
Insight & Strategy

26.07.2022

Early Credit Journeys among Consumers

A summary report of research conducted on behalf of the Financial Services Consumer Panel

Contents

Background

Against the backdrop of broader socioeconomic factors including (pre-pandemic) austerity, rising inflation, and the growth of flexible, but also insecure work, unsecured debt in the UK has grown steadily since the 2008 financial crisis. Debt was found in 2019 to have reached pre-2008 record highs of more than £14,500 per household, equivalent to a share of household income of 27.5%[1]. While the *full* effects of the Covid-19 pandemic on consumer finances overall and household debt specifically remain to be seen[2], the share of households reported to be in financial difficulty is said to be on the rise. This is particularly apparent among consumers with higher levels of unsecured debt[3], even before the impact of current rises in fuel and living costs begins to crystallise for most households. Though recent data showed continued growth in consumer credit to March 2022[4], this has begun to slow, particularly in relation to credit card borrowing in April and May[5].

[1] https://www.tuc.org.uk/news/unsecured-debt-hits-new-peak-ps14540-household-tuc-analysis
[2] https://www.fca.org.uk/publication/research/financial-lives-survey-2020.pdf
[3] https://www.bankofengland.co.uk/quarterly-bulletin/2021/2021-q2/household-debt-and-covid
[4] https://www.bankofengland.co.uk/statistics/money-and-credit/2022/march-2022
[5] https://bmmagazine.co.uk/news/credit-card-borrowing-falls-as-consumers-feel-squeeze/

Whilst credit card debt overall has remained relatively consistent as making up the largest proportion of unsecured household debt, there have been significant changes to the unsecured consumer credit market[6], including:

- The exit of established lenders and products, and in particular 'payday' lenders and more rent-to-own lenders from the market.
- The entry of new providers and products into the market, including relatively sophisticated and complex products such as peer-to-peer lending.
- Ever easier access to unsecured credit products via online channels, with for example, more than half of the largest online retailers offering 'buy now pay later' (BNPL) schemes[7].
- Changes and trends in other parts of the financial ecosystem, and in markets which intersect with consumer credit. Such as, significant innovation in payment methods (e.g. the introduction and proliferation of digital wallets) which have got some consumers in the habit of exploring new ways to pay for and fund products and services.

Specific characteristics and life stages are also associated with use of credit, which may go some way to explaining why and when credit is being used. For example, evidence examining drivers of credit use has found families with dependent children; people who have lower financial resilience and/or lower levels of financial literacy; and, normative behaviours relating to credit, are associated as characteristics of, or drivers, of credit use[8]. However, what about those *early* in their journeys of credit use? In this research we have found some similar insights but have also aimed to unpack this further around motivations and behaviours.

While on the one hand, innovation and competition in the market can be seen as positive for consumer choice, several characteristics of unsecured lending products also means how they are being used warrants ongoing analysis. These characteristics include:

- The relatively sophisticated and complex nature of some high-cost credit products, with which consumers may not necessarily be familiar.
- The scope for certain shortcuts and heuristics to limit consumers' ability to make an informed or balanced decision in relation to high-cost credit products.
- The partially or totally unregulated nature of some, particularly new credit products, which either straddle or fall outside the FCA's regulatory perimeter.

Reflecting this, consumer credit, and specifically unsecured and high-cost credit, has been a key priority area for both the Financial Conduct Authority (FCA), as evidenced for example by the 2020 Woolard Review into unsecured credit, and for the Financial Services Consumer Panel (hereafter called 'the Panel')[9]. The purpose of the Panel, which exists as a separate statutory body, is to act as an independent adviser and challenger to the FCA. In particular,

---

[6] https://www.fca.org.uk/publication/research/future-issues-unsecured-consumer-debt.pdf
[7] https://www.which.co.uk/news/2021/10/online-shoppers-bombarded-with-bnpl-at-the-checkout/
[8] https://www.bristol.ac.uk/media-library/sites/geography/pfrc/Why%20adults%20regularly%20use%20credit%20for%20food%20and%20bills.pdf
[9] https://www.fca.org.uk/about/woolard-review-unsecured-credit

it ensures that the best interests of consumers and small businesses are reflected from the very outset (and throughout) in the development of FCA policy, supervision and regulation.

It is in this context that the Panel commissioned BritainThinks to conduct research on early-stage credit journeys with consumers. The research addresses six specific research questions, with the research sample recruited to represent early-stage users of specific types of products of interest to the Panel:

1. How do consumers fund their spending, and how does this vary by type of spending (e.g. essential vs. non-essential spending)?
2. To what extent is consumer spending funded by debt, what types of debt have they taken on, and why?
3. To what extent are consumers' debt portfolios the result of informed decisions about their spending and debt?
4. What factors influence consumers' spending and use of debt to fund spending?
5. To what extent do consumers think consciously about the range of different debt products they own?
6. Is there any evidence of potential consumer harm (even if this has not yet crystallised) in the early part of the debt journey, and what are the drivers of this?

Summary of key findings

This research set out to explore the experiences, motivations and drivers of consumers who are beginning to use specific credit products for the first time or accumulate more debt – **early-stage users of credit.** The methodology consisted of forty in-depth interviews completed as exploratory qualitative research (see further detail below).

In terms of key findings, it is clear that the rising cost of living may drive further demand for credit; credit use is also highly individual and personal, including what it is used to purchase, why it is used and the products selected. Users also don't always weigh up their decision-making to use credit or see it as different from other forms of (online) payments they use, and tend to disassociate their own credit use from 'debt'.

Against this backdrop there is much for the Consumer Panel to consider for the future, though clearly credit can be both a valuable addition to consumers' suite of financial products, and an area of potential detriment and risk. Below the key findings from the research are summarised, with additional detail provided throughout the report.

Contextual findings

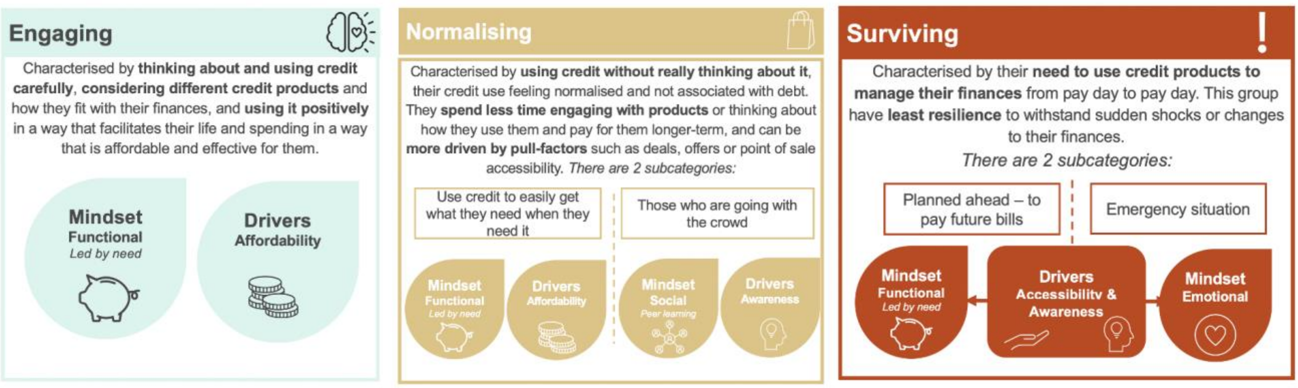
1. **The rising cost of living is becoming top-of-mind for early-stage credit users**. Many feel they may end up using more credit to 'help them get by' in the face of rising prices[10]. This, coupled with a sense that finances are tight for everyone, means credit use feels (increasingly) normalised with a perception that 'everyone is using it'.

[10] In separate polling with a nationally representative sample of the UK population, 13% stated they either are already or think they will be very likely to use credit to pay their bills more in response to the rising cost of living (n=2,076, research conducted between 21st and 22nd March 2022).

2. **Whilst consumers have an intuitive sense of what is essential or not, spending that might be viewed objectively as 'non-essential' is still felt to be important on a personal and individual level**, as it makes 'life worth living'. Giving up non-essential spending feels difficult in practice, even if it is a goal in principle, given concerns about rising costs (and particularly following the pandemic, where interviewees weren't able to spend time (and money) on the things they enjoy).
3. **Credit is used to fund what matters to the individual and their life, and this can be very personal** – from household bills to homeware, holidays, and clothes.
4. ***Their* credit is generally not associated with 'debt'**. Instead, debt is viewed viscerally negatively, associated with 'extreme' situations or large loans, and with being out of control/unable to manage personal finances – even among those who do, in practice, have debt of their own.
5. **Taking out credit is driven by an initial need for something specific** (e.g. to replace a product that breaks, making it to the next pay cheque), though external factors such as incentives can 'push' or 'pull' early users towards credit use (over other forms of spending). Mindsets, and how people are framing their decisions about using credit, also plays an important role when deciding to take out credit – whether people are being more functional in their approach to using credit, more emotion-driven in their choices or driven by more social factors such as knowing other people who use credit and normalising their own use alongside this.
6. **Three key aspects then drive choice of specific products**: accessibility, (how easy or difficult it is perceived to be to obtain this credit), affordability (generally assessed via the monthly payment amount) and awareness (e.g. familiar brand or personal recommendations). Decisions to use credit are carefully considered by some, but made as 'snap' decisions by others (with the decision often 'smoothed' by easy access and familiarity).

Typologies of early-stage credit users

Bringing this all together, three early-stage credit user typologies have been identified in the research – those who are engaging, normalising, or surviving. These illustrate distinct ways in which different groups of consumers in this research **approach using and accessing credit products** in the early-stage of their credit use, the **mindset** with which they are typically approaching credit use and the **drivers** for selecting specific products:



Is there evidence of consumer harms?

Whilst it is clear credit can be a valuable tool for many early-stage users to smooth and manage their finances, four potential areas of concern have been identified (summarised in the diagram below). These could point to routes to detriment in the future, especially against the backdrop of the rising cost of living.

Firstly, **the fact that very few associate their credit use with debt.** This mental model could be causing harm with consumers in this sample accumulating products while still holding on to a sense they are 'in control' of their credit use, even when simultaneously talking about financial concerns they also may have. This illustrates an optimism bias at play whereby their own credit is felt to be more considered and managed than it may actually be longer term.

Interviewees also describe **'pull' factors** – for example, deals or vouchers offered by brands if consumers spend a certain amount with them – that lead them to spend more than they would have otherwise. This is particularly the case for 'easy access' products, including BNPL, where for example, they think they may return some of the items they have bought but don't get around to doing so.

Early credit users in our sample are also **rarely thinking about their credit use in the longer term**. When taking out credit products, interviewees are typically thinking about their ability to make monthly re-payments, and how that balances against other outgoings, rather than the total cost of their credit (and how much interest they will end up paying). Similarly, few are thinking about their level of financial resilience, and whether they would be able to afford those credit products if their situation changed.

What does all this mean in terms of the key research questions?

The research has found that early-stage credit use can be highly personal and individual. Whilst credit can often be used positively to help people smooth their income, consumers positivity bias about their own credit use, coupled with rising costs and an ongoing normalisation of credit use, requires careful monitoring to:

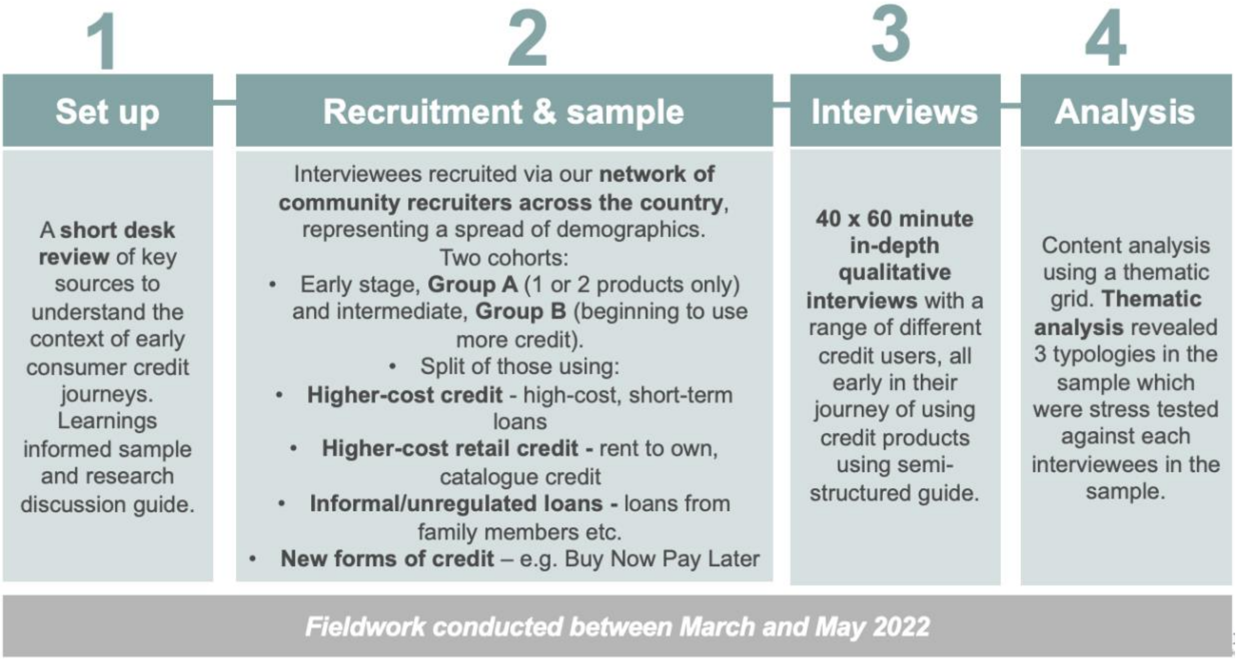
- Ensure that consumers are able to consider, understand and access the right products for them, at the right time; and

- Consumers can identify if they begin to face detriment and accumulate debt they find difficult to manage, as well as feel able to access support to address this.

1.	**How do consumers fund their spending, and how does this vary by type of spending (e.g. essential vs non-essential)?**	**Highly individual and influenced by life stage and what they are buying.** Whilst some try to avoid credit for essentials, and some begin use with larger or leisure purchases, in reality, the line is very blurred, what people need is 'essential' and credit can and is used for anything.
2.	**To what extent is consumer spending funded by debt, what types of debt have they taken on, and why? Has this changed over time, and why?**	**Highly individual – as all were recruited to be credit user, they are, by definition, funding some spending with debt**. Whilst some are using credit to buy specific items initially and this escalating into using more credit, others have 'red lines' about what they will and will not use credit for.
3.	**To what extent are consumers' debt portfolios the result of informed decisions about their spending and debt, and how does this vary and change over time?**	The 'normalising' typology are least likely to carefully consider their credit choice; and **generally, push and pull factors and emotional drivers mean taking out credit a *less* considered choice than consumers 'rational accounts' may indicate.**
4.	**What factors influence consumers' spending and use of debt to fund spending?**	First, they have a **need for something specific**, then they decide to use **credit based on a range of mindsets** (emotional/social), and **push and pull factors**, to then use credit for that specific purpose.
5.	**To what extent do consumers think consciously about the range of different debt products they own?**	Only engagers really think about the range of products they have; **most see these products as 'means to an end',** to reach the goal of purchasing what they need, as opposed to considering them as part of a portfolio of products.
6.	**Is there any evidence of potential consumer harm (even if this has not yet crystallised) in the early part of the debt journey, and what are the drivers of this?**	There is some evidence that pull factors & low cost BNPL may be driving some early-stage users to **spend more than they would have otherwise;** there is also evidence that credit **use is viewed with a short-term outlook**, as opposed to the longer-term overall costs/repayment process. However, **credit can also be used positively to spread costs and smooth income and outgoings.**

Methodology

This research is qualitative and exploratory in nature, consisting of 40 x in-depth semi-structured interviews as the following diagram outlines:



Limitations and considerations for future study

This research explores a wide range of experiences of using credit, with people deemed to be at an early-stage of beginning to use credit. The research purposely included specific products, and a mix of demographics within the sample.

As with all research there are limitations to the scope – as qualitative, exploratory research conducted within a specific time frame and budget it was only possible to include 40 interviewees, taking part in interviews each lasting around one hour. It did not set out to measure prevalence of credit use or quantitatively validate patterns identified in behaviour. Therefore, use of credit products and patterns identified via this exploratory research cannot be directly extrapolated to the wider population.

Further research could involve:	
Exploring how mindsets and drivers interact further	• Time constraints during qualitative interviews means full understanding of the potential intersections of these mindsets and drivers has not been possible.
Quantitative research measuring prevalence within the population	• This is qualitative exploratory research, with the sample recruited specifically to include those with different products. Therefore, conclusions cannot be drawn in terms of prevalence of these insight to the broader population.

Understanding how credit products interact with the full suite of products consumers have (e.g. current accounts, digital wallets, overdrafts)	• Whilst use of these products was explored and probed in the interviews when they arose, given how prevalent these are, and the Panel's interest in the specific products outlined above, more time was spent exploring in detail how consumers access and use the four 'types' of credit set out above (as opposed to the full suite of financial products they have and their interrelationship).
Deeper dives into specific products and sub-groups within the population	• This sample was purposely designed to include a wide range and diversity of products, journeys and demographics. A larger sample of people using specific products or representing different demographic characteristics would be needed to robustly provide further sub-group analysis of this beyond what has been presented here.

Section 1 | The context: how are consumers managing their money right now and what is influencing this?

There is growing concern about the rising cost of living, with interviewees anticipating they will need to use more credit to fund their lives in the near future as their bills increase. However, by anchoring themselves against others who they feel are 'worse off', interviewees were able to feel a degree of control and optimism.

The rising cost of living *is* causing real concern about finances and future spending

At the beginning of the fieldwork period, the overall mood was relatively optimistic; with interviewees spending time with friends and family and feeling able to plan ahead in a way that seemed impossible during the height of the pandemic. 'Making up for lost time' was a recurring theme in their spending. However, as fieldwork progressed, stories about the rising cost of living rose up the news agenda and higher costs became a more prominent theme in interviews. Interviewees started to report feeling their own cost of living increase, and with it, their rising concern about future finances and spending.

Though the rising cost of living is a very real concern for interviewees, there is also a sense that finances are tight for everyone. This creates a degree of acceptance towards the situation, but also provides a sense of security for consumers interviewed, as it enables them to think their personal financial circumstances are 'not so bad', when everyone is 'in the same boat'.

Adapting to the rising cost of living (e.g. by 'cutting back') in the current context could also prove more challenging than in other economic downturns. As interviewees emerge from the pandemic, they describe feeling reluctant to 'go without', feeling they 'deserve' to enjoy and treat themselves after such a challenging couple of years. However, they also acknowledge that this is in direct tension with their growing concerns over rising costs and how this may affect their lives – and spending – in the future.

> *"I noticed that the price of food is going up, and from April, electricity, energy, gas, petrol – everything has gone up. It will not be easy for anybody; the wages are not going up."*
>
> (Female, Group A, 30-54)

Just doing *something* helps consumers to feel a sense of control over their finances, particularly when they 'anchor' against others

Interviewees generally describe feeling in control of their finances, though a small number explicitly describe themselves as being 'bad with money' or struggling to manage their finances. They 'anchor' themselves against those they view as 'worse' with money, or who are in a more difficult financial position, so they feel they are in a 'better position' than others around them.

Some describe being proactive when managing their finances, feeling they understand their finances in detail, using spreadsheets and apps to think about their monthly spending and savings goals. They also round up small savings, or make sure all their direct debits come at the start of the month. Others (who make up more of this sample) have a broader overview of their monthly outgoings, knowing the rough amount of their 'core bills' and have an ambition to ensure their salary covers this. Overall, level of engagement with finances tended to be very variable, however any engagement gave a sense of 'control'.

> *"We're combining different rules, like saving £10 a week plus any roundups from the week's transactions. This month's savings are £56, I'm happy with that."*
>
> (Male, Group A, 18-29)

Generally, finances are thought about on a month-to-month basis[11] (e.g. covering monthly bills), though some interviewees describe planning longer term for 'bigger ticket' items, such as a holiday, house move/renovation or a car. Savings are viewed as something aspirational to achieve, and provide feelings of safety knowing funds are set aside. But, it can feel challenging in practice to save consistently and regularly. Rather, drawing on savings is commonplace in the sample, particularly at the end of the month to cover expenses. Those who report using credit for day-to-day expenditure don't feel they are in a position to save, or even consider saving.

In this context, 'credit' is not spontaneously mentioned as a way of funding *spending* until explicitly probed. Instead, credit is thought of as a way to 'smooth' spending towards the end of month, spread out payments for larger items or to act as a 'buffer' in the event of an

[11] Linking up to monthly payments for a large part of this sample, though those with different payment periods were also represented in this sample. Bills are often thought of on a month-by-month basis even for those have 'lumpy' income patterns.

emergency. There is also a sense amongst some that using credit is just 'borrowing' from their future selves to smooth over their spending and be able to buy what they want earlier.

Whilst the difference between essential and non-essential spending is understood, it feels like a continuum rather than two distinct categories

There is an intuitive sense of what is classified as essential or non-essential spending. Instinctively, paying the rent or mortgage, utility bills, and grocery shopping are seen as essentials – as they are needed to survive. Whilst other purchases might seem less essential in principle, what is non-essential spending – and how important this feels – is highly subjective. Interviewees describe feeling unwilling to cut out many of the things that are technically viewed as 'non-essential' because they feel these things 'make life worth living' - the weekly takeaway, drinks with friends, a holiday. In many ways, this type of spending is also implicitly felt to be essential too, not for survival, but for living. This is felt even more acutely given the backdrop of the pandemic, and the importance of 'getting back to normal' and 'enjoying life' after two years of restrictions.

As fieldwork progressed during early 2022, growing concerns about the cost of living did prompt interviewees to think about what they can *'cut back'*, and to re-evaluate what really does feel essential when it comes to their spending. Some with more acute concerns or who are more financially vulnerable report having already made changes to their spending in light of rising costs, including reducing fuel and transport costs, restricting energy usage and cancelling subscription services to reduce their monthly direct debit payments. However, using credit more in the future to do so is also felt to be likely.

> *"I guess non-essentials is stuff you can do without? But it's nice to have I guess, it's probably understanding the difference between want and need, but it's hard."*
>
> (Male, Group B, 30-54)

Section 2 | How do early-stage users perceive and use credit?

> *What credit is used for is highly personal and individual – everything from daily household essentials (including bills) to larger purchases, including home renovations. Interviewees are not viewing this as 'debt' however, reserving this language for financial situations they view as more negative or 'extreme' than their own.*

'Debt' is not the mental model used to describe *their own* credit

Despite all using credit products, very few interviewees describe themselves as having debt, even when prompted. Only a few of those furthest along in their credit journey (defined by having several products, and/or starting to be concerned about the amount of products/ level of borrowing or struggling to pay them back) describe themselves as having debt. Instead, debt is typically conceptualised in 'mental models' as being reserved for sizable loans, particularly those that may be difficult to repay[12].

Negative perceptions of debt prompt further disassociation between their own credit products, and debt; interviewees are quick to 'distance' themselves from others they see as being in debt (typically those in 'real' financial difficulty, who have missed payments or defaulted on loans). Normalising borrowing and use of credit products also contributes to this disassociation, with interviewees taking the view that, if everyone has a particular product, they can't be 'serious enough' to count as a debt (particularly for BNPL products, which some interviewees describe as simply feeling like 'a different way to pay').

"No, I don't have any debt, which I'm quite proud of. I didn't go to university, so I don't have any student loans. We're in minus on our electric, but isn't everybody?"

(Female, Group A, 18-29, credit card and BNPL to buy clothes / leisure activities)

"I grew up with my family being in debt, so I know how scary it can get, so it's not a position that I'd want to put myself in."

(Female, Group B, 30-54, borrowed from family & an ex-partner to buy house and car)

Credit cards and overdrafts are widespread – and tend to be used first, before taking out other credit products

Consistent with population wide data (in 2020 68% of adults in the UK have a credit card and 26% have overdrafts)[13], almost all in this sample (diagram 1) are using credit cards, overdrafts, or both, to fund spending alongside the other credit products they were recruited to represent in terms of early-stage credit use. Credit cards and overdrafts are so widely used they feel very normal to interviewees, and therefore, qualitatively, distinct from using other credit products they may have taken out recently.

---

[12] How 'big' a loan feels, and how easy or difficult it will be to repay that loan, are benchmarked against the credit products they already have and can afford, and reflections on this are highly individualised.
[13] https://www.fca.org.uk/publication/research/financial-lives-survey-2020-appendix-a.pdf

Diagram 1: credit product usage in this sample

"I got a dress for a wedding. I already have dresses, but it was really nice, so I caved. I put it on my credit card, so it doesn't really count as spending."
(Female, Group A, 30-54)

"When there's a 5-week month, they're particularly tough sometimes. In the final week I'll use my credit card to pay for fuel and shopping just to bridge that gap."
(Male, Group B, 30-54)

Credit is then used in a variety of ways: this depends on the nature of the product and their reason for using it.

Diagram 2: breakdown of how different credit products are used

Credit cards	Having and using credit cards is described by interviewees as part of the transition to adulthood. As well as helping to smooth out spending, building credit ratings are a recognised benefit of credit card use among interviewees.
Overdrafts	Typically seen as an extension of interviewees' current accounts (and in some cases, as their 'own' money that they can freely access). Even when the goal is to avoid dipping into overdrafts they are an easy option when lacking funds to cover spending until the end of the month.
Buy-now-pay-later products	Seen as a helpful way to smooth out spending and felt to be widely and easily accessible – even when recruited because of using other types of products many in the sample had started to use BNPL alongside this in the past year. The products are very prominent in this sample.
Informal / unregulated loans	Informal loans from family and friends can be seen as safer/more 'relaxed' option amongst interviewees, however for others in the sample, borrowing from informal contacts/loan sharks viewed as 'a last resort', to avoid high interest or the 'shame' of having to borrow from those close to them .
Higher-cost retail credit products	Store and catalogue credit are viewed as products that *used* to be convenient, but have been replaced by newer forms of payment (e.g. buy-now-pay-later). Interviewees cited they are still convenient for unexpected/large purchases from a store, but some concern about higher interest rates.
Higher-cost credit products	Felt to be reserved for emergency situations by interviewees (e.g. when they need funds quickly or if they need to repay a product to avoid high interest), or where access to other credit lines has been exhausted.

What credit is used to fund is highly personal and individual – spanning many different products and services

Interviewees report using credit for a range of purposes – some are using it to make larger and more irregular/one-off purchases, such as buying new furniture or appliances, repairing their cars or renewing their car insurance, and booking holidays. Others are also using credit to pay for social and leisure activities (e.g. meals out, drinks, cinema, birthday presents, gym, outdoor activities), as well as clothes and personal items for themselves and/or their children.

And for some, credit is also being used to cover what they see as the ‘basics’ too. This includes using credit to pay bills, rent/mortgage, council tax, loan/credit repayments (e.g. taking out a new credit card to pay off the balance on another card), food shopping and transport.

Largely, interviewees anticipate using *more* credit in the future, by either taking out different products or increasing their spend on existing products. However, thinking about their future credit usage, they say they would like to continue as they are (in terms of products and amounts) or reduce the amount of borrowing they have. This indicates a tension between how much credit consumers *would like to use* in the future, compared with how much they think *they will actually need to use*, given their current financial circumstances and concerns over rising costs of living.

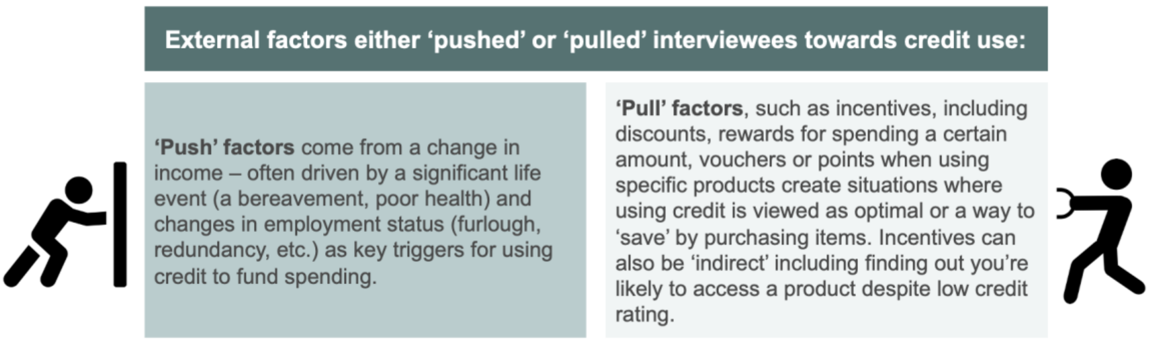
Section 3 | What are the motivations for using credit?

Interviewees are driven by different mindsets when approaching decisions about using credit: functional (driven by a desire to be fiscally responsible), social (influenced by peers and social norms) and emotional (motivated by their emotions within the process and being goal orientated to obtain the product or service they need). In addition, there are a range of push (e.g. change of financial circumstances/costs) and pull factors (e.g. incentives offered by providers) that overlay these mindsets to drive initial or growing credit use and choice of product

External factors can ‘push’ or ‘pull’ towards credit use (over other forms of spending)

Interviewees most often identify a need for something specific before taking out credit. This can be one specific product (e.g. replacing something broken, new clothes, an event they would like to attend), or ‘making it’ to the next pay cheque. However, alongside this ‘need’, they were then pushed and pulled into using credit, including some specific forms of credit – for example, via incentives being offered, or how familiar they are with the brand or product type (see section 4 for more detail on drivers of product choice).

Diagram 3: ‘push’ and ‘pull’ factors for engaging with credit products



> *"I suffered a bad injury […] I could afford how I was living comfortably before this, and then something happens. It's been quite a horror story."*
>
> (Male, Group B, 30-54, pushed into using credit)
>
> *"It was around November 2021, [retailer] were having their sale, and my friend has a [Store] card, at this specific place. I saw [the brand] were advertising that if you took out a store card with them, you got a £40 voucher. I went from never having a card to having a card."*
>
> (Female, Group A, 30-54, exploring incentives to using credit)

Different mindsets influence credit decision-making

Once a need has been identified, mindsets towards decision-making and selection of products differ. Consumers have different mindsets to making decisions, which in practice, means they have different thought processes and approaches to taking these decisions. We have identified three key 'mindsets' that influence this decision making below, observed in our sample:

Diagram 4: summary of mindsets when making decisions about credit products

N.B. These 'mindsets' can be fluid, with consumers being of a particular mindset for one product but taking a different approach when thinking about taking out another product (e.g., approaching taking out a loan from a very functional perspective, but being encouraged to use BNPL by friends / recommendations).

Those with more functional mindsets focus on a very specific product or service they want to use credit to fund, for example, home renovation, a broken item, or getting to the end of the month, even building their credit rating or avoiding interest on a certain product (usually a credit card where interest is about to kick in). This means they are more likely to be need-led, and more 'pushed' into using credit rather than enticed by any pull factors.

They are the group spending most time researching a product to understand the affordability of the product and comparing several products to each other. Usually, they make 'more informed' choices than others in the sample. However, given general shallow understanding about interest rates and terms and conditions, research is typically still 'high level'.

However, it should be noted very few were 'totally functional' in their approach, given the emotions attached to many financial decisions.

Amongst interviewees who are 'social' in their mindset, decisions to take out credit are highly influenced by the recommendations or behaviours of others around them. Given the popularity of BNPL products and store cards, this group are likely to have had these products recommended to them or heard of others they know using them.

They often access the products at the check-out for online shopping and tend to be using them to pay for more ‘treat’ type products including clothing or cosmetics.

Need and selection stages of journeys are generally tangled up for this group. Sometimes, selection comes first, they have heard lots about a product (e.g. BNPL) and want to give it a try. They will use the product next time they have a ‘need’ or the next time they are buying something online to ‘give it a go’.

Interviewees could have a more ‘emotional’ approach using credit to fund spending for a range of reasons, from paying for smaller treats (e.g. clothes and meals out) to larger items (e.g. holidays and renovations).

When decisions to use credit are more emotional, they tend to be impulsive in their decision to take out a product, focusing on the need it will fulfil in the short-term, rather than how it will factor into their finances longer term. Pull factors, including offers and deals, can override other considerations about affordability (which make be lower in this group anyway) and drive them to use credit without further thought as the incentive is so appealing.

Section 4 | What are the drivers of taking out specific types of credit products?

Once early-stage users have a perceived ‘need’, their specific mindset and a range of product features informs the nature of the credit used in that specific circumstance. The key considerations taken into account and driving use of specific products are:

- *Accessibility - and specifically whether they will easily access a product*
- *Affordability - usually thinking about monthly repayment amounts*
- *Awareness of products - such as recommendations, brands recognition, and so on.*

Accessibility, affordability and awareness of certain products influence decision-making

Decisions about which credit product to take out are highly individualised. In this qualitative sample, no common order or pattern could be observed for taking out specific products (see limitations), though credit cards and overdrafts are generally already being used by this sample before moving onto beginning to use other types. Pull factors, such as being able to spread payments or access discounts/vouchers, seem to play a strong role in creating the trends for BNPL products, evident in this sample. Interviewees generally weighed up three aspects when taking out a credit product, though each had differing degrees of influence in each circumstance:

- Accessibility (diagram 5.1)
- Affordability (perception of) (diagram 5.2)
- Awareness (diagram 5.3)

Though few of the interviewees noted that they had been refused credit recently, many did note they had been driven to go for a particular type of credit because they thought it would be accessible to them, indicating they are self-selecting some products based on these perceptions.

Diagram 5.1: detailed breakdown of 'accessibility' consideration

Accessibility

Being able to access a product as quickly as possible, with little friction, is a real draw for some – but those who are 'surviving' are also selecting product due to concerns about eligibility:

- **Eligibility**: A small number report concerns about whether they will even be able to access the product, focusing on eligibility checks and the confirmation process (and self selecting products they think they will be able to access).
- **Ease of access**: A quick, frictionless process appeals, and heightens the appeal of buy-now-pay-later products which can be obtained quickly at checkout.
- **Speed of access**: This is an active consideration for larger loans, especially where interviewees have their heart set on a product or where they need the money for an emergency.

Case study

Jonah* knows he doesn't have a very good credit rating. He took out a couple of payday loans a few years ago and is pretty sure a late repayment made things worse. He's conscious of his credit rating now, and after being in what he calls a 'tight spot', he wanted to borrow some money to help tide him over. While checking his credit rating online, he was told he would be eligible for a loan. Encouraged, Jonah applied for the loan through the platform. **He knew he had an 80% chance of getting it which was the key thing he focused on** – he can't exactly remember all the details including the interest rate (though assumed it would be high). The money was in his account in just a few hours, and he was impressed by how effortless the process felt.

Diagram 5.2: detailed breakdown of 'affordability' consideration

Affordability

Tendency to assess affordability in terms of monthly repayment amount, rather than (fully) engaging with APR or anticipating changes to their product(s) or financial situation overtime

- **Monthly repayments**: This includes thinking about the amount they would need to pay per month to pay off a product, often the minimum monthly payment required by the product provider.
- **Interest rates**: Interviewees rarely think about APR and, when prompted, feel they do not fully understand the impact this has on the total cost of their credit. However, there is a broader understanding that interest rates are 'the cost of borrowing'.
- **Change in circumstance**: Interviewees tend to think about their *current* ability to pay for credit. Few are thinking about changes to their circumstances or financial situation that might affect their ability to make repayments.

Case study

Roisin* had laser eye surgery about 18 months ago. She didn't have the money to pay for it upfront, but the clinic offered her the option of taking out a loan to pay for the surgery. She doesn't know who provides the loan, but knows repayments come out of her account every month and that the clinic recommended the provider. She isn't sure of the interest rate either but doesn't let this worry her. The key thing she thought about when assessing the loan was **whether she could afford the monthly repayment alongside her regular bills and outgoings**. She focusses on when the loan will be paid off (in a few more months) rather than the total amount she's paid back. Roisin wants to save what she would have spent on the loan once it is all paid off.

Diagram 5.3: Detailed breakdown of 'awareness' consideration

Awareness

Generally, interviewees describe conducting limited research about different credit products before taking one out – meaning awareness is low

- **Recommendations**: A recommendation from a friend or family member goes a long way, especially for those with a more social mindset.
- **Online reviews**: Favourable reviews or a prominent response on a search engine act as a sign that a product is trustworthy and can be the final 'nudge' or confirmation in deciding.
- **Level of need:** Those with the highest 'need' are more likely to find out about 'lesser-known' products – typically, more 'niche' products (peer-to-peer lending, loan sharks and higher-cost credit from lesser-known providers) are being used by those further along in their credit journey.

Case study

Lucy* and her partner have recently moved into their new home. The house has cost them more than they would have hoped, so they don't have that savings buffer they would usually use for things like this. They decided to take out a loan to fund all the renovations. They went online to look for a loan **and ended up choosing a product that was recommended by a friend**. They had been advertised a lower APR, but once 'checking out' the APR actually hiked right up. Lucy and her partner still decided to take out the loan, feeling a lump sum would be best for them, and feeling the loan with the new APR was still very affordable. Each month, they pay off £300 and are slowly, but surely, reaching the full amount.

Once using the product, **few consumers actively (re)assess whether a product is the 'right one for them' longer term**. Rather, interviewees tend to see accessing the credit product, and using it to fulfil their need, as the '**end of the journey**'. Experiencing no issues with the product acts as a 'sign of suitability' or 'success'.

> *"I know the APR has gone up on that [Store] card, but I'm not going to stop using it unless it really goes up (couldn't say how much)."*
>
> (Female, Group B, 30-54)

Section 5 | Typologies of early-stage credit use journeys

Based on the research findings, consumer credit journeys have been categorised into a range of qualitative typologies. To develop these typologies, we have closely considered interviewees' mindsets, their attitudes towards credit, credit use behaviour and drivers, and the factors that influence choice of product – as well as their likely risk of detriment based on these attitudes and behaviours. This is an analytical assessment, rather than based on interviewees' self-assessment or self-categorisation.

Considerations when thinking about these typologies:

- They are fluid, and capture where a consumer is at a moment in time;
- They are not necessarily self-defined, and self-perceptions may not align with actual behaviour; and
- They are behavioural and attitudinal – this work is qualitative, and our sample is too small to draw conclusions about demographics for each typology.

Three typologies of early-stage credit users and their associated journeys have been identified, that can be summed up as:

- **Engaging** (those who are thinking through the decision and product for them);
- **Normalising** (those who are more impulsive and driven by social norms or 'in the moment' needs);
- **Surviving** (those who feel they have little choice but to use credit to pay for what they require).

Engaging

Those who are engaging (diagram 6.1) with the credit they are using often carefully consider what they need credit for and make an informed decision. Although they may use it for a range of different types of good and services, they feel it is a positive tool to manage their finances over time and tend to be functional and driven by affordability and access.

Diagram 6.1: detailed breakdown for 'engaging' typology

Engaging

Attitudes to credit	• Cautious about their finances, **meticulously planning their spending** • **Approach credit more cautiously** - least likely to disassociate credit with debt.
What are they using credit for?	• Likely to only have **one credit product** to build their credit score, or for a larger, one-off purchases • Thinking about their **credit for the future**, e.g. getting a mortgage.
What credit products are they using?	• Do a **significant amount of research** before taking out a credit product • More **'manageable' forms of credit** without high interest, e.g. BNPL or informal loans from family members
Motivations and drivers for using credit	• **Functional** mindset • Looking towards the **future** and are more likely to be considering building their credit score • Consider the **benefits and drawbacks** of each product • Focus on questions of **affordability**

Frequently used terms by this group:
- *"I just want to build up my credit rating."*
- *"Mum's always using credit cards, I don't want to be like that."*
- *"I'd rather save up than borrow and pay all that interest."*

Normalising

For some in this sample, credit is being used without a great deal of thought, as it has become a normal part of their spending landscape. People they know use it, they see types of credit offered when paying for good and services, and it just seems easy and convenient. Within those who are normalising credit, there are two distinct sub-groups; those who do it because it is so easy (diagram 6.2) and those who do it because they feel everyone else does so why not them (diagram 6.3).

Diagram 6.2: detailed breakdown for 'normalising: easy access' typology

Normalising: easy access

Attitudes to credit	• Most likely to be **actively disassociating credit and debt** • Believe they are **in control of their finances** and are **confident** managing their money, including credit use
What are they using credit for?	• **Larger and 'one-off' purchases** to 'consumption smooth' • Use credit to get what they need, **when they need it**, easily
What credit products are they using?	• Store cards, • Paying monthly finance items • Loans
Motivations and drivers for using credit	• **Functional** mindset • Spend a longer amount of time **doing their own research** and focus on one product which is of benefit to them • When doing this research, they are focused on the question of **affordability** and how this fits in with their monthly spending plans

Frequently used terms by this group:
- *"I know I'm on top of it, I'm repaying more than the minimum."*
- *"Slowly but surely, I'm paying it off."*
- *"I had to take out a bit when I was moving house."*

Diagram 6.3: Detailed breakdown for 'normalising: going with the crowd' typology

Normalising: going with the crowd

Attitudes to credit	• Most likely to be **actively disassociating credit and debt** • Not engaging with credit, or engaging at a surface level, and there is a strong **confirmation bias that they won't encounter any issues**
What are they using credit for?	• Use products to **fund treats**, especially clothes or gifts for others
What credit products are they using?	• **Confident using the product** given how 'normalised' it is, and this leads them to believe their products are not debt • **BNPL** or **store cards** given how popular and normalised they feel
Motivations and drivers for using credit	• **Social** mindset • Influenced by social context - going off **word of mouth and recommendations** • Driven by more **emotional** considerations • Driven by **friends or family** recommendations • Key considerations for this group are around **awareness** of product and how well-known it is • This group may be pulled in by **curiosity** to 'give the product a go'

Frequently used terms by this group:
- *"Everyone is using it"*
- *"I'm borrowing off myself for the future."*
- *"I know I could afford it in one go if I really wanted to."*

Surviving: Some feel they have little choice in whether to use credit at all. They feel they need to use it to be able to pay for items that are essential to them. Some of this group may also be taking out credit to repay previous forms of credit they already have. Though they feel they have little choice overall, some are planning ahead (diagram 6.4) by taking out credit to pay for monthly bills, whilst others have to do it 'in the moment' due to an emergency expense (6.5).

Diagram 6.4: detailed breakdown for 'surviving: planned' typology

Surviving (Planned)

Attitudes to credit`	• **Less financially resilient** • **Seeing credit as debt** (but feel that using credit to fund what they need month-to-month is their best option)
What are they using credit for?`	• Use credit to **get them through** to their next pay cheque • Largely using credit for **things that feel essential** to them to maintain their lifestyle
What credit products are they using?	• **New forms** of borrowing • **Informal loans** from others
Motivations and drivers for using credit	• **Functional** mindset • Decision to take out credit that feels more **thought through** • They may do **some research** or hear about a particular product via word of mouth • Decisions are also made based on what is available to them: **accessibility** is a key factor for those in this group.

Frequently used terms by this group:

- *"It was the cheapest option I could find so I went for it."*
- *"It's good to have it there if that emergency does come up."*
- *"From my parents at least I'm not getting charged loads."*

Diagram 6.5: Detailed breakdown for 'surviving: emergency' typology

Surviving (Emergency)

Attitudes to credit	• **Less financially resilient** • More likely to **disassociate credit with debt** • More **reactive and emotional** in their approach to credit
What are they using credit for?	• **Essentials**, such as rent or bills.
What credit products are they using?	• Prioritise getting funds and **likeliness of approval** over high interest rates or other 'downsides' • More likely to be using **higher cost credit** products
Motivations and drivers for using credit	• **Emotional** mindset, seeing credit as a necessary part of life • May feel **shame** as a result of their situation • Can be **nervous about talking to friends and family** or to ask for support • Driven by **accessibility** and ease of access • **High approval rates** is a draw, and they are not particularly sensitive to high APR

How does this fit together in early-stage user journeys?

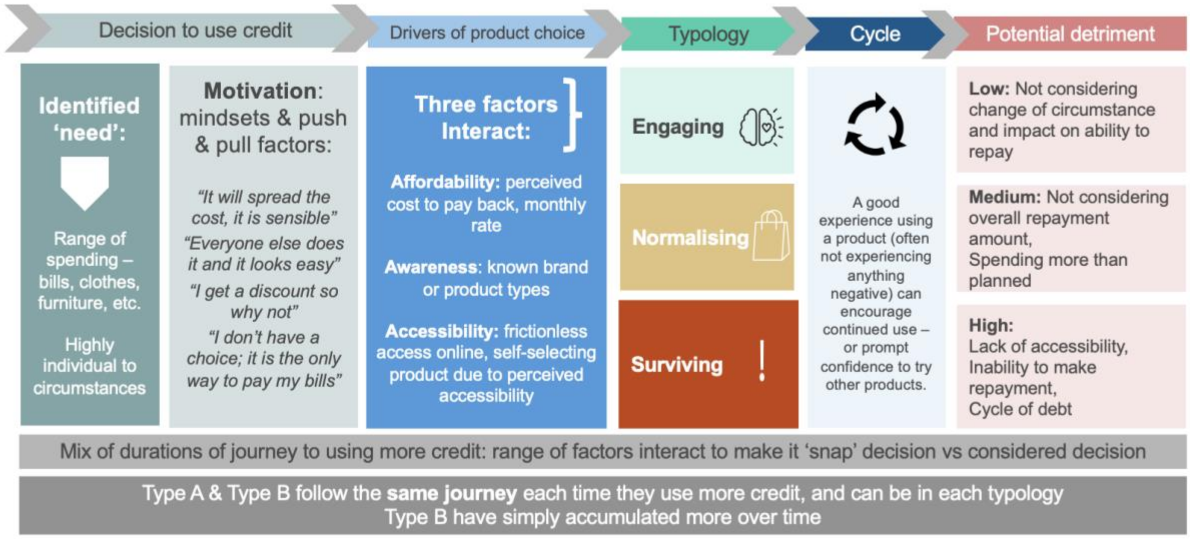
This research has uncovered some key learnings about the ways in which early credit using consumers make decisions about credit product choice. We have found that generally, consumers at this stage of the journey identify a need for credit in their lives. This can be as simple as a new outfit, to a home renovation, to the 'essentials' – need is highly individualised.

The motivations for taking out credit are in part, influenced by external factors: with users then being pushed or pulled into decisions about credit products. Mindsets, and how people are framing their decisions, also plays an important role when deciding to take out credit; interviewees' mindsets motivating credit use in this sample broadly fell into three categories; functional, social, and emotional. But the picture isn't always black and white, and interviewees could have different mindsets when taking out credit for different purposes.

Accessibility, affordability and awareness all play key roles in determining *actual product choice*. Once interviewees knew they would use a product, deciding which one to use is influenced by these three criteria. Some are spending more time than others weighing up the options available to them.

The motivations, mindsets and emphasis (or lack of) placed on accessibility, affordability and awareness, all influence which typology an interviewee then demonstrated. Typologies in this qualitative sample were key to uncovering nuances in potential harm for different early credit consumers.

Diagram 7: overarching early stage credit use journey for sample



Conclusion

This research set out to explore the decision-making process of early-stage credit users as they embark upon beginning to accrue debt, via the use of a range of specific lending products. Whilst for many this journey is highly personal, driven by their own needs and subjective decisions about how to fund these, there are also patterns and insights that align with previous research[14]. These patterns have shone further light on the mindsets of these early-stage credit users and potential markers of harm that may crystalise in the future.

Overall, these early-stage users fall into three groups. The first are engagers (those who carefully weighing up their credit use). Group two are normalisers (those who don't really consider their credit use and just see it a means to an end). The final group are those who feel they have to use credit to survive. Whilst they may try to make careful decisions, they don't always have the luxury of time or resources to do so, given the emotionally charged and driven need their credit use underpins.

Whilst there were few direct 'red flags' when it came to identifying potential harms in the future, there are certainly a few considerations:

1. **Pull factors,** such as incentives and discounts, coupled with a lack of friction to sign up for and use credit does seem, in some cases, to be encouraging some people to buy and spend more than they may have initially set out to do.
2. **Rising detriment:** Concerns about the rising cost of living and likelihood of some people using more credit, alongside the fact these users do not seem to consider the longer-term cost of credit and how affordable it would be should they face unexpected 'shock', means that some could fall into detriment in the future. This is especially concerning if they have used credit to fund spending they otherwise would not have made.
3. **Accessibility:** Though the sample themselves had rarely been refused credit, they did sometimes self-select products they felt likely to be easily accessible – whether these are the right options for them or not is not a key consideration. More could be done to ensure if people need to access credit to survive during the rising cost of living, this is the right type for them (e.g. avoiding a spiral of taking out more credit to pay off what they already have when the cost of this increases).

In a time of change, where cost of living increases may lead to more people to begin using more types of credit, there is much for the Panel to consider about the relationship early-stage users have with credit, and the mindset and drivers that underpin their (often very) individual and subjective journeys to using different credit products.

About BritainThinks

We are an international insight and strategy consultancy, focused on providing our clients with the insight they need to make better decisions. We do this by putting the people who matter most to our client's organisation at the heart of their thinking.

Authors of this report:

Dr Carol McNaughton Nicholls, Associate Partner, cmcnaughtonnicholls@britainthinks.com

Hettie Hill, Associate Director, hhill@britainthinks.com

Phoebe Ward, Research Lead, pward@britainthinks.com

[14] https://www.bristol.ac.uk/media-library/sites/geography/pfrc/Why%20adults%20regularly%20use%20credit%20for%20food%20and%20bills.pdf

Appendix 1

Sample: reaching those in early-stages of consumer credit

To reach those in the early-stage of using consumer credit, we excluded from the research anyone who had been using two or more specific credit products for more than 3 years. We ensured a spread of journey stage within this, and split the sample broadly into two which we have called **Type As** and **Type Bs**. Type As are earlier on in their journey, they may have one product or more than one product which they have taken out very recently (within the past year). Type Bs are further on in their journey, having two or more products for a longer time period (though still under three years).

We did not include credit cards (which were being paid off regularly) or overdrafts as counting towards the credit product maximums in this sample. Previous research has found that credit cards and overdrafts are used heavily in the UK by adults[15] and we concluded including these products as part of the criteria would screen out many interesting journeys that could help us understand early consumer credit journeys. Whether or not people had credit cards and overdrafts was however recorded in the screening process (and experiences of using these products often came up in discussion in interviews).

Instead, we decided to focus on 4 key credit product types of most interest to the Financial Services Consumer Panel: high-cost retail credit (including store-cards), high-cost credit (including pay-day-loans), informal and unregulated credit (including loans from family and friends, peer to peer lending, and loan sharks), and new types of borrowing (including BNPL products and salary advances). A detailed sample frame is included below:

		Early Stage of Accessing Credit Products	Intermediate Stage of Accessing Credit Products	Total (40)
Product	High-cost credit	3	7	**10**
	High-cost retail credit	2	10	**12**
	Unregulated/informal borrowing	3	9	**12**
	New forms of borrowing	14	15	**29**
SEG	ABC1	12	16	**28**
	C2DE	6	6	**12**
Life stage	Single	9	8	**17**
	Cohabiting	4	5	**9**
	With children	5	9	**14**
Essentials on credit	Non-essentials only	13	12	**25**
	Credit for essentials	5	10	**15**
Employment types	Inconsistent work	4	4	**8**
	Furlough *(between March 2020 and September 2021)*	4	6	**10**
	Self-employers	3	3	**6**
Age	18 – 24	9	3	**12**
	30-49	8	16	**24**
	50+	1	3	**4**
Gender	Male	10	8	**18**
	Female	7	14	**21**
	Non-binary	1	0	**1**

[15]The FCA's Financial Lives survey in 2020 found that 26% of adults had an overdraft and had become overdrawn in past 12 months, and 21% of adults had a credit card where they had allowed their debt to revolve over to the next month at least once: https://www.fca.org.uk/publication/research/financial-lives-survey-2020.pdf

Appendix 2: harms by typology and by product type

These are some potential harms which stem from analysis of participants responses, rather than articulated by participants themselves. As such, some of these potentials harms are inferences, and are not all harms participants would neccasserily see in their own credit product use.

Some quotes have been added from this qualitative sample to bring some reflections to life.

Potential harm by typology	Considerations
• Those who are **'surviving'** are very vulnerable, especially those who are making quick and often emotional decisions – who are also more likely to be using credit that is high cost and likely to start to rapidly accumulate (or no are longer eligible for more affordable / accessible options). • Those at particular risk in this group are those who are rapidly accumulating products despite knowing very little about them, and their total group.	• This group requires **sign posting to access for support when taking out products**. • It is also essential that this group are able to **access affordable credit** as the cost of living continues to increase.

• Those **'normalising' credit are at risk of:**
  ○ Disassociating credit with debt, potentially leading them to e.g. not look through T&Cs, not stay on top of (overlapping) payments.
  ○ Spend more than they would like e.g. if encouraged to do so by 'pull factors'.
  ○ Feeling (over)confident credit will work for them will take out a loan of higher value, or more than they can afford (and could start to rapidly accumulate credit products).
  ○ Not thinking about affordability in the longer term or whether they could afford products if something goes wrong, so if this group accumulate, a change in circumstances could push them into the 'surviving' typology.
	• It will be important for these consumers to **understand the cost of total repayments and/or longer-term implications** of products they use.
	• 'Normalisers' also need to be encouraged to **think in the longer term when it comes to their finances** to make sure that products they take out are affordable and work for them.

• Those who are **'engaging'** are largely using credit responsibly and positively in a way that works for them. • However, if their nervousness about credit **reduces after they become more experience**, they could start to become less cautious overall (and start 'normalising' credit use, and then potentially rapidly accumulating).	• This group should be encouraged to **think about where credit sits in their portfolio of finances**, and their overall financial health (e.g. how savings sit alongside their credit use).

Surviving

“*It’s* [their loan] *is peer to peer, I don’t actually know much about them.* [Getting peer to peer loan] *I just wanted to get the money at the time, I didn’t want to purchase anything. I think it was the end of last year. I borrowed about a few thousand. It coincided when I thought my pay cut would end and my salary would increase, so I thought I could pay it up. I needed it to just pay off some stuff, like bills and my credit type stuff.”*

(Male, Group B, 30-54)

Normalising

“It [her borrowing/debt] doesn’t keep me up at night because it’s only three figures.”

(Female, Group B, 30-54)

<table>
<tr><th colspan="2">Potential harms by credit type</th><th>Considerations</th></tr>
<tr><td rowspan="2">Informal loans</td><td><u>Borrowing from family and friends</u> can sometimes not feel like credit at all – meaning it is overlooked in debt portfolios.
However, there can be guilt and shame attached to this form of borrowing which can lead some who are most in need looking for alternatives that could leave them open to uncertainty (as with loan sharks) and very high-cost credit.</td><td rowspan="2">It is important that consumers are aware of other credit options available to them, and that these are accessible, so they feel they have a choice (rather than defaulting to an informal loan).</td></tr>
<tr><td>Consumers using <u>loan sharks</u> are at high risk of physical harm and lack of formal support if things go wrong.</td></tr>
<tr><td>New forms of borrowing</td><td><u>BNPL products</u> feel normalised; they are readily available at online retailers, everyone is using them and they are frictionless.
Few are reflecting on using the products, seeing them as making life easier. Interviewees largely do not view them as debt at all and they are overlooked in the debt portfolio.
Repayments are the consumer’s responsibility as opposed to direct debit, which can be easy to forget when some are using for multiple purchases.</td><td>Further education and communications are needed so that consumers understand products are credit, and ensure they aren’t over-spending and are actively considering how products can be a source of debt.</td></tr>
</table>

	• 'Shiny' branding makes them very appealing to young people with less experience of financial products.	
	• Consumers finding out about and using **peer-to-peer lending** were typically those later in their credit journey, who felt less financially resilient. • These products are often high cost, which may not be fully understood given low understanding of APR in this sample.	
High-cost retail credit	• Brand recognition and loyalty means consumers in this sample were willing to continue to use **high-cost retail credit** even where terms had changed (including APR) whilst using the product. • Pull factors are also more prevalent for this type of credit product (within this sample) which did lead to some interviewees spending more than they intended, or more than they could afford. • These products also offer very little friction (e.g. signing up quickly in store) and are widely used, which can normalise products (as with BNPL).	• Consider whether 'pull' factors **represent a real benefit**, or whether this is encouraging consumers to use more credit than they would otherwise.
High-cost credit	• Generally, those using **high-cost credit products** are at later stages of the journey and likely to be closer to a tipping point in financial resilience. • APR is also likely to be very high and may not be fully understood, given low understanding of APR in this sample.	• Clearly communicate the **total cost of high-cost credit,** ensure consumers **understand APR,** and that consumers are able to **access affordable credit options.**

Informal loans

"I have borrowed off friends and family too but for me it's not the same, there isn't that risk of missing a repayment in the same way. I have borrowed about a grand off a friend this year just to reconcile some other bills, it was fine to just ask him."

(Male, Group B, 30-54)

New forms of borrowing (BNPL)

"Using BNPL made me feel more able and free to just buy things, especially if you're having a bad month – I am just glad I have it."

(Female, Group A, 18 - 30)

High-cost retail credit

> *"They [retailer] said, if you spend a lot, you qualify for interest free and you get 12 months leeway. There was a credit check of some sort, then they sent you a card. I have used it more since, but you can only use it with [retailer]."*
>
> (Male, Group B, 30 – 54)

High-cost credit

> *"What mattered most at the time [of accessing high-cost credit] was the 80% chance that I would get the loan. That mattered more than the interest rate."*
>
> (Male, Group B, 30-54)

References

1. T Nichols (2020). *Unsecured debt hits new peak of £14,540 per household – TUC analysis*. [online] www.tuc.org.uk. Available at: https://www.tuc.org.uk/news/unsecured-debt-hits-new-peak-ps14540-household-tuc-analysis [Accessed 4 Jul. 2022].
2. NatCen, Ipsos Mori. *Financial Lives Survey* [online] www.fca.org.uk Available at: https://www.fca.org.uk/publication/research/financial-lives-survey-2020.pdf [Accessed 4 Jul. 2022].
3. J Franklin, G Green, L Rice-Jones, S Venables and T Wukovits-Votzi (2021) *Household debt and Covid Quarterly bulletin* [online] bankofengland.co.uk available at: https://www.bankofengland.co.uk/quarterly-bulletin/2021/2021-q2/household-debt-and-covid [Accessed 4 Jul. 2022]
4. Bank of England (2022), *Money and Credit Statistical release – Band of England Analysis.* Available at [online] bankofengland.co.uk available at: https://www.bankofengland.co.uk/statistics/money-and-credit/2022/march-2022
5. Authors unknown (2022) *Credit card borrowing falls as consumers feel the squeeze* [online] bmmagazine.co.uk Available at: https://bmmagazine.co.uk/news/credit-card-borrowing-falls-as-consumers-feel-squeeze/ [Accessed 4. Jul 2022]
6. J Liñares-Zegarra and J Wilson (2017) *Future Issues of Unsecured Consumer Debt* [online] fca.org.uk available at: https://www.fca.org.uk/publication/research/future-issues-unsecured-consumer-debt.pdf [Accessed 4. Jul 2022]
7. H Downes (2021) *Online shoppers bombarded with buy now pay later schemes* [online] which.co.uk available at https://www.which.co.uk/news/article/online-shoppers-bombarded-with-bnpl-at-the-checkout-amtF98L0CNVI [Accessed 4. Jul 2022]
8. Finney, A. (2020). *Why Adults Regularly Use Credit For Food and Bills: A Review Social Research And Statistics*. [online] Available at: https://www.bristol.ac.uk/media-

library/sites/geography/pfrc/Why%20adults%20regularly%20use%20credit%20for%20food%20and%20bills.pdf [Accessed 5 Jul. 2022].

9. C Woolard (2021). *The Woolard Review -A review of change and innovation in the unsecured credit market* [online] Available at: https://www.fca.org.uk/publication/corporate/woolard-review-report.pdf. [Accessed 4 Jul. 2022]