



Consumer Credit Act Reform

Consumer Research

Insight Report

October 2025



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1. Executive Summary

Overview of approach

In May 2025, the Government confirmed its intent to reform the Consumer Credit Act (CCA). In its consultation, the Government set out proposals to repeal the CCA's information provisions, with the FCA instead being responsible for setting requirements in the FCA Handbook¹. The proposed reforms to the CCA seek to modernise the regulatory regime for consumer credit and deliver an outcomes-based regulatory regime that is more aligned with other areas of financial services, and which reflects changes in the consumer credit market including the increased use of technology and digital journeys for interacting with credit.

In anticipation of the potential repeal of the CCA's information provisions and to inform its future policy development, the FCA commissioned PwC Research to conduct consumer research to understand how consumers currently engage with information provided at different stages of the credit journey, exploring how this could be improved to better support consumers in making informed decisions about consumer credit products. Providing this will help the FCA deliver its strategic objective of securing an appropriate degree of protection for consumers and help consumers navigate their financial lives.

The focus spanned multiple credit product types – including fixed-sum agreements, running account products and overdrafts.

Ten focus groups were conducted with participants meeting a range of socio-demographic and attitudinal criteria:

- **8 virtual groups**, split by age (under 45/over 45) and financial stability (Coping/comfortable; Just about coping; Struggling a little; Genuinely struggling)
- **2 face-to-face groups with the digitally averse**, split by age (under 55/over 55) and financial stability (Coping – Coping/comfortable and Just about coping; Struggling – Struggling a little and Genuinely struggling)
- Across all groups, good coverage was achieved across the following areas:
 - Ethnicity
 - Household income
 - Location
 - Financial and health vulnerabilities

¹ <https://www.gov.uk/government/consultations/consultation-on-consumer-credit-act-1974-cca-reform>

Key findings

Credit attitudes and behaviours

This research has shown the role credit plays in the lives of consumers, how they view different credit products, shopping around activity, and information that is more or less important to them when deciding on a credit product.

Struggling Participants: Those who were struggling to pay bills/make their credit repayments were using credit out of necessity (essentials, emergencies) but also to improve their lifestyle and/or wellbeing. They often had limited product choice driven by (perceived and actual) credit history and likelihood of being accepted, with an urgent need for quick approval and accessible support channels (especially telephone) if they get into difficulty. They exhibited repeat borrowing behaviour and focussed on affordability. As well as key financial information to judge affordability, these participants also valued soft credit file searches to check eligibility and speedy approval processes.

Coping Participants: Those who feel more comfortable financially and are coping with their bills/credit repayments felt they had more product choice and used credit strategically for spreading payments, rewards, or building credit scores. Their shopping around is more relaxed, with information requirements focusing on interest-free periods and benefits/rewards, as well affordability.

Digitally Averse Participants: Those who were uncomfortable with managing their finances online felt that they were being forced online given the difficulty of shopping around offline. Most preferred telephone interaction, prioritised lenders that they personally trusted, and showed limited trust in online-only communications. As a result, in addition to financial information to support affordability considerations, these participants were also interested in protections that might be available to them and ensuring telephone contact details were available for the lender.

Decision to take out credit

The decision on whether to take out credit depended on purchase size, the settings (e.g. Point of Sale offers), other motivations including a desire to build their credit score, and a perceived lack of options. For financially coping consumers it can be a 'want', or they may take out credit 'just in case', despite having savings available to use. However, for those struggling financially, they often need credit to be able to afford essential purchases.

Online search engines and price comparison sites were common starting points, supplemented by direct lender websites, MoneySavingExpert, and lender targeting communications.

Shopping around was driven by the type of credit product and the purchase

There was little evidence of inter-product shopping i.e. comparing different types of credit products to identify the one that best meets their needs. How participants chose a type of credit product was largely driven by ingrained attitudes and behaviours, associating certain types of purchases with certain types of credit products and therefore not considering other types of credit to fulfil that need.

Most shopping around principally occurred within credit product categories (intra-product), notably for loans and credit cards, less so for store cards, PCPs, rent-to-own, and overdrafts, which are often linked to purchases or, in the case of overdrafts, the current account.

APR plays a significant role in the credit decision but very few understand its purpose or what it is

Representative APR stood out as being central to product comparisons despite widespread misunderstanding of its full meaning and the distinction between APR and representative APR. This was especially the case for running accounts where there is no use of equivalents to loans calculators. But across all credit products, representative APR was being used to make quick comparisons across lenders.

Information needs when making a decision vary by product type

Fixed-sum Agreements: Participants prioritised knowing the loan amount they would be approved for, monthly repayments, representative APR, repayment term length and total payback amount. For those who were struggling, likelihood of acceptance via soft checks and approval speed was also a consideration. The digitally averse were also checking for contact details to ensure they could manage their product offline. While not top of mind, participants wanted communications on information about late/missed payment consequences (among struggling participants) and on early repayment fees (for some coping participants) to be more accessible.

Running Account Products: Information needs varied by the purpose for which the product was expected to be used. Representative APR remained important but was sometimes secondary to rewards, fees, interest-free periods, credit limit, and acceptance likelihood (for struggling participants). Channel options (e.g. telephone access) are also of heightened importance for digitally averse participants.

Overdrafts: The main focus was on arranged overdraft limits, with less emphasis on APR. Fees for unarranged overdrafts and any interest-free periods also mattered. The exception was among student participants who placed more importance on overdraft size and the additional current account benefits.

There are barriers to engagement with the pre-contract credit information (PCCI) and credit agreement

Participants admitted to rarely reading the PCCI or using it to make comparisons between products/lenders. Nor were they engaging with the credit agreement. This was because:

- **Decision was already made when they receive the PCCI:** At the point they are presented with the PCCI, participants had already made their decision around which product and lender they wanted to use.
- **Social norms:** There was a view that ‘no one reads the terms and conditions’ and an implicit trust in the financial services industry due to certain credit related protections (afforded by regulation, but without specific knowledge of the protections that regulation provides).
- **Default behaviour:** Terms and conditions presented in these documents felt familiar to participants, who were used to seeing and accepting T&Cs frequently online. Even though they might not know the specifics relating to credit agreements, most felt it was unnecessary to read the detail and saw it as a document for their records.
- **PCCI and credit agreement are seen as overwhelming:** As with most terms and conditions, the legal language, density of text and volume of information was putting participants off reading either document, with most perceiving them as legalities mainly for lender protection.

In addition, participants were confused about why credit agreements differ from PCCIs and desired alignment between these documents.

Participants suggested improvements to PCCIs and credit agreements

- **One document:** There was a desire to have a draft credit agreement replace the PCCI, with the finalised credit agreement being delivered post-application.
- **Adjusted layout to pull key information out upfront:** Participants wanted a succinct upfront summary table in this one document, showing key financial information as well as bringing other information currently seen as ‘hidden’ to the fore e.g. late/missed payment and early repayment information. Further detail could then be provided after the table for instances where participants wanted to find out more.
- **Integration of a summary table of key information into application process:** Integrating this summary of the draft credit agreement (that would replace the need for a PCCI) within the application process rather than as a ‘click-to-agree’ was felt to encourage informed consideration.

- **Simplified language:** While participants acknowledged these are legal documents, they wanted to see the simplified, consumer-friendly language. Where terms cannot be changed, a glossary was suggested.
- **Digestible formatting:** The use of bullet points to break up text was also suggested.

For the credit agreement, preferred delivery channels were email along with the option for physical copies to be provided, which was appreciated across all groups, not just the digitally averse.

Information needs for ongoing credit management are largely being met

Running Account Products: Participants were happy with the information provided to them via regular statements as it allowed them to verify transactions, balances, minimum payments, and payment options. Notifications (texts, app alerts) before payment dates also helped participants manage finances proactively.

Fixed Sum Agreements: Monthly statements were seen as less critical due to fixed payment amounts, but the ability to check loan status and receive annual statements which showed progress of repaying the agreement was valued by some. Repayment reminder notifications were more desired by those struggling financially and short-term high-cost loan users where financial management was felt to be more difficult.

Overdrafts: Participants had little desire for a monthly view of overdraft interest/fee, with an annual statement being mentioned by some. They did however value text notifications when entering into their arranged/unarranged overdraft, giving them the ability to rectify the situation before incurring charges.

Missed payment/default communications were easy to understand but more could be done by the lender to support customers

- Notices of Sum in Arrears (NOSIA) and Default Notices were understood but often perceived as stressful and intimidating, potentially leading to consumer disengagement.
- The FCA information sheets accompanying these notices were viewed positively for their supportive tone and helpful guidance.
- Participants desired the tone of arrears and default communications to be softer and solution-focused, with clearer signposting to support resources, including direct contact numbers.
- Preferences on frequency of such notices varied by financial situation; those struggling preferred fewer contacts to reduce stress.
- Multi-channel delivery (email and post) was preferred to ensure notice receipt.

2. Project background

Background

The Financial Conduct Authority (FCA) regulates consumer credit firms in the UK, ensuring they act fairly and lend responsibly. Unlike some other areas of financial services, consumer credit firms must comply with prescriptive requirements in legislation (the Consumer Credit Act (CCA) and secondary legislation made under it), as well as more outcomes-based requirements in the FCA Handbook (primarily the Consumer Credit Sourcebook (CONC)). In combination, the CCA and the Handbook rules and guidance contain the requirements of firms relating to the provision of information across consumer credit products at different stages of the customer journey.

In May 2025, the Government confirmed its intent to reform the Consumer Credit Act (CCA). In its consultation, the Government set out proposals to repeal the CCA's information provisions, with the FCA instead being responsible for setting requirements in the FCA Handbook². The proposed reforms to the CCA seek to modernise the regulatory regime for consumer credit and deliver an outcomes-based regulatory regime that is more aligned with other areas of financial services, and which reflects changes in the consumer credit market including the increased use of technology and digital journeys for interacting with credit.

In anticipation of the potential repeal of the CCA's information provisions and to inform its future policy development, the FCA commissioned PwC Research to conduct consumer research to understand how consumers currently engage with information provided at different stages of the credit journey, exploring how this could be improved to better support consumers in making informed decisions about consumer credit products. Providing this will help the FCA deliver its strategic objective of securing an appropriate degree of protection for consumers and help consumers navigate their financial lives.

Research objectives

The key objectives of the research were to:

1. Understand what type of information is important for consumers in making the best possible financial decisions throughout the journey of a credit product.
2. Understand consumer preferences for receiving and considering information, including the volume (e.g. the right amount of information), the format, and the frequency.

² <https://www.gov.uk/government/consultations/consultation-on-consumer-credit-act-1974-cca-reform>

3. Understand consumers’ needs and experiences across key journey touchpoints, including pre-contract stage, contractual information, post-contract stage, as well as information to borrowers in financial difficulty.
4. Explore differences in needs and preferences between offline and digital credit journeys.
5. Understand how different cohorts of consumers access and engage with their lenders, including consumers in more vulnerable situations.

Methodology

To address these exploratory research objectives, a total of **ten 90-minute qualitative focus groups** were conducted – **eight were online, two were face-to-face**. All research participants were asked to complete a **short pre-task** before the sessions which captured their experiences of credit products, including their most recent decision to take out a credit and the information they receive from their credit provider/s.

Groups were split by age and by the impact that credit has on their lives. The face-to-face groups were held with those who were ‘digitally averse’. The table below lays out the overall group structure. Definitions for the different groups are provided in the next section ‘Credit attitudes and behaviours’ and in the Technical Appendix.

| | Groups 1 & 2 | | Groups 1 & 2 | | Groups 1 & 2 | | Groups 1 & 2 | | Groups 9 & 10 | |
|-----------------------------|----------------------|-------------|-------------------|-------------|---------------------|-------------|----------------------|-------------|--------------------|-------------|
| Role / use of credit | Coping / comfortable | | Just about coping | | Struggling a little | | Genuinely struggling | | Digitally excluded | |
| | | | | | | | | | Struggling | Coping |
| Age | Under 45 | 45 and over | Under 45 | 45 and over | Under 45 | 45 and over | Under 45 | 45 and over | Under 55 | 55 and over |

Figure 2.1 Group sample structure

Please note that for Groups 9 & 10 (the face-to-face groups), the ‘Struggling’ group consisted of a mix of ‘Struggling a little’ and ‘Genuinely struggling’, and the ‘Coping’ group consisted of a mix of ‘Coping/comfortable’ and ‘Just about coping’. These were held face-to-face to make sure we included individuals in the research who lacked digital confidence, specifically in relation to taking out and managing finances online.

We covered a mix of consumer credit product ownership with each group focussing on a primary and secondary product. Credit products included were:

- Credit Cards
- Loans
- Overdrafts
- Store cards
- High-cost credit loans
- Hire purchase

Across the ten groups, a good range of the following characteristics was achieved:

- Age
- Ethnicities
- Locations across the UK
- Household incomes
- Financial and health related vulnerabilities – low financial capability, poor physical / mental health, neurodiversity and progressive conditions

Research was conducted between 16th and 25th September 2025. Across all focus groups we spoke with 54 participants. Full details of the research participant profile, full research materials and stimulus used during the research are included in the Technical Appendix.

Product groupings

Throughout the report we refer to groups of products which have similar characteristics and information needs. These groupings, and the products they included, are:

- **Fixed-sum agreements** – Personal loans, High-cost credit loans, Hire purchase / Rent-to-own / Motor Finance
- **Running account products** – Credit cards, Store cards
- **Overdrafts**

3. Credit attitudes and behaviours

Previous research in this sector³ and with these audiences has revealed that attitudes and behaviours related to credit products often differ by consumers’ financial situation and the role that credit plays in their lives. Focus groups in this research study were structured around participants’ financial situation specifically related to credit products i.e. how easy/hard it is to keep on top of their domestic bills and credit repayments.

Further detail is provided in the below diagram.

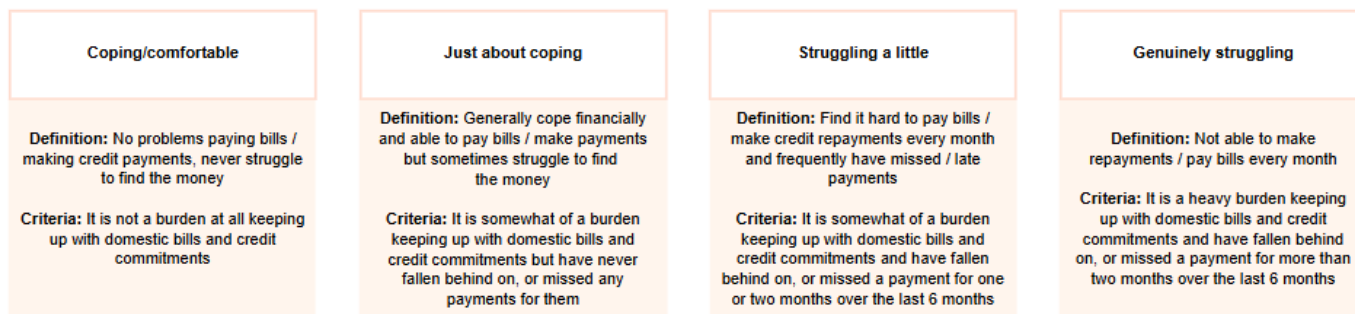


Figure 3.1 - Definitions of the four attitudinal segments used in the research sample structure

The research supported the hypothesis that the role that credit plays in a consumer’s life impacts how they view different credit products, the level of shopping around they do and information that is more or less important to them when deciding on a credit product. This report details below some specific audience insights gleaned from the research, as well as highlighting throughout the report where differences by audiences are more prevalent.

Those who are struggling financially

For participants who self-reported struggling with their bills and credit repayments, credit played a number of different roles.

- **Necessity** – participants reported using credit to get by, to achieve a perceived acceptable standard of living and to be able to afford necessities and essentials. Examples included school uniform, replacement appliances, Christmas and birthdays.
- **Lifestyle/wellbeing** – credit was also being used to have a positive impact on their lives, to provide a better life for themselves and, where relevant, their children. Credit allowed them to treat themselves to small luxuries during a time when they were often struggling to make ends meet.

³ Consumer Credit Research for the FCA, by Optimisa Research, 2014
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“You’re just working to live, survival, rather than to enjoy life because there’s nothing left. So, then you end up sometimes taking out these loans for happy time for children or bits and pieces because you can’t take them on holiday, you can’t buy this PS5 or you can’t do these little things, you know, so you end up taking these things out for smile money” **Financially struggling, Over 45, Female**

These participants also claimed to have less choice when considering credit products. A lot of the time, this was driven by prior experiences of applying and being rejected (many times) for credit, or an assumption based on previous missed payments and their assumed low credit score. They reported starting with the assumption they likely will not be accepted for cheaper credit options and often didn’t feel they had much of a choice as it was often about which lender they thought would lend to them.

When it came to paying off their credit, there were many instances where participants talked about being caught up in the cycle of credit/debt, using credit to pay off other credit or prioritising repayments on one debt to keep it open as a line of credit for them.

An example of a struggling consumer:

John, 45 – Scotland

Credit products used – High-cost credit loans, hire purchase, credit cards, rent to own, personal loan, overdraft

Typical behaviour – Struggles to pay monthly bills and keep up with outgoing expenditure. Maxed-out credit cards and struggles to get accepted for credit from mainstream lenders. White goods and appliances in home are bought using rent to own or hire purchase credit and has used pay day loans to pay for larger expenses such as school uniform, as well as weekends away for children as he has not got the ability to save for these items.

“I haven’t actually got that many companies that actually want to help me based on what I filled in this application...Your child might need school uniform...so you’ve got to think about, okay, this is quite expensive, but these are the only ones that are accepting me. So, for instance, I borrowed 150 pounds, it was literally for school uniform. And I think I’ve got to pay back something like 280 pounds”

NOTE: Based on responses to the FCA’s Financial Lives 2024 Survey, this segment accounted for around 10% of the UK adult population in 2024 ⁴

Those who are coping financially

Those participants who claimed to be coping with their domestic bills and credit repayments did not report any concerns around choice of credit product and, unlike those struggling, they had the choice as to whether taking out credit was the right thing for them. As a result, credit played a very different role for this audience:

- **Spreading payments** – participants often used credit as a way to spread the cost of larger purchases over a period of time, sometimes doing this using interest-free products or products with promotional interest-free periods with the intention of paying off before incurring any interest. This wasn’t always because of necessity, but sometimes due to choice e.g. avoiding using their savings, reducing the impact on their monthly disposable income.

⁴ FCA Financial Lives 2024 Survey – see [slide 20](#)

- **Making the most of other benefits** – a common reason cited for using credit was to make the most of other benefits such as collecting points, receiving cashback, lower fees for overseas spending, or to benefit from the CCA’s rights and protections.
- **Building their credit score** – for some participants, the motivator for using credit was also to build their credit score, proving they can use and pay off credit. Often this was linked to longer term aims of getting a mortgage or generally to have more options in the future.

As a result of their financial situation, this audience had access to a greater choice of low-cost, higher reward products. Because of this, their shopping process appeared to be less urgent and more relaxed. Little thought was given to the possibility they might not be able to make the repayments as they assumed that they will be able to afford to pay off whatever they take out.

An example of a coping consumer:

Jane, 62 – South East England

Credit products used – Personal loan, credit card, PCP car finance

Typical behaviour – Currently paying off a personal loan that was taken out to afford a bathroom refurbishment and has set up a regular direct debit to pay this off. Looking to use retirement money to pay this off early if possible. Also paying off car finance regularly and has no issue with these bills and is factored into regular expenditure. Uses a credit card with a cash back feature for everyday purchases and puts cashback in a separate fund that she uses for Christmas presents.

“You look for different things when you’re choosing a credit card...I get points on mine and then at Christmas it pays for most of my Christmas, but I just spend everything on the card, build up the points and then, yeah, at Christmas, get the vouchers and it pays for a lot. That’s my way of saving”

NOTE: Based on response to the FCA’s Financial Lives 2024 Survey, this segment accounted for around 90% of the UK adult population in 2024 ⁵. Using the definition in this research project, around 53% of UK adults would be classified as ‘just about coping’ and 38% would be classified as ‘coping/comfortable’.

⁵ FCA’s Financial Lives 2024 Survey – see [slide 20](#)
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The digitally averse

We defined ‘digitally averse’ as participants who either did not use online banking and in-app banking at all, or they required help from a friend or family member to do this.⁶ We adopted this simplified version of the Financial Lives Survey definition of digital exclusion to facilitate recruitment and to focus on key components of exclusion that would likely impact on customer communication preferences.

Given older adults, particularly those aged 85+ (34% according to the Financial Lives 2024 Survey) are digitally excluded, it is no surprise that the older digitally averse group in our research sample exhibited more characteristics matching those of the FCA’s definition. For the younger digitally averse group, the characteristics prevalent within this group were more akin to lower digital confidence and an aversion to doing everything online, particularly managing financial products. However, across both groups, there was a lack of trust and a greater reliance on providers who focus on telephone customer support rather than digital support and chatbots.

As with the Coping and Struggling cohorts, this report will highlight throughout where differences occurred between the digitally confident and the digitally averse.

⁶ Please note that this differs from the FCA’s definition of a digitally excluded individual: ‘Adults who have never used the internet; have not used the internet within the last three months or don’t know when they used internet last; or those who have used the internet in the last three months but less often than once a week and rate their ability to use it as poor or bad’, FCA’s Financial Lives 2024 survey – [see page 134](#)

4. The consumer credit journey

Before we discuss each step in the consumer credit journey and what their information requirements are at these different points, it is important to first explain how consumers are currently presented with information from lenders during this experience.

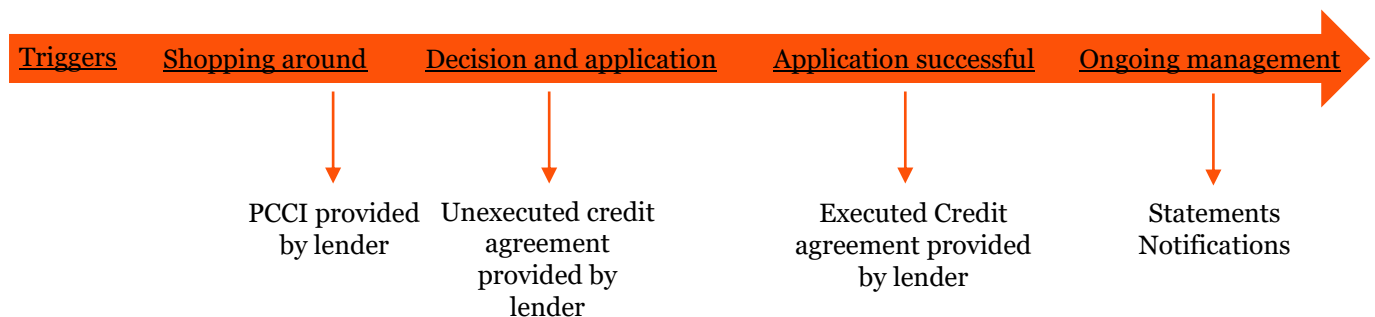


Figure 4.1 - Points in the consumer journey when information is provided about the credit product

The Consumer Credit Act currently requires that a pre-contract credit information (PCCI) document with prescribed content and in a prescribed form is provided to consumers before they complete their application. This document includes key information about their credit product, and (in combination with FCA rules on pre-contract disclosure and adequate explanations) is designed to help consumers to compare products and make informed decisions about the credit they are considering taking out.

Following on from this, a credit agreement which contains information prescribed by the CCA is provided to the consumer when they make their application. This allows consumers to check the details of the product to ensure it is in line with their needs and expectations. It also details their withdrawal and cancellation rights under the CCA if they discover the product does not meet their needs. It is not uncommon for the PCCI and the agreement to be provided together. After the agreement has been entered into, the consumer is provided with a copy of the executed agreement.

The next chapters of this report look at each stage of the decision-making process in terms of attitudes and behaviours, what information they want and when, to help them make more informed decisions around credit.

5. Triggers to take out/use credit

Across the research participants, there were a number of factors that impacted on their decisions to take out credit in the first place:

- **The size of the purchase:** Larger purchases, e.g. furniture or holidays, usually meant credit was required or indeed preferred over dipping into savings.
- **The setting:** Retailer/merchant Point of Sale (POS) marketing can impact on their decision to use or not use credit e.g. may intend to pay in one go but see an offer to spread payments with 0% over period of time; or an offer to take out a store card and get X% off purchase. While not in scope for this research, a high number of participants also used Deferred Payment Credit (DPC)⁷ to cover the cost of purchases.

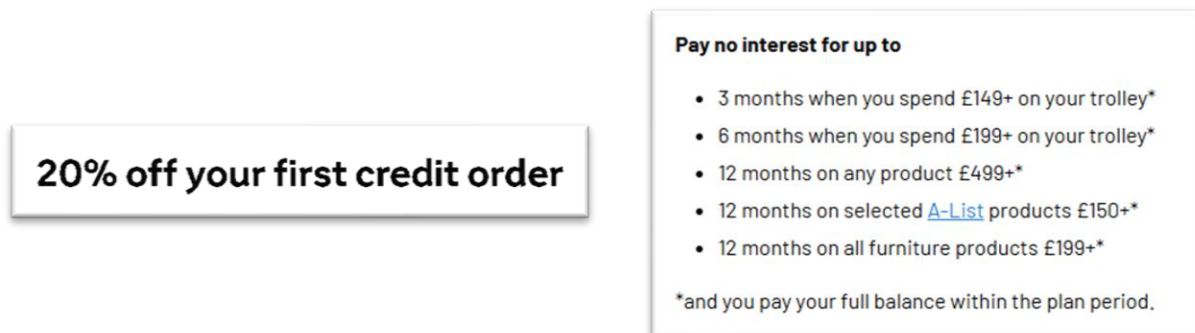


Figure 5.1 - Examples of Point of Sale marketing

- **The desire to build/improve their credit score:** This was particularly the case for the younger audiences or among participants who had got into difficulty in the past.
- **No other (perceived) option:** Not having the money to cover the purchase/bills was a key reason for choosing to use credit.

⁷ This is a currently unregulated interest-free fixed-sum credit agreement which is repayable in 12 or fewer instalments in 12 months or less. These products typically allow consumers to defer payment for a short period of time (usually 30 days) or split payments over a few instalments (typically between 3 and 6) without paying interest. This is often described as 'Buy Now, Pay Later' by consumers. DPC is moving into FCA regulation in 2026.

6. Inter-product shopping

When choosing which type of credit product to use, participants tended to have default attitudes and behaviours and gave relatively little consideration to comparing different types of credit. The key factors which determined this included:

- **Purchase type** – certain types of purchase (and purchase sizes) are naturally linked in the minds of consumers to certain credit product types e.g. home improvements were linked to personal loans, holidays were linked to credit cards, overdrafts for end of the month shortfalls. In particular, those who were more financially literate talked about preferring to take out a loan if they knew they would need to spread the cost over multiple months as this was seen as the most cost-effective solution.
- **Setting** – participants talked about being influenced by point of sale (POS) offers such as buy now, pay later, retail instalment credit and store cards as a way to either spread the cost, avoid paying interest (at least for a period of time) or receive additional benefits. While other types of credit might be considered at this point, it did not constitute any detailed shopping around with quantitative comparisons – it was more driven by a qualitative assessment that one credit type offered greater benefits than another e.g. discount off purchases if take out store card vs putting it on existing credit card.
- **Reasoning behind the credit** – in some instances, participants were applying for credit cards that were marketed as improving their credit score. There were also examples cited from participants where they were applying for a credit card for no particular purpose – just because it might be useful to have. This type of behaviour was only seen for credit cards, not other types of credit products.
- **Financial situation** – among those who were struggling more with their finances, their decision around which credit product to take out was driven to some extent by having a limited range of options and where they thought they would be accepted. For example, one participant talked about applying for a high-cost short-term loan online because he'd maxed out his credit cards and missed payments so claimed his credit score wouldn't be good enough to get a new credit card or a bank loan.

“Credit cards give you points... so you can use them towards flights and things. So, cards that can give you additional benefits you're spending anyway” **Financially coping, Over 45, Female**

While, overall, very little inter-product or cross-product shopping takes place, the one exception appeared to be the purchase of a car where some participants reported comparing different types of credit to decide which one best suited their needs e.g. between PCP or a bank loan. However, this wasn't always the case. One participant recalled how he didn't give the credit choice much thought at all and just went with what was offered by the dealership. He then discovered (through talking to friends and family) that it wasn't the most cost-effective choice and looked at how he could cancel the credit agreement.

“I think I've learned from experience. I've currently got a car finance a PCP with a lender, but it was sort of sold to me at the car dealership. But on reflection I wish I'd taken out a loan to get the car because it would have been a better rate. Since then, I've sort of learned that by getting a loan might have been better...[I] didn't do enough research before” **Financially coping, Under 45, Male**

7. Intra-product shopping around

Where participants talked about shopping around, it is important to note that they were referring to shopping around *within* a credit product category. As such, for the purposes of this report, where the term ‘shopping around’ is used, it is referring to ‘intra-product’ shopping around.

The amount of shopping around participants reported undertaking was very much dependent on: **the credit product itself**; and **the purpose of credit** e.g. the purchase or the driving force behind the credit take-up. There was a limit to how much shopping around participants wanted to do, with apathy playing a role in some cases – once they had compared some options and found something that was affordable, the benefits of doing more shopping around were minimal. Where no shopping around was happening, this was often a choice

Shopping around differs by credit product

Personal loans, high-cost credit loans and credit cards: There were more instances of shopping around for these types of credit products. In fact, most participants claimed to be comparing deals to some extent. For personal loans and high-cost credit loans participants were often looking for the best deal and one that could meet their affordability needs. For credit cards, it depended on the purpose of the credit card with this purpose driving the need for comparison e.g. finding a card that gave the best rewards, and rewards that best suited their desires from the product.



Figure 7.1 - Degree to which shopping around takes place; by credit product

Store cards, hire purchase, rent-to-own, personal contract purchases (PCPs), retail instalment credit: There was limited shopping around in these categories, largely because the credit was often closely linked to the purchase and the provider. Often participants were focused more on the purchase and credit was a secondary thought, sometimes being decided at POS. No participants recalled changing their mind about a purchase in order to get a better credit deal elsewhere e.g. deciding to buy a sofa with a different retailer to make use of their finance deal.

Overdrafts: There was little/no shopping around for overdrafts reported by research participants. This product was seen as intrinsically linked to current accounts and many participants stated that they just added the overdraft to their current account with little to no thought about whether the overdraft was competitive compared to other overdrafts. The process of doing this would mean changing their current account or opening a new account which felt like an unnecessary hassle as this product wasn't seen as a serious type of credit.

“I get charged like daily, but it’s like pence” Financially struggling, Under 45, Female

“I only get charged a small amount in comparison to what I pay out, It’s, you know, a miniscule amount” Financially struggling, Under 45, Male

The exception to this was among student audiences. The students within this research sample (and those who could recall taking out an overdraft when they were a student) claimed they did shop around a little with regard to their overdraft but this formed part of their shopping around for the current account product and the associated benefits being offered by the current account providers. (For reference, in 2024, 61% of day-to-day account holders had held their main account with their provider for 10 years or more, while just 12% had held it for less than 3 years).⁸

Sources of shopping around

Where participants were shopping around, unsurprisingly there was a heavy reliance on online sources – even among those who were typically digitally averse. Shopping around offline was seen as being difficult as it entailed visiting local bank branches (assuming these were still open) or calling the banks and waiting in long queues. The digitally averse in the research sample felt they were being forced online by these obstacles and recognised that it was easier to go online. However, there was a lack of trust of what information they found online and they often gravitated towards the more familiar lenders.

Online comparison sites

Research participants stated that their first port of call was their search engine, to do an initial look at what was out there and, in most instances, they would choose to visit one of the price comparison sites as they saw this as an easy way to see the different options they had and make comparisons about key features they were interested in such as rates, promotions/rewards and other costs associated to the products.

The format of these tools was considered to be easy to read and make comparisons with as they put options side-by-side and allow users to apply filters and, in the case of fixed-sum agreements, visualise costs and narrow their choices down relatively quickly.

⁸ <https://www.fca.org.uk/publication/financial-lives/fls-2024-retail-banking.pdf#page=83&zoom=100.0.0> – Slide

However, it is worth noting that some research participants treated the results on these sites with caution, aware that it might not present a full market view and that the details may not be accurate. As such, many reported cross-checking the details by going directly to the lender websites.

Lender websites

Many of the participants in this research claimed to start their shopping around journey by looking at their main bank's product offerings – partly due to a trust in a provider they know but also because they believe they will be able to view more tailored products via their banking apps or online banking accounts given their bank 'knows' them.

This approach was more commonly used among the digitally averse participants in the research who had limited trust in managing finances online so preferred to look at providers they had heard of – for information and for taking out credit products.

MoneySavingExpert

Across most focus groups, Martin Lewis was mentioned by at least one participant. He was seen as a reliable and trustworthy source of advice on all things financial. Some participants stated they used the MoneySavingExpert website as their first port of call to see what it was recommending and in most cases they claimed they would choose one of the options suggested.

Lender communication

In a number of instances, research participants mentioned that they felt they were sometimes 'targeted' with communications by lenders they'd previously had credit with. Among those who were financially struggling, they talked about this often being their main route to taking out products. They didn't feel they necessarily had the 'luxury' of shopping around as they felt their options were limited given their situation and credit history. As such, their 'shopping around' consisted of responding to targeted communications from these lenders and often talked about the credit choosing them, not them choosing credit. In these instances, there were limited comparisons being made between products – the desire to secure a credit arrangement that eased immediate financial stress outweighed concerns about whether they could get a cheaper deal elsewhere.

“It's not that I chose them. They chose me” Financially struggling, Over 45, Female

Social media adverts

For a couple of the research participants, social media adverts were being used as a source for their shopping around – making them aware of offers from different lenders. In some instances, this was a trigger to take out a credit product when they didn't necessarily need it at that time.

“[Took out a] credit card. I didn't have a reason to take it out, I seen an advert online and thought I would chance it”

Financially struggling, Under 45, Female

Family / friends

There were also a few mentions, from research participants, about taking advice from family and friends when it came to choosing credit products and with recommendations through this channel highly trusted.

8. Understanding of key terminology

Whether research participants were shopping around or not, there is certain information that they are looking at and considering when making a decision/taking out a credit product. This report will go on to discuss this in detail in the chapter 9 (Information used to make credit product decisions) but before this, it is useful to look at their knowledge and understanding of a number of different terms.

APR / Representative APR

In the eyes of the research participants, one of the most important pieces of information for making a decision about credit products was 'APR'. However, there was often a lack of knowledge and understanding of what APR and representative APR were, with many using the term 'APR' and actually meaning the representative APR.

Understanding of APR and representative APR

APR was cited as being significant for almost all credit application decisions, across different product types. However, very few were able to explain what APR stood for or how it worked. In addition, participants used the term 'APR' as a catch all for both APR and representative APR. By 'APR', most were referring to the representative APR and were unaware that the rate displayed in advertisements and on comparison sites was representative APR which may differ from the rate that they would actually receive.

Understanding of APR was limited, with participants understanding it as an interest rate they would pay for using a particular credit product. There was a lack of awareness that it was provided to consumers as a way of understanding the overall cost of borrowing. There was limited understanding that representative APR was reflective of what the majority of customers would receive and/or that it included other fees/charges. In some instances, participants talked about the representative APR being 'the one you should look at' but only one participant felt they could explain how it could be used to provide an indication of the monetary cost of the credit.

For the most part, (representative) APR was understood to give an indication of how expensive a particular type of credit was, with the basic understanding that 'higher' equated to more expensive and therefore 'lower' was seen as better. Very few felt confident they knew what a competitive APR or representative APR was.

Use of (representative) APR

Despite this lack of understanding, APR was cited as significant for almost all credit application decisions. It was being used to quickly and easily make comparisons between credit products from different lenders (intra-product comparisons).

It is however worth noting that the way that APR was being used differed slightly by credit product.

Fixed-sum agreements – Given the prevalence of loan calculators, the ‘monthly/weekly repayment’ was being used by participants to help them assess the actual affordability of a loan. However, (representative) APR was being used to provide quick, high level comparisons. Participants felt it was much easier to compare the APR on loans side-by-side, than compare using loan calculators.

Running account products – Given the lack of an equivalent to a loan calculator, participants were using (representative) APR as a way to judge the actual cost of credit card. Among those who were struggling more with their bills/credit repayments, there was a greater expectation that they would end up paying interest on these products, so (representative) APR was more of an indicator of cost for this audience.

Overdrafts – (Representative) APR was less central to decision making for overdrafts given the lack of shopping around and the fact an overdraft was seen as a safety net with often no immediate plans to use. While participants still claimed it was important to know the (representative) APR, their focus was more on the size of the overdraft, the ease of taking it out with their current account provider and the other benefits being offered with the current account (for student audiences).

Impact of APR / representative APR

While participants in the focus groups did not understand the details, (representative) APR was currently serving an important purpose as a benchmark for the likely costs of a product. This was especially true for running accounts (and to some extent overdrafts), where tools are not readily available to judge the likely cost of the product. Ultimately, participants wanted to have a way to understand and compare the cost of credit. As such, participants felt that illustrations of the cost of credit are important at the financial promotions stage in helping consumers understand what they are likely to pay.

Other key terminology

As well as APR and representative APR, the research tested understanding of a number of other key terms consumers might see when researching, taking out and managing their credit products. Across these terms, knowledge and understanding varied:

| Term | | Level of understanding |
|---------------------------------------|----|--|
| Total cost of credit | ✓ | <ul style="list-style-type: none"> Most participants understood what this meant and could easily relate it to a fixed sum agreement product. |
| Default fees | ✓ | <ul style="list-style-type: none"> Most participants understood the term default fees. While not all were familiar with the term, they were able to surmise it related to costs incurred as a result of missing a repayment. |
| Hard / soft credit checks | -- | <ul style="list-style-type: none"> Some level of understanding of the difference between a hard and soft credit check. This was more common among the 'financially struggling' research participants who had more experience of applying for and being rejected for credit. In some instances, participants were aware of the functionality of a soft check but weren't aware of the term 'soft check'. Participants in general were more familiar with this being referred to as 'check your eligibility before applying'. |
| Continuous payment authorities | X | <ul style="list-style-type: none"> Very low levels of awareness of this term among research participants. On explanation, some were familiar with the concept but not the term so participants questioned the use of this term in credit agreements and PCCIs, suggesting instead that a more intuitive Plain English term would be more appropriate and aid understanding. |

9. Information used to make credit product decisions

The following sections detail what research participants claimed to be the most important information requirements as they look at and make decisions around taking out credit products. It is worth noting that this does not always align with what information should responsibly be shared with consumers in their best interests. Therefore, the content in the next sections should be taken as where research participants see priority for what information should be provided across the credit journey.

Information requirements for fixed-sum agreements

When looking into and taking out fixed-sum agreements, the priority for research participants was to look at key financial information to understand affordability – which included how much they can borrow, how much the monthly/weekly repayments would be, how expensive the loan would be compared to other loans (the representative APR) and over how long they can spread the cost. There were other pieces of information (listed below) that participants felt were important to know but this varied by audience in terms of how important it was. However, when prompted, many participants wanted the following information provided before they decide to take out the loan.

| Information need | | Why this is important |
|--|---|---|
| Total amount able to borrow | → | A priority for all participants, especially those who were struggling and unsure if they'd be able to borrow the amount they want. |
| Monthly repayment | → | Loan calculators were praised for their simplicity and value in helping participants work out what the monthly repayment would be and if this was affordable. Being able to adjust the loan amount and term was crucial in helping participants work out the affordability of the loan. |
| (Representative) APR | → | As previously mentioned, (representative) APR was being used less to work out affordability and more to obtain a quick gauge of how expensive a loan was in comparison to other loans. |
| How long the credit can be spread over | → | Another key piece of information which helped participants work out the affordability of the loan. Using the loan calculator to find the optimal term that produced a monthly repayment that participants felt they could afford. |

Total amount they would pay back



While this was seen as important to know, this was not always central to decision making, especially for those taking out higher cost credit. For those that choose these products, they felt they had little choice and the priority was ensuring they could get the money they needed at affordable monthly/weekly repayments.

Likelihood of acceptance



Being able to check (via a soft check) the likelihood of being accepted was more desirable among participants who were struggling financially and had more experience of applying and being rejected for credit.

Speed of approval



Again, speed of approval and receiving the funds was a greater priority, on the most part, for participants who were struggling financially. There were more instances among this audience of requiring quick access, for example, to cover unexpected necessary purchases and / or to retrieve previously pawned items.

Contact details



Research participants in the digitally averse groups were more likely to talk about the importance of having contact details, particularly a telephone number to call.

Late payment fees/charges



Information on late payment fees/charges was not something participants spontaneously mentioned as being important when considering/taking out a credit product. Potentially due to optimism bias, participants often entered into fixed-sum agreements with the view that they could afford the monthly repayments, their financial situation would remain consistent and they wouldn't be in a situation where these fees would be incurred – especially those participants who self-reported as coping financially. However, when prompted to consider, all participants felt that this was important information that should be included in the consideration process – not necessarily for comparison purposes but to raise awareness.

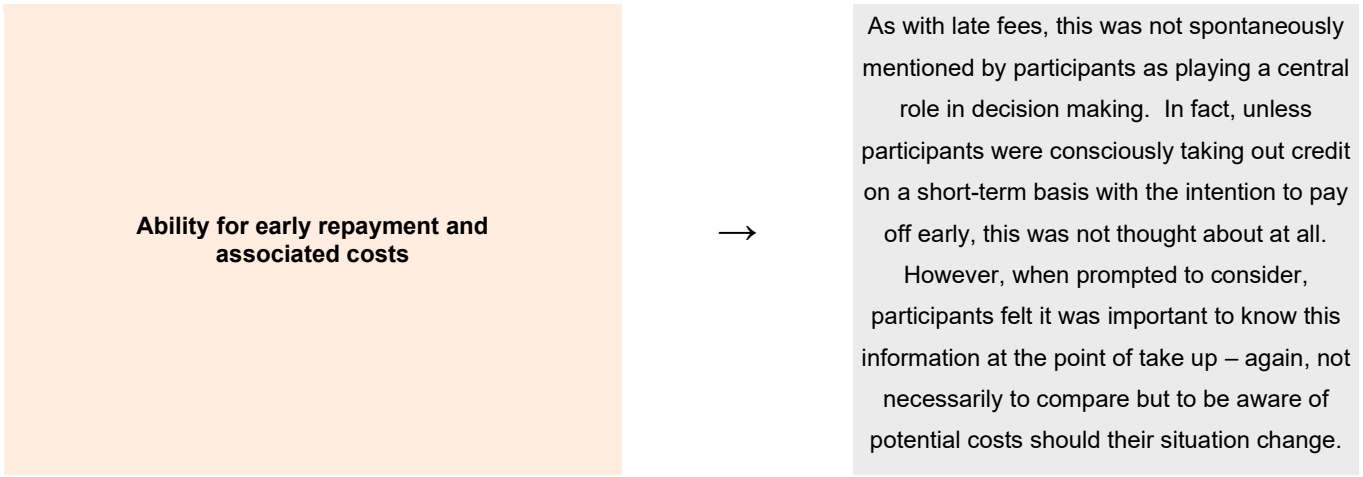


Figure 9.1 – Table detailing the key information needs related to taking out a fixed sum agreement. Darker orange signifies greater importance to participants

Information requirements for running account products

When exploring information requirements related to running accounts, the research revealed that the purpose of taking out the credit product impacted on what participants claimed to be their information needs at this stage i.e. the importance of certain information needs varied by the purpose for taking out the running account. This is demonstrated by the table below:

| Information need | Why this is important |
|------------------------------|---|
| (Representative) APR | <p>Given the lack of a loan calculator equivalent or a better way to judge likely costs, participants were using (representative) APR to compare how expensive this credit product was to others in the same product category. However, it is worth noting that where participants were taking out this credit product to get additional benefits such as points, the importance of (representative) APR dropped – partly due to the relative importance and attractiveness of the other benefits, but also if participants did not see themselves paying interest. This was the case particularly for participants who felt they were coping with their bills/repayments and planned to pay the balance off in full every month.</p> |
| Interest-free periods | <p>Information relating to interest-free periods, especially if the purpose was to cover a larger purchase where there was a desire to spread the cost.</p> |
| Fees/charges | <p>Information about fees/charges was considered to be important with some participants recalling situations where they had taken out a credit card without realising there was an annual fee attached. Participants therefore felt it was crucial to make any information related to fees and charges very clear during the process of considering and taking out a running account product. This included fees related to using the card abroad and using an ATM to withdraw cash. In these instances, participants wanted to be given examples of what the actual costs could be, not just rates.</p> |

| | | |
|--|---|--|
| <p>Rewards/promotions</p> | → | <p>As with interest-free periods, information related to rewards or promotions was also deemed as important, sometimes more so than the (representative) APR given the appeal of the reward and, in some cases, the lack of intention to incur interest.</p> |
| <p>Indication of credit limit</p> | | <p>Some research participants (in the 'financially struggling' groups) cited examples of where they'd taken out credit cards for a particular purpose but had not been given a large enough credit limit. As such, there was a desire for this information to be made available before they go through the application form – at the soft check stage. Participants were unclear as to whether this is possible given it is linked to their credit history/score.</p> |
| <p>Likelihood of acceptance</p> | → | <p>As with fixed-sum agreements, being able to check (via a soft check) the likelihood of being accepted was more desirable among participants who were financially struggling and had more experience of applying and being rejected for credit.</p> |
| <p>Late payment fees/charges</p> | → | <p>As with fixed-sum agreements, information on late payment fees/charges was not something participants spontaneously mentioned as being important when considering/taking out a credit product. Due to optimism and over-confidence biases, participants often took out the product with the intention they would make the (minimum) repayments, their financial situation would remain consistent and they wouldn't be in a situation where these fees would be incurred – especially those participants who self-reported as coping financially. However, on reflection, all participants felt this was important information that should be included in the consideration process – not necessarily for comparison purposes but more for awareness.</p> |
| <p>Channel options</p> | → | <p>Research participants in the digitally averse groups were more likely to talk about the importance of having options in terms of how they access and manage their account throughout the life of the product. This was often a prerequisite for considering a running account lender given the likely high engagement month-to-month and their aversion to managing finances online.</p> |

Figure 9.2 – Table detailing the key information needs related to taking out a running account product.

These information needs can dial up or down based on the needs of the consumer and the purpose for taking out the running account. For example, channel option may be the defining factor of choosing a particular product for a digitally averse consumer as during the research it was observed that these participants would not choose a credit product if they were only able to manage it online.

Information requirements for overdrafts

(Representative) APR and associated costs remain important when looking at overdrafts and understanding how they work. However, with overdrafts being considered a 'less harsh' form of credit

and being used as a safety net, consumer information needs at this stage are minimal. In addition to this, given the link with current accounts, participants claimed to see overdrafts more as a feature of a current account and considered it alongside the other information related to a current account product.

| Information need | Why this is important |
|---|--|
| Overdraft limit (arranged) | <p>→</p> <p>The key focus for research participants was the size of the arranged overdraft – although given they often didn’t have a specific purchase in mind and it was considered more as a buffer at month end or if an unexpected expense occurred, the size wasn’t generally a deal breaker, especially if it was being taken out at the same time as taking out the current account. The exception to this was the student participants (or those who could recall taking an overdraft out as a student). For this audience, the size of arranged overdraft was key part of the decision, alongside any other benefits the current account gave them.</p> |
| (Representative) APR | <p>→</p> <p>There was an expectation that (representative) APR should be provided at this point in the journey, but in reality this meant very little to participants. As with running accounts, participants felt there was no easy way to understand what (representative) APR meant in monetary terms so judgements about how expensive an overdraft was relied largely with the ingrained belief that overdrafts are generally low cost and, as such, little attention was given to this.</p> |
| Fees/charges for using unarranged | <p>→</p> <p>Research participants felt it was important to be provided with information related to fees/charges for going into their unarranged overdraft, as well as information on how long they have to rectify before getting charged. Again, given overdrafts were seen as a safety net product, intentions were to avoid using it (with the exception of students who reported seeing their overdraft as ‘free money’).</p> |
| Duration of any interest-free / promotional rate periods | <p>→</p> <p>Where there are durations on overdrafts e.g. with 0% periods, participants wanted to see this information – although to some extent, it is unlikely to influence their decision as the ease of staying with their current account providers was more compelling than opening a new account and moving Direct Debits. As mentioned above, the exception was with student accounts where size and duration of the overdraft were key considerations.</p> |

Figure 9.3 – Table detailing the key information needs related to taking out an overdraft.

10. Information requirements during application

When starting an application, consumers are presented with a pre-contract credit information (PCCI) document which covers the key details of the credit product they are about to take out. A consumer must agree to these terms in order to be accepted for the product. We tested some examples of these documents with participants during the research; these can all be found in the technical appendix but we have provided an example below.

PRE-CONTRACT CREDIT INFORMATION

| 1. Contact details | 2. Key features of the credit product | | | | | | | | | | | | | | | | | | | | | |
|--|---|---|---|--|----------------------|--|--|------------|----------------------|---|----------|--|--------------------|-------------|-----------------------------|--|---|--|--|---|---------------------------------------|--|
| <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Creditor.</td> <td style="background-color: #0056b3; color: white;">[REDACTED]</td> </tr> <tr> <td>Address.</td> <td style="background-color: #0056b3; color: white;">[REDACTED]</td> </tr> <tr> <td>Telephone number(s).</td> <td style="background-color: #0056b3; color: white;">[REDACTED]</td> </tr> <tr> <td>Web address.</td> <td style="background-color: #0056b3; color: white;">[REDACTED]</td> </tr> <tr> <td>Credit intermediary.</td> <td rowspan="2"> You may have dealt with a credit intermediary (such as an internet comparison website), for example, one of the following: <ul style="list-style-type: none"> <li style="background-color: #0056b3; color: white;">[REDACTED] <li style="background-color: #0056b3; color: white;">[REDACTED] <li style="background-color: #0056b3; color: white;">[REDACTED] <li style="background-color: #0056b3; color: white;">[REDACTED] </td> </tr> <tr> <td>Address.</td> </tr> </table> | Creditor. | [REDACTED] | Address. | [REDACTED] | Telephone number(s). | [REDACTED] | Web address. | [REDACTED] | Credit intermediary. | You may have dealt with a credit intermediary (such as an internet comparison website), for example, one of the following: <ul style="list-style-type: none"> <li style="background-color: #0056b3; color: white;">[REDACTED] <li style="background-color: #0056b3; color: white;">[REDACTED] <li style="background-color: #0056b3; color: white;">[REDACTED] <li style="background-color: #0056b3; color: white;">[REDACTED] | Address. | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">The type of credit</th> <th style="width: 50%;">Credit card</th> </tr> </thead> <tbody> <tr> <td>The total amount of credit.</td> <td>The credit limit is the maximum amount that you can borrow on your account. We'll set your credit limit and we can adjust it (up or down).</td> </tr> <tr> <td>This means the amount of credit to be provided under the proposed credit agreement or the credit limit.</td> <td>We'll tell you your credit limit when you receive your card.</td> </tr> <tr> <td>How and when credit would be provided.</td> <td> You'll normally be able to use the account when we have sent you your card. You may use the card up to your credit limit for purchases and, if we tell you, for balance/money transfers, cash advances and other types of transactions we may allow. </td> </tr> <tr> <td>The duration of the credit agreement.</td> <td>This agreement doesn't have a fixed end date. It will continue until you or we close your account in accordance with the terms of the agreement.</td> </tr> </tbody> </table> | The type of credit | Credit card | The total amount of credit. | The credit limit is the maximum amount that you can borrow on your account. We'll set your credit limit and we can adjust it (up or down). | This means the amount of credit to be provided under the proposed credit agreement or the credit limit. | We'll tell you your credit limit when you receive your card. | How and when credit would be provided. | You'll normally be able to use the account when we have sent you your card. You may use the card up to your credit limit for purchases and, if we tell you, for balance/money transfers, cash advances and other types of transactions we may allow. | The duration of the credit agreement. | This agreement doesn't have a fixed end date. It will continue until you or we close your account in accordance with the terms of the agreement. |
| Creditor. | [REDACTED] | | | | | | | | | | | | | | | | | | | | | |
| Address. | [REDACTED] | | | | | | | | | | | | | | | | | | | | | |
| Telephone number(s). | [REDACTED] | | | | | | | | | | | | | | | | | | | | | |
| Web address. | [REDACTED] | | | | | | | | | | | | | | | | | | | | | |
| Credit intermediary. | You may have dealt with a credit intermediary (such as an internet comparison website), for example, one of the following: <ul style="list-style-type: none"> <li style="background-color: #0056b3; color: white;">[REDACTED] <li style="background-color: #0056b3; color: white;">[REDACTED] <li style="background-color: #0056b3; color: white;">[REDACTED] <li style="background-color: #0056b3; color: white;">[REDACTED] | | | | | | | | | | | | | | | | | | | | | |
| Address. | | | | | | | | | | | | | | | | | | | | | | |
| The type of credit | Credit card | | | | | | | | | | | | | | | | | | | | | |
| The total amount of credit. | The credit limit is the maximum amount that you can borrow on your account. We'll set your credit limit and we can adjust it (up or down). | | | | | | | | | | | | | | | | | | | | | |
| This means the amount of credit to be provided under the proposed credit agreement or the credit limit. | We'll tell you your credit limit when you receive your card. | | | | | | | | | | | | | | | | | | | | | |
| How and when credit would be provided. | You'll normally be able to use the account when we have sent you your card. You may use the card up to your credit limit for purchases and, if we tell you, for balance/money transfers, cash advances and other types of transactions we may allow. | | | | | | | | | | | | | | | | | | | | | |
| The duration of the credit agreement. | This agreement doesn't have a fixed end date. It will continue until you or we close your account in accordance with the terms of the agreement. | | | | | | | | | | | | | | | | | | | | | |
| <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Repayments.</td> <td> The minimum payment will be the higher of the following amounts: <ol style="list-style-type: none"> (1) £25 (or the total amount you owe if less); or an amount equal to the total of: (2) <ul style="list-style-type: none"> any interest, default fees, repayment protection insurance applied to your current month's statement; 1/12th of any annual cardmembership fee or the full monthly fee (if applicable to the product you hold); the monthly instalment amount and the monthly instalment fee due in respect of any Instalment Plan; plus 2% of the amount you owe on the account excluding any Instalment Plan balances. A different minimum payment may apply if you are in a Financial Relief Programme. You can always pay more than the minimum payment to reduce the amount you owe and the amount of interest you have to pay. We'll show your minimum payment on your statements. During this agreement we may offer you an Instalment Plan. An Instalment Plan is created when we allow you to repay a part of the amount you owe by fixed monthly payments over a set number of months. You'll pay a monthly fee for an Instalment Plan, but no interest will be charged on the balance in an Instalment Plan or on the monthly fee. Details of the fee and other terms will be provided to you before you enter an </td> </tr> </table> | Repayments. | The minimum payment will be the higher of the following amounts: <ol style="list-style-type: none"> (1) £25 (or the total amount you owe if less); or an amount equal to the total of: (2) <ul style="list-style-type: none"> any interest, default fees, repayment protection insurance applied to your current month's statement; 1/12th of any annual cardmembership fee or the full monthly fee (if applicable to the product you hold); the monthly instalment amount and the monthly instalment fee due in respect of any Instalment Plan; plus 2% of the amount you owe on the account excluding any Instalment Plan balances. A different minimum payment may apply if you are in a Financial Relief Programme. You can always pay more than the minimum payment to reduce the amount you owe and the amount of interest you have to pay. We'll show your minimum payment on your statements. During this agreement we may offer you an Instalment Plan. An Instalment Plan is created when we allow you to repay a part of the amount you owe by fixed monthly payments over a set number of months. You'll pay a monthly fee for an Instalment Plan, but no interest will be charged on the balance in an Instalment Plan or on the monthly fee. Details of the fee and other terms will be provided to you before you enter an | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">The total amount you will have to pay.</td> <td>£1,395.99</td> </tr> <tr> <td>This means the amount you have borrowed plus interest and other costs.</td> <td> When this agreement is made, we don't know how much you'll actually pay, or the cost, because this depends on how much you borrow, how quickly you repay it and whether we make any changes to interest rates or charges or other terms (e.g. if we increase the minimum monthly payment). For this reason, all credit card providers have to use certain assumptions when calculating the APR and Total Amount Payable. We've assumed that: <ul style="list-style-type: none"> if a cardmembership fee applies, we charge this fee to your account on the date your account is opened; you make just one purchase of £1,200 at the start of the agreement; there's no change in the interest rate or any other fees or charges; and you repay any annual cardmembership fee in full on the day we charge it to the account, and repay the remainder of your account balance in 12 equal monthly payments. </td> </tr> </table> | The total amount you will have to pay. | £1,395.99 | This means the amount you have borrowed plus interest and other costs. | When this agreement is made, we don't know how much you'll actually pay, or the cost, because this depends on how much you borrow, how quickly you repay it and whether we make any changes to interest rates or charges or other terms (e.g. if we increase the minimum monthly payment). For this reason, all credit card providers have to use certain assumptions when calculating the APR and Total Amount Payable. We've assumed that: <ul style="list-style-type: none"> if a cardmembership fee applies, we charge this fee to your account on the date your account is opened; you make just one purchase of £1,200 at the start of the agreement; there's no change in the interest rate or any other fees or charges; and you repay any annual cardmembership fee in full on the day we charge it to the account, and repay the remainder of your account balance in 12 equal monthly payments. | | | | | | | | | | | | | | | |
| Repayments. | The minimum payment will be the higher of the following amounts: <ol style="list-style-type: none"> (1) £25 (or the total amount you owe if less); or an amount equal to the total of: (2) <ul style="list-style-type: none"> any interest, default fees, repayment protection insurance applied to your current month's statement; 1/12th of any annual cardmembership fee or the full monthly fee (if applicable to the product you hold); the monthly instalment amount and the monthly instalment fee due in respect of any Instalment Plan; plus 2% of the amount you owe on the account excluding any Instalment Plan balances. A different minimum payment may apply if you are in a Financial Relief Programme. You can always pay more than the minimum payment to reduce the amount you owe and the amount of interest you have to pay. We'll show your minimum payment on your statements. During this agreement we may offer you an Instalment Plan. An Instalment Plan is created when we allow you to repay a part of the amount you owe by fixed monthly payments over a set number of months. You'll pay a monthly fee for an Instalment Plan, but no interest will be charged on the balance in an Instalment Plan or on the monthly fee. Details of the fee and other terms will be provided to you before you enter an | | | | | | | | | | | | | | | | | | | | | |
| The total amount you will have to pay. | £1,395.99 | | | | | | | | | | | | | | | | | | | | | |
| This means the amount you have borrowed plus interest and other costs. | When this agreement is made, we don't know how much you'll actually pay, or the cost, because this depends on how much you borrow, how quickly you repay it and whether we make any changes to interest rates or charges or other terms (e.g. if we increase the minimum monthly payment). For this reason, all credit card providers have to use certain assumptions when calculating the APR and Total Amount Payable. We've assumed that: <ul style="list-style-type: none"> if a cardmembership fee applies, we charge this fee to your account on the date your account is opened; you make just one purchase of £1,200 at the start of the agreement; there's no change in the interest rate or any other fees or charges; and you repay any annual cardmembership fee in full on the day we charge it to the account, and repay the remainder of your account balance in 12 equal monthly payments. | | | | | | | | | | | | | | | | | | | | | |

Figure 10.1 – Extract of example Pre-Contract Credit Information (PCCI) used

A key finding from this research is that participants were unlikely to engage with PCCIs as part of their decision-making process – despite claiming certain information (often only available in PCCIs) is key to their decision. The research suggested that this was due to four main factors:

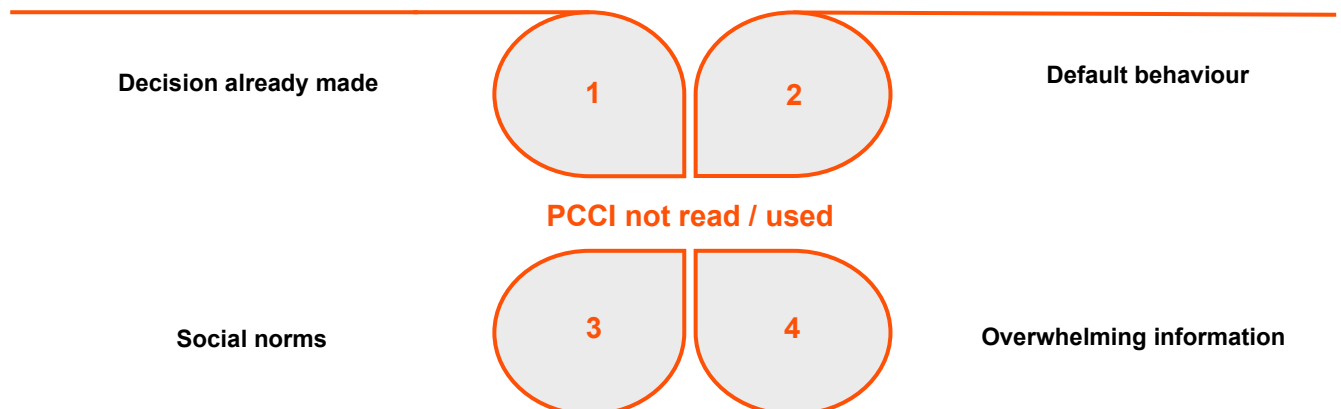


Figure 10.2 – Four factors influencing participant behaviour to not read or use the PCCI as part of the credit decision-making process.

- **Their decision was already made** – The key information that participants claimed was important for decision making was, in their eyes, presented to them earlier in the process (for example via financial promotions). As such, at the point when they are provided the PCCI, they have already made their decision about which credit product and lender they are going to choose. Because of this, participants saw the PCCI as a legal document that lenders are required to provide and not something they would need to read to inform their decision.

For those who are financially struggling, their focus was on getting credit and to do this, they had to agree to the terms and conditions (T&Cs), so they appeared to be even less inclined to read the PCCI.

- **Default behaviours** – Research participants talked about being used to accepting terms and conditions frequently, especially online, and they viewed the PCCI as being something similar. Lack of perceived negative consequences, of doing this with T&Cs in online processes meant that they felt that there was minimal risk to agree to them and unnecessary to read in detail.
- **Social norms** – This behaviour was compounded by a sense that “no one reads the T&Cs” and a trust in the financial services sector that, in the case something went wrong, they would be protected. There was a perception among participants that regulation of the financial services sector provided a sense of security. However, it is important to note that participants didn’t necessarily mention the word ‘regulation’ or articulate it in this way. They appeared to implicitly trust ‘the system’ and outside of a few references to section 75 participants did not demonstrate substantial knowledge of the protections in place.
- **The PCCI was felt to be overwhelming** – When presented with an example of a PCCI in the focus groups, it was clear that the content, language and format was thought to be overwhelming, with participants claiming this is one of the main reasons why they disengage and don’t read this document when taking out a credit product.

“I find it really off putting because there’s a lot trying to be described and explained all at once... I’m not really following it. There’s far too many words” **Financially coping, Under 45, Female**

Among research participants, there were a few who did engage with PCCIs. This tended to be older participants or those who have had specific experiences (or heard of others who’d had specific experiences) such as:

- Wanting to repay other credit products earlier than planned and incurred a charge
- Having been a victim of fraud
- Needing to claim their money back after an item wasn’t delivered or was faulty

This small cohort claimed to quickly review or scan the document, checking the financial details were correct but also seeking out information specific to their experience such as ability to repay and any associated fees and consumer protection details. Some reported checking the information for anything that could be a ‘red flag’ such as unexpected annual card fees (e.g. free for the first year and payment required to keep card after 12 months).

Some financially struggling participants claimed they did check for late payment information in case they find themselves in this scenario although this wasn’t universal. As mentioned earlier, many displayed optimism/over confidence biases and entered into the credit agreement assuming they would be able to manage repayments.

Format and language used in the PCCI

When presented with the PCCI, participants claimed to be overwhelmed with the amount of information they were faced with – this appeared to be driven by both the format and the language used.

Format

The current format of the PCCI is a table, with each section covering a different topic area. While the tabular format of the PCCI was generally liked, many participants claimed to feel overwhelmed. This was largely due to the density of text. The use of paragraphs and the lack of bullets (in some examples of PCCIs) gave the impression of there being a lot to read. The apparent volume of information and dense paragraphs led to suspicions from some participants that ‘red flag’ information and less positive features of the products were being deliberately hidden and put later in the document so it was difficult to find.

Language

While research participants understood that the PCCI is a legal document and needed to contain legal language, they found it very difficult to digest, describing it as jargon heavy, with little explanation as to what terms meant.

The use of legal language contributed to this perception that the PCCI was a legal requirement of lenders and not something they needed to read in detail. Participants felt that if it was to be for their use, the language should be simplified and where certain terms were required, there should be a glossary of terms so that the meaning of clauses could be more accessible and understandable to all consumer, including those who are neurodivergent.

Participant suggestions for improvements to PCCI

Upon reflection, participants acknowledged that the PCCI does include important information that they may not be aware of when taking out a credit product. As such, research participants had some suggestions on how to improve to document to encourage readership and accessibility.

Create an upfront summary table: Consensus across all groups was to have an upfront summary table which would allow them to see at a glance the key information, articulated in a succinct and consumer friendly way. This should include the information detailed in Information Requirements section of this report – but ultimately covered all information that had a financial impact on the customer as well as contact details.

Further detail later: They then wanted direction to further details later in the document and would cover key financial details of the product such as:

Consumer friendly language: While they acknowledged this will be difficult given legal requirements, participants felt the language should be simplified and put into Plain English.

Clear formatting: On the whole, participants wanted to maintain the use of a table with clear sections but they also suggested the use of bullets to break up the text and avoid dense paragraphs, and the use of bold text to highlight key points.

By making improvements to the PCCI, this could potentially impact behaviour, especially if the table could be more integrated into the application process rather than just a link to a click and agree box to tick. By making the PCCI more accessible, participants felt they would be more likely to read and engage with the information and potentially use it as part of their decision-making process, especially if the summary table was integrated into the application process.

11. Information requirements at application and post-application

At the final point in the application process, consumers are presented with the credit agreement which they are asked to review and agree to. Once the application has been submitted and the consumer accepted for credit, they will receive the 'executed' (or signed) credit agreement from the lender.

Readership and engagement with credit agreement

As with the PCCI, participants were rarely, if ever, reading credit agreements fully, either at the point of applying or post-application. This was consistent across different types of credit products. This behaviour was underpinned by factors consistent with the lack of engagement with the PCCI.

- **Decision made** – The credit agreement is not used to inform any decision making, much the same as the PCCI as the decision to take out credit and which product has already been made. This was particularly the case for those participants who were financially struggling, as their focus was on accessing credit with little desire to read this information before or afterwards.
- **Record keeping** – Participants felt the credit agreement was a document for legal purposes that they will keep in case they need to refer to it at any point later. Many felt it is something lenders 'must provide' and had the impression the document was more for the lenders benefit than their own. The belief that lenders must provide this document legally therefore meant participants felt there was no real benefit for them, as a consumer, to read it.
- **Format and language** – Research participants reported similar issues when forced to read the credit agreement as they did with the PCCI from a content, format and language perspective. It was viewed as dense and jargon heavy, in some cases even more so than the PCCI, as the credit agreements tested were not always in a tabular format. Those with additional needs, such as neurodiverse participants, highlighted the inaccessibility of this information and how it is presented.

As with the PCCI, the small number of participants who did engage with their credit agreement, were most likely to be older and/or have specific experiences related to late/missed payments, fraud, faulty goods receipt or early repayment. Again, they claimed they usually scan the information, double checking that the key details look correct.

Confusion as to why PCCIs and credit agreements are different documents

In addition to challenges with the content and format of the credit agreement, research participants were also confused at the need for the credit agreement in addition to the PCCI – especially as, in some cases, this is provided at the same time or very close together and covers, on the most part, the same content.

Suggested improvements to the credit agreement

Research participants had some suggestions on how to improve the credit agreement to encourage engagement and readership.

Replace the PCCI with just a draft credit agreement: Given there was no value seen in having both the PCCI and credit agreement at application, participants wanted to just receive a draft version of the credit agreement at this point, so when the signed credit agreement is delivered post-application, it will be familiar and easier to digest. The signed credit agreement is likely to remain primarily a document for their records but if improvements are made to the format and language, participants claim they would engage with this earlier in the process, helping them to make more informed decisions.

Similar improvements as highlighted for the PCCI:

- Upfront summary table with detail provided later in the document
- Consumer friendly language with less jargon and/or glossary of terms
- Use of bullets and bolded text

As there was less of an expectation, in participants' view, for this to be a document read upon receipt, it was felt that the priority should be clear signposting to different sections so participants could refer to these as and when necessary.

Channel preference for credit agreement

On the whole, research participants preferred the credit agreement to be sent via email. However, there was a desire, even among those who were digitally confident, to have the option of receiving a physical copy. Some participants, notably those who were digitally averse, mentioned a lack of trust for online versions, believing they could be updated without them being aware. Others felt online-only versions were more difficult to engage with, especially on apps. Overall, due to its purpose as a legal agreement for record, the permanency of email or post was felt to be most appropriate.

Standardised vs tailored PCCIs / credit agreements

One of the research questions set by the FCA was whether the PCCIs and credit agreements should be standardised across credit products and lenders. This was presented to participants in the following way:

Standardised allows consumers the ability to make comparisons between products and lenders but this may mean they contain information that isn't always relevant to the customer/product/lender.

Tailored would allow lenders to tailor these documents so they are more relevant to the product they offer – however it would make it harder for consumers to compare products/lenders

Note: participants understood ‘standardised’ and ‘tailored’ to relate to both the format and the information that would be provided.

Research participants struggled a little when presented with these two options as it was very difficult for them to imagine how this might work in reality – especially without any examples of tailored documents to show them.

However, across the groups, most participants felt a standardised approach was preferable – as long as the suggested improvements were put in place e.g. an upfront summary table. By having a standardised upfront table with the same information contained within, participants felt it would be easy to compare. Participants were challenged on this point given their previous admission of not using the PCCI to compare. The general consensus was that if improvements could be made to the language and format of the PCCI and the upfront table is integrated into the application process, then this also backed up the argument to have a standardised approach.

Some participants in the focus groups did value the idea of these documents as more tailored to their situation/product, but they also felt it was important to have a level of standardisation across lenders and products to aid familiarity and comparison.

12. Information requirements for ongoing management of a credit product

When managing a credit product, research participants detailed receiving communications during the life of the product. These were generally in the forms of regular statements as required by the CCA as well as other notifications which the CCA does not require firms to provide. Research showed that while information needs at this stage have some level of consistency across product types, there were some unique elements for each product type and nuances based on the financial situation of the participant.

Running account products

Statements

For running accounts, participants used statements to check their purchases were as expected and to understand their total balance, minimum payments required and ways of paying. All of these were key for participants to manage their products effectively. Across all groups, research participants felt the statements they currently receive for their running accounts met these needs and are found to be easy to understand.

Those who were digitally confident often used apps to proactively view and manage their products. In some cases, this replaced the use of regular statements with participants accessing the key information via an app or online account as and when they chose. For statements themselves, a choice of channel was valued, with digitally averse participants preferring to receive paper statements.

Notifications

In addition to statements, research participants were familiar with receiving payment reminders via their phone (either texts or app notifications) which they found helpful in managing their running account product. They received these before payments were due to come out which helped them understand how much will be required to pay off the account in full, or what the minimum payment required was. Participants were using this information to manage broader finances, checking that they have enough money in the linked current account to cover the required payment. When probed on these notifications they were found to be integral to effectively manage these products and when not available/received, it was found to be more challenging to manage their running accounts.

“It’s a good reminder. Sometimes when you’re coming close to that date and then it’s just like, oh gosh, okay I gotta pay this...I will visit my app and think, right okay, I’ve got till that date. I’ve got to pay that then”

Financially coping, Under 45, Female

Fixed-sum products

Statements

For research participants managing fixed-sum products, there was less of a desire to receive monthly statements, with participants preferring to self-serve information on their payments and amount left to repay. As many appeared to understand the repayments would stay the same month on month, a monthly statement felt redundant. However, the ability to check the status of their loan when needed was deemed important. In instances where participants held longer term products, there was a desire to receive an annual statement – a summary of the progress of loan, payments made to date and length of time/number of payments remaining.

Among research participants there was some limited desire for this information to be visualised graphically (e.g. a bar that decreases over time). However, many were sceptical of this idea as felt it could be disheartening if it was only showing minimal change month on month.

Notifications

In comparison to running accounts, research revealed a lesser need for payment notification as it was the same amount to be paid each time a payment was due. However, among those who were financially struggling, and those who held high-cost short-term loans, there was a tendency to be less organised with their money and as such, there was some desire to have these notifications, enabling them to plan their finances. For example, if they needed to move money between accounts to pay off credit. This was also true of participants who were managing multiple credit products and wanted an understanding of when money would be coming out of their accounts to pay off different products.

“I don’t think that I need anything ongoing just as long as I know at the start what it is and then once I have the loan, I’ll know X amount will come out on the first of the month or whatever date that you choose” **Financially coping, Under 45, Male**

Overdrafts

Statements

When it comes to managing their overdrafts, participants claimed to have minimal information needs. As mentioned earlier in the report, overdrafts were seen as inexpensive with minimal costs. Given they are so closely linked to the current account, there was very little desire to receive a separate statement. Participants were happy with the current situation of receiving information about any interest/fees incurred within their current account statement.

There was some limited desire for an annual statement showing the total amount of interest paid and the total amount of fees paid over the course of the year, but most admitted they would be unlikely to engage with this given this perception that overdrafts are a less serious type of credit.

Notifications

Notifications informing customers that they had entered into their arranged or unarranged overdraft were considered very important. Being able to see the consequences of this (likely cost to them) and, in the case of an unarranged overdraft, the timeframe to be able to rectify the situation and avoid any charges, was incredibly important. Participants using overdrafts stated they were already receiving these types of notifications from current account providers and felt these currently met their information needs with no need for any improvements.

“Overdrafts are very simple. Like every month I know I’ve got an overdraft of this amount and then it’s like if I go over or whatever, I’m always getting a text message or something saying ensure this money’s in by, you know, you’re still within your arranged overdraft...So there’s constant, like little reminders” **Financially struggling, Over 45, Female**

Across the different credit products, there is consistency around the type of information that participants prioritised to help them effectively manage their credit products. This centred around balances, payments due and deadlines for payments.

13. Information related to missed payments

This research covered the communications sent to consumers when they have missed repayments on their credit product. This included the Notice of Sums in Arrears (NOSIA) which is generally issued when a consumer misses two or more payments; and the Default Notice which is typically received when a firm intends to take action against a consumer, such as terminating an agreement, and is typically provided where a consumer has missed multiple payments. With both letters, an information sheet produced by the FCA is also required to be sent to the customer. All three documents were tested with participants to gauge ease of understanding, views on content and tone and any suggestions for improvements (including any other information that might be required at this stage). Examples of all three are included in the Technical appendix.

Due to the sensitivities of including individuals in the research who had recently received these communications, the recruitment criteria did not specify recent experience. However, given the inclusion of those who were struggling with their bills/credit repayments, some research participants did in fact have previous experience of receiving communications like this and were happy to discuss this in the groups. Their thoughts have been integrated in the findings below.

Notice of Sum in Arrears (NOSIA)

When reviewing the NOSIA, research participants felt the language used was clear, direct and largely jargon free. The communications were felt to stress the 'seriousness' of the situation, with a focus on the amount owed. Participants who had experienced these communications in the past, made the point that, at this time, they already understood the seriousness of their situation and as such, they felt the tone did, to some extent, add to the stress they were already under. They claimed that it had the potential to make people 'bury their heads in the sand' and disengage from the process, rather than engage to resolve the issue.

Research participants wanted a focus on advice/help in the letter itself, not just in the FCA information sheet. The information in the FCA sheet did go some way to mitigate the issues with the tone in the letter. However, softer language and a focus on how to resolve the problem would improve these communications. Clear signposting to a phone number to call for support from the lender themselves was also desired among research participants.

Default Notices

Participants reiterated these points when reviewing the default notice and felt that the negative aspects of these were amplified, deeming it more stress inducing.

Research indicated differences in opinion between those financially coping and those financially struggling with regard to how frequently they feel these notices should be sent. Those financially

struggling, who may have received these notices, or could envision themselves doing so, felt once should be enough and were concerned about their wellbeing if these were sent repeatedly. Those who were financially coping and who had never experienced being in this situation, felt it was more appropriate to send these frequently. All audiences agreed that these were important communications that should not be missed and therefore preferred them to be sent via multiple channels, namely email and post.

“Intimidating. It is intimidating, isn't it? See, this is a problem if a person is in debt. I don't know why, but they keep adding more stress and issues” **Financially struggling, Over 45, Female**

FCA information sheet

Participants in the focus groups found the FCA information sheets very supportive and helpful to navigate the process and find help when struggling with payments.

The tone of voice used in the sheet reflected how participants thought the tone ought to be in the NOSIA and default notices. It was seen to offer solutions and help when they need it and participants, especially those who were financially struggling, felt some of this information should be prominent on the letter. It was also felt that the letters should adopt a similar tone to the information sheet.

Participants particularly liked the prominent phone numbers which they felt would give them the confidence to speak with a third party about their personal situation. Speaking with someone was seen as key at this point as their needs were heightened due to stress and they valued a personalised response.

Some participants wished to be presented with this information earlier in the credit journey so they could access advice/help before receiving NOSIA/default notices. They felt that they would be able to use the information provided to access help when they found themselves entering a situation where they might not be able to afford repayments on credit products.

“The letter seems threatening and, you know, very, like, troublesome. Whereas this seems to be like, look, this is how we can help you, like an offer of support. So, it's a lot more positive and less daunting” **Financially Coping, Under 45, Female**



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