Financial Conduct Authority

Research Note

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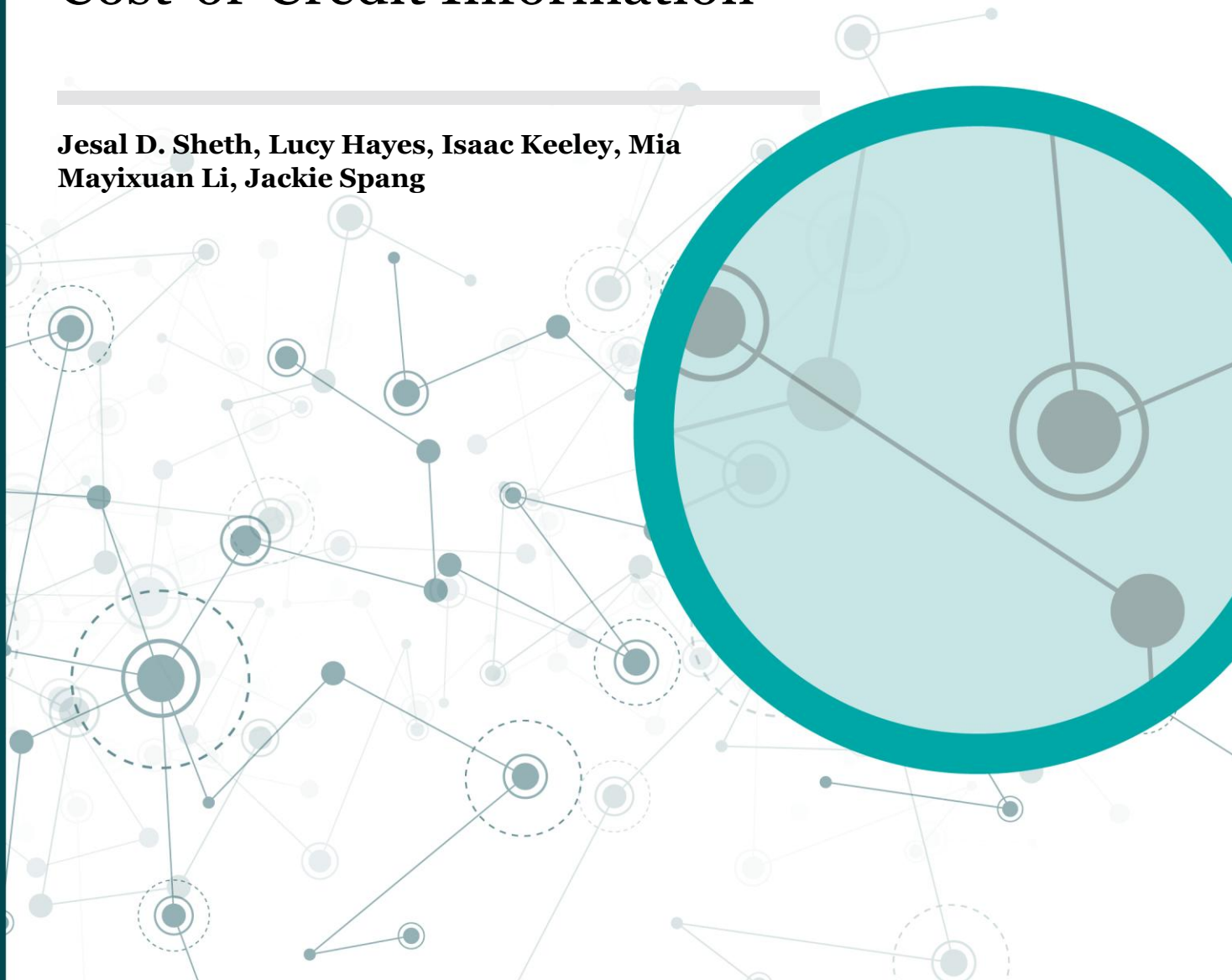
Navigating the Disclosure Trade-off: Balancing Flexibility and Standardisation in Cost-of-Credit Information

Jesal D. Sheth, Lucy Hayes, Isaac Keeley, Mia Mayixuan Li, Jackie Spang



FCA research notes in financial regulation

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Disclaimer

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Glossary

APR: APR stands for 'Annual Percentage Rate'. It is an annualised cost of credit, expressed as a single percentage. It is a standardised measure of the cost of credit that reflects interest and the total charge for credit (fees, charges, and compulsory costs). APR is calculated to the method set out in CONC App 1.2 of the FCA Handbook.

Conceptual understanding: Comprehension of the underlying meaning of a financial concept and how it relates to outcomes in a decision context, rather than merely recognising the term. In this study, conceptual understanding is assessed using survey questions testing knowledge of how APR relates to loan duration and total amount repayable.

Explanation: A brief statement presented alongside APR information in one of the experimental treatments that clarifies that APR is expressed as a yearly rate and that repayment duration affects the total amount repayable.

Low APR = low total cost heuristic: A heuristic is a rule of thumb people use to simplify judgements or decisions without fully weighing all relevant factors. In this context, the 'low APR = low total cost' heuristic refers to the tendency of consumers to assume that a credit product with a lower APR will cost less to repay overall, even though total cost also depends on other factors, such as repayment duration.

Monthly repayment: The fixed monetary amount the consumer must repay each month over the full repayment duration of a credit agreement. Monthly repayments cover repayment of the principal, the interest accrued and any other compulsory charges (where applicable). Together, these payments sum to the total amount repayable.

Product Pair Comparisons: The sets of two credit products presented to participants during the comparison task. Also referred throughout this Research Note as Pairs and/or Comparisons. See page 11 for more details.

Repayment per £ borrowed: The total amount the consumer must repay for each £1 of credit borrowed over the full term of the agreement. This metric reflects the total amount repayable expressed on a per-pound basis. This includes the principal, interest accrued and any other charges (where applicable).

Representative APR: The APR at or below which the firm communicating or approving the financial promotion reasonably expects, at the date on which the promotion is communicated or approved, that credit would be provided under at least 51% of the credit agreements which will be entered into as a result of the promotion.

Total amount repayable: The total monetary amount the consumer must repay over the full term of the credit agreement. This includes the amount of credit borrowed (the principal), all interest payable, and all other compulsory charges (but excludes any default charges).

Summary

This research explored the trade-off between the standardisation provided by a rules-based regulatory approach and the potential improvements in consumer understanding that may arise from the more flexible, outcomes-focused Consumer Duty. We tested this in the context of cost-of-credit information in financial promotions. The findings have informed the FCA's Discussion Paper on cost disclosure requirements in CONC 3 (the FCA's rules on financial promotions for consumer credit) which is published here.

Specifically, this research examined how different types of cost-of-credit information influence consumers' ability to compare the cost of credit products. We conducted an online experiment in which participants compared pairs of credit products. Products were described using several different cost-of-credit disclosures:

- APRs and repayment durations only
- Complementary information presented alongside APRs
- Non-standardised situations where the APR was removed from one product but retained for another

We assessed how these disclosures affected participants' ability to identify the lower total cost product, their product preferences, and their confidence in their choices. We also asked follow-up questions to assess participants' conceptual understanding of key credit concepts and their experience comparing products. By randomly assigning participants to see different types of cost-of-credit information, we were able to attribute any differences in these outcomes to the different types of cost-of-credit information participants saw.

This Research Note presents the findings from our experiment. The note forms part of a coordinated package of research and discussion/consultation papers that the FCA has initiated as part of the review of the CONC 3 financial promotions rules for consumer credit. The findings from this research provide timely, policy relevant evidence to help inform decisions on the future of credit disclosures. While this research focuses on consumer responses, market outcomes will also depend on how firms respond to the incentives created by competition and regulation.

Key findings

- **Participants had a poor understanding of APR and the impact of repayment duration on total cost.** Fewer than one in five participants (18%) answered all three understanding questions correctly, while a majority (53%) answered no more than one question correctly.
- **Despite poor consumer understanding of APR, it appeared to be an important metric for making credit decisions.** A majority (61%) of participants shown only APRs exhibited a 'low APR = low total cost' heuristic, consistently identifying the lower-APR product as the cheaper option regardless of its actual total cost. This suggests many participants treat APR as a reliable indicator of total cost, even if they don't understand exactly why. When this heuristic holds true (i.e. where the lower-

APR product is the lower total cost option), it can serve consumers well. For example, more than 80% of participants shown only APRs selected the lower-APR product in cases where it actually cost less in total.

- **However, the 'low APR = low total cost' heuristic was often applied even when it did not hold true.** When comparing two products where the lower-APR product actually cost more to repay in total, only 17% of participants shown only APRs correctly identified the lower total cost product. Correct identification in this case required recognising that APR is an annualised rate and that total cost also depends on repayment duration.
- **A lack of standardisation can impair comparability (participants' ability to identify the lower total cost product).** When different cost metrics were shown for each product (APR for one product and £-based metrics for the other), participants were, on average, less able to identify which product had the lower total cost.
- **Supplementing APRs with the total amount repayable improved comparability.** Adding the total amount repayable alongside APRs increased participants' ability to identify the lower-cost product by between 4pp and 53pp across all comparisons. It also increased participants' confidence and their perceived ease of understanding costs and comparing products. Other £-based metrics, such as monthly repayment amounts and the repayment per £ borrowed, had a limited and mixed impact on comparability.
- **Providing an additional explanation about the impact of repayment duration on total cost had a limited effect on comparability.** Messages designed to improve participants' conceptual understanding of APR and how total cost is impacted by repayment duration increased the proportion of participants who correctly identified the definition of APR. However, this improvement in understanding did not translate into a greater ability to identify the lower total cost product.
- **Additional information was generally welcomed.** Although information such as monthly repayment, explanations about the impact of repayment duration, and repayment per £ borrowed did not substantially improve comparability, participants viewed these additions positively. Fewer than 5% of participants reported feeling they had been given 'too much' information. However, these findings may reflect the controlled nature of our experiment. In real-world borrowing decisions, where time constraints and competing demands on attention are greater, responses to additional information may differ.
- **Better outcomes did not require improved conceptual understanding.** Participants were more likely to identify the lower total cost products when given the total amounts repayable, even though their conceptual knowledge of credit costs did not necessarily improve.

Introduction

The FCA's Consumer Duty came into force in July 2023. It marks a shift from prescriptive rules towards a principles-based, outcomes-focused approach to regulation. Under the Duty, firms are expected to communicate in ways that enable customers to make effective, timely, and informed decisions, consistent with delivering good outcomes (FCA, 2022). Importantly, the Duty does not require all firms to act in the same way to achieve these outcomes. Instead, firms retain discretion in how they design and deliver communications, allowing them to tailor these to the needs, knowledge and circumstances of their target market.

While this flexibility may allow firms to design communications that better support consumers' understanding of an individual product offered by a firm, it may also reduce the consistency of information provided across the market. The FCA's Call for Input (FCA, 2024) sought views on whether, where and how the FCA could simplify requirements following the introduction of the Consumer Duty. The Call for Input noted that greater consistency within a sector can promote comparability, transparency and effective competition. For example, a standardised disclosure regime may make it easier for consumers to shop around and meaningfully compare products. Balancing tailoring of information against standardisation across the market therefore presents a potential trade-off: consumers' understanding of a product offered by a firm vs consumers' ability to compare products across the market.

The Consumer Duty sets a cross-cutting expectation that firms' communications enable informed decisions and support good outcomes. However, sector-specific disclosure rules continue to play an important role in shaping what information is provided, how it is presented, and where comparability is required. This Research Note presents findings from an online experiment designed to examine the potential trade-off between consumer understanding and comparability in the context of the advertising of consumer credit products. These requirements are set out in CONC 3 of the FCA's Consumer Credit Sourcebook, which specifies standards for financial promotions and other customer facing communications relating to credit products.

CONC 3 Review

CONC 3 predates the Consumer Duty, and therefore reflects a more prescriptive approach to disclosure requirements. Under CONC 3, firms must present information, such as costs, fees and repayment terms, in a way that is clear, fair and not misleading. Firms must also include, where required, standardised cost disclosures, including the representative annual percentage rate (APR). Further details on the current requirements can be found in the Discussion Paper.

With the introduction of the Consumer Duty, the FCA is reassessing whether these prescriptive disclosure requirements remain the most effective way to support good consumer outcomes. As outlined in the Discussion Paper, the CONC 3 review aims to remove complex and outdated requirements or those that may be unnecessary or duplicative in light of the Duty. The Discussion Paper also seeks views on, amongst other

things, alternative approaches to APR disclosure in credit advertising and the extent to which giving firms flexibility to use alternative cost metrics may help support consumers in making better product choices. It seeks to identify the right balance between flexibility and standardisation across the market.

Alongside the CONC 3 review, the FCA are also conducting a wider Consumer Duty Requirements Review. The FCA recognises that changes in markets create an opportunity to look again at how disclosure can best support consumer understanding. The aim is to simplify disclosure rules where appropriate and that they remain consistent and future-proof. The Duty provides the overarching standard against which disclosure reforms are designed, and the reforms allow the FCA to test where prescription remains necessary and where greater flexibility may be appropriate – to support consumer understanding.

Existing evidence on credit information

We conducted a rapid review of available evidence on how consumers understand and use APR, how complementary cost-of-credit information affects decisions, and the effectiveness of alternative or more flexible disclosure approaches, to inform the design of our research.

First, existing evidence suggests that consumers often have a limited understanding of APR. Research conducted by PricewaterhouseCoopers (PwC, 2025) found that many UK consumers could not clearly explain what APR represents or how it translates into total borrowing costs. Many were also unaware that the representative APRs displayed in advertisements may not reflect the rate they personally receive. Similar findings emerge in an academic study (McHugh et al. 2011), where participants consistently misjudged total loan costs when relying on APR alone.

However, limited understanding does not imply limited influence. PwC (2025) research suggests that APR remains one of the most important pieces of information consumers use when assessing and comparing credit products. APR was understood as an indication of how expensive a credit product was, with the basic assumption that a higher APR meant more expensive borrowing and a lower APR was therefore better. Accordingly, in practice, APR could function as a simple comparison tool - a 'take the best APR' rule of thumb that helps consumers navigate complex choices (McHugh et al., 2011).

Complementary information can support consumer decision-making when presented alongside APR. Chin and Bruine de Bruin (2019) found that showing a graphical distribution of APRs highlighting where a given offer sits relative to the market improved participants' understanding of high-interest credit. Other studies (Ranyard et al., 2006; McHugh et al., 2011) suggest that presenting total borrowing costs and monthly repayment amounts, in plain and absolute numerical terms, can help consumers choose credit products and plan repayment.

How and when information is presented in the consumer journey can also influence outcomes. Studies show that consumers often overlook information that is hidden behind optional links (Fletcher, 2019). This is consistent with the FCA's guidance on good practice for consumer understanding (FCA, 2026), which among other things, highlights that good practice involves prioritising essential information, presenting it upfront, and reducing complexity.

Finally, we found limited evidence examining the effects of presenting alternative information *instead of* APRs. A study by Plain Numbers and ClearScore (2025) showed that presenting the total cost of borrowing in simple, narrative terms without APRs (e.g., "You're borrowing £X. The total interest you'll pay is £X") improved consumers' understanding of the cost of credit compared with presenting several metrics (including APR) without a supporting narrative or explanation.

Taken together, existing evidence suggests consumers often have a limited understanding of APR. At the same time, they use APR as a simple cue for expense, assuming that a lower APR means lower total cost. Complementary information can support decision-making. However, important gaps remain. In particular, there is limited evidence exploring how consumers compare products with different cost information (including APR), how alternative disclosures perform relative to APR, and the extent to which supplementing APR with additional metrics affects decision quality. These insights shaped the design of our research.

Research purpose

Within this context, we focused on testing how consumers interpret and use APR in comparative decisions, the extent to which complementary £-based metrics improve outcomes, and how presenting different cost metrics for different products affects consumer decision-making. By doing so, our study aimed to build on the existing evidence base and address key knowledge gaps in the literature. The views and findings set out in our research are not intended to set any regulatory expectations or guidance about what firms or practitioners should do or how they should approach cost-of-credit disclosures.

Methodology

Experimental Design

We conducted an online experiment using Testable, an online experiment platform.

A total of 14,766 participants, recruited through an online panel provider (Critical), completed the study. The sample was broadly representative of the UK general population with respect to age and gender, with the exception of a slight underrepresentation of individuals aged 65 and over (see Annex 5 for full details).

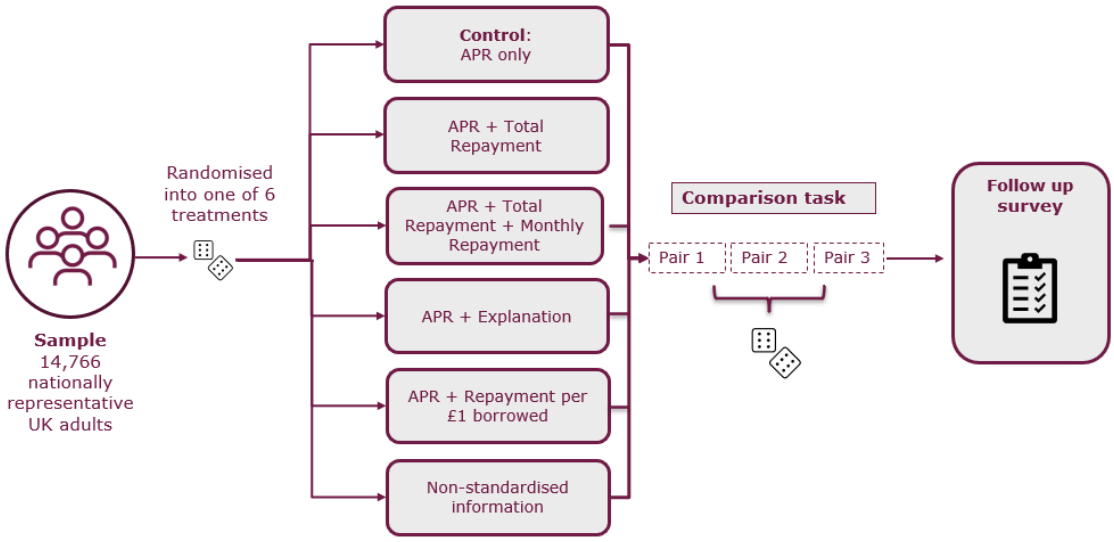
Figure 1 presents a high-level overview of the experiment, showing the steps participants followed during the study.

The experiment consisted of two key parts:

1. **Comparison task –** Participants reviewed 3 pairs of hypothetical credit products and chose (1) which product they preferred and (2) which product they believed would cost less to repay in total, based on the information provided.
2. **Survey** – Participants then answered a series of questions assessing their understanding of APR and how repayment duration affects total cost, their experience completing the comparison task, their previous experience with credit products, and other related outcomes.

Before participants began the comparison task, we randomly assigned them to one of six treatment groups. Each group saw different types of information about the credit products they were comparing. All other aspects of the experiment remained identical. This randomised controlled trial (RCT) design allowed us to attribute any differences in participants' performance on the comparison task, or their responses to the follow-up survey, to the differences in information they viewed.

Figure 1. Experimental flow



Comparison task

First, we asked participants to imagine that they needed to borrow some money. Then we showed them three pairs of credit products one after the other in a random order. For each pair, we asked participants to review the products, and we asked them to assume:

- Interest is added monthly
- They pay a fixed amount monthly
- None of the products incur any fees
- They could afford the monthly repayments (if monthly repayments were shown)

Given these assumptions and the information presented for each product pair, we asked participants a series of questions to assess:

- Their product preference
- Whether they could correctly identify the product that would cost them less to repay given the repayment duration shown
- How confident they were that they had correctly identified the product that would cost them less to repay

Participants' performance in identifying the lower total cost product was incentivised using a bonus payment. This ensured that the task more closely reflected real-life financial decision-making.

Product pairs

The characteristics of the product pairs used in the comparison task are summarised in Table 1. Full details of the products used can be found in Annex 2.

Table 1. Product pairs

Product pair	Repayment duration	Relationship between APR and actual total cost given repayment duration
Pair 1	Both products had the same duration	The lower APR product had the lower total cost
Pair 2	The lower total cost product had the longer repayment duration	The lower APR product had the lower total cost
Pair 3	The lower total cost product had the shorter repayment duration	The higher APR product had the lower total cost

We designed the product pair comparisons as simplified versions of real-world consumer choices, allowing us to assess when different types of information may help or hinder consumers' ability to compare the cost of products. Accordingly, we structured these comparisons to vary in complexity.

Pairs 1 and 2 reflected relatively common borrowing scenarios in which comparing products using APR was generally straightforward. In Pair 1, both products had the same repayment duration, meaning participants only needed to compare the cost metrics presented (including APR) to identify the lower total cost product. Pair 2 was more complex because the repayment durations differed. However, applying a simple 'low APR = low total cost' heuristic would still have led participants to correctly identify the lower total cost product.

Pair 3 was more complex and potentially less common in everyday borrowing decisions. It was designed to reflect a scenario in which a product with a high APR, but a short repayment duration, such as a high-cost short-term credit loan, may cost less in total than a product with a lower APR and a longer repayment period. In this case, relying solely on the 'low APR = low total cost' heuristic would have led to participants incorrectly identifying the lower total cost product.

The products used in the experiment were constructed to be comparable to real-world consumer credit products, reflecting the kinds of borrowing decisions consumers typically face. For the purposes of this study, we excluded revolving credit products, such as credit cards, instead focusing on fixed-term credit products.

Additionally, we presented all products in a neutral, context-free way and avoided labelling them (for example, as 'high-cost credit') to minimise the risk of participants' decisions being influenced by pre-conceived views about product types. We acknowledge

that these design choices may have implications for the generalisability of our findings (see Discussion).

Treatment groups

We showed all participants the same three product pairs. For each credit product, we showed everyone:

- The amount of credit
- The repayment duration

However, depending on the treatment group they were assigned to, participants saw further information intended to support them with the comparison task. The type and amount of this additional information varied across groups. Table 2 summarises what each treatment group saw.

We designed the information we gave participants to be a simplified representation of the type of information consumers might see in real life. It does not necessarily reflect FCA rules.

Table 2. Treatment groups

Treatment group	Description	What does this test?
Control APR only	Participants were **shown the APR of both products**, in addition to the amounts borrowed and the repayment durations.	Designed as a baseline against which to test the impact of providing additional or non-standard cost-of-credit information.
Treatment 1 APR + Total amount repayable	Participants were shown the **APR and the total amount they would repay for each product,** given their repayment durations.	Effect of adding the total amount repayable over and above the APR.
Treatment 2 APR + Total amount repayable + Monthly repayment amount	Participants were shown **the APR, total amount repayable, and monthly repayment amount for each product**.	The effect of adding both metrics, as well as the marginal effect of adding the monthly repayment amount (beyond the total repayment when compared with Treatment 1).
Treatment 3 APR + Explanation	Participants were shown the APR for each product alongside **an explanation highlighting that repayment duration affects total cost.**	Effect of adding information about the impact of repayment duration on cost.

Treatment 4 APR + Repayment per £ borrowed	Participants were shown the APR and **total amount repayable per £1 borrowed for each product.**	Effect of adding the repayment as per £ borrowed value.
Treatment 5 Non-standard information	One product displayed **only the APR.** The other displayed the **total amount repayable and the monthly repayment amount; APR was not shown.**	The impact of removing the standardised APR metric from one product. Represents an example where providers have discretion to present different cost disclosures.

Below are two examples of the Pair 2 comparison. Figure 2 shows the APR + Total amount repayable + Monthly repayment amount treatment. Figure 3 shows the non-standard treatment.

Figure 2. Pair 2, Treatment 2 (APR + total amount repayable + monthly repayment)

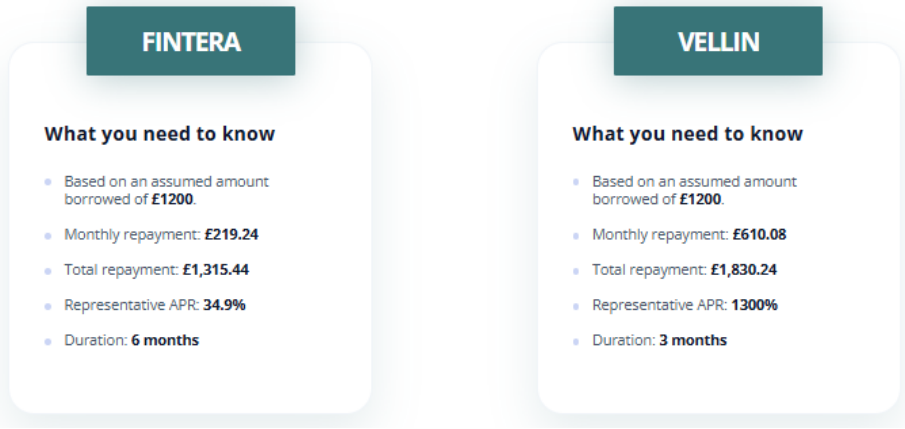
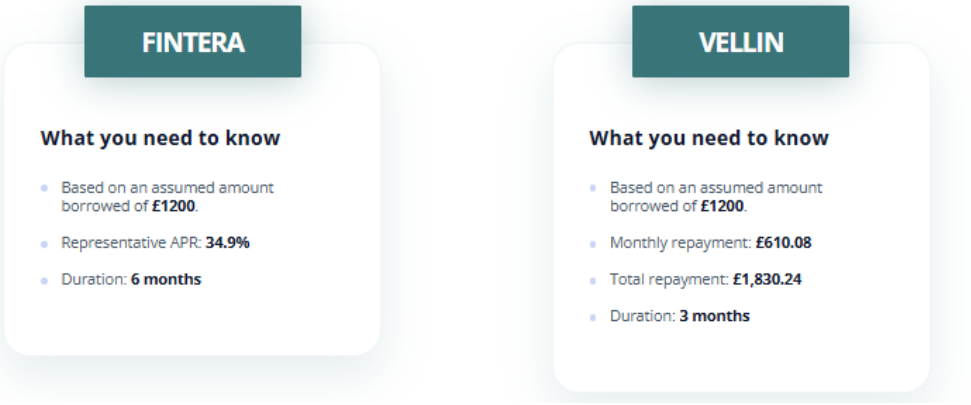


Figure 3. Pair 2, Treatment 5 (Non-standard treatment)



Survey

After finishing the comparison task, we asked participants a series of questions to measure:

- **Perceived drivers of preference** – factors influencing participants' decision to prefer (or not prefer) one product over another in the comparison task and real life
- **Perceived value of different information components** – which pieces of information they considered most and least important for determining which product would cost less to repay in total
- **Objective consumer understanding** – what APR is, and what the impact of repayment duration on total amount repayable is
- **Experience with credit products** – self-reported credit scores, previous credit products held, and experience of financial struggle
- **Experience completing the comparison task** – perceived ease of understanding cost, ease of comparison, and whether the information provided felt sufficient

All survey questions are included in Annex 4.

Empirical strategy

A full list of outcome measures and the corresponding econometric models we used are included in Annex 1. For our main analyses, we used logistic regression models to examine the relationship between the treatments groups and the outcomes measured. We also ran a series of sensitivity and robustness checks. See Annex 1 for more details.

We collected data to allow us to estimate models including the following covariates:

- Age
- Gender
- Income
- Financial literacy (based on the established 'Big Three' financial literacy questions; e.g. Lusardi & Mitchell, 2011)
- Previous ownership of higher-cost short-term credit (HCSTC; defined as previous ownership of a payday loan or other short-term high-cost credit)
- Previous ownership of a credit card

- Self-reported credit score

We estimated several models, with no covariates or with a subset of the covariates listed above. Throughout, we report the Average Marginal Effects (AMEs) from the models with all additional covariates, but our results do not differ substantively across the different model specifications. Models without covariates, or with subsets of covariates, are included in the Annex 7.

To account for multiple hypothesis testing, where testing several treatments increases the chance of finding a statistically significant result by chance, we applied the Bonferroni correction (Abdi, 2007). We adjusted the conventional significance threshold ($a = 0.05$) by dividing it by the number of comparisons (5 treatments versus the control, giving a significance threshold of 0.01).

Overall, our attrition rate was 25.6%. Participants identified as duplicates or failing attention checks were treated as post-completion quality-control exclusions rather than attrition. We only analyse and report the findings from those who completed the experiment, thereby, reporting the average treatment effect on the treated participants. We also excluded participants who took less than 120 seconds (N=59) to complete the experiment or more than one hour (N=67) to ensure data quality. These thresholds were determined based on prior experience with similar experiments and reflect reasonable lower and upper bounds for attentive and valid completion times. Extremely short durations likely indicate insufficient engagement, while excessively long durations may reflect interruptions or inattention.

The resulting sample consisted of 14,766 participants and remained broadly representative of the UK general population with respect to age and gender, with a slight underrepresentation of individuals aged 65 and over (see Annex 5 for full details).

Results

Table 3 provides a summary of the impact of treatments on our key outcomes. Upward arrows indicate that the treatment led to a statistically significant improvement (at our 'Bonferroni-corrected' significance level of 1%) in an outcome compared to showing the APR only (our control). Downward arrows indicate that the treatment led to a statistically significant decrease in an outcome compared to showing the APR only. White cells indicate that we did not find a statistically significant difference.

Table 3. Key results summary

Outcome	APR + Total amount repayable	APR + Total amount repayable + Monthly repayable	APR + Explanation	APR + Repayment per £ borrowed	Non-standard
Ability to identify the lower cost product					
Pair 1 Products compared had the same duration, and the product with the lower APR cost less to repay in total	↑	↑	-	-	↓
Pair 2 Products compared had different repayment durations, and the product with the lower APR cost less to repay in total	↑	↑	↓	↓	↓
Pair 3 Products compared had different repayment durations, and the product with the higher APR cost less to repay in total	↑	↑	-	↑	↑

Confidence to select the lower cost option					
Pair 1	↑	↑	-	↓	↓
Pair 2	↑	↑	-	-	↓
Pair 3	↑	↑	-	-	↓
Experience completing the comparison task					
Perceived ease of understanding cost	↑	↑	↓	-	↓
Perceived ease of comparing products	↑	↑	-	-	↓
Perceived importance of comparison	↑	↑	-	-	↓
Perceived sufficiency of information	↑	↑	-	↑	↓

Comparison Task

Ability to identify the lower total cost product

For the three product pairs in the comparison task, we asked participants to identify which product would cost less to repay in total given the repayment duration, or whether they would cost the same. Performance on this comparison task, defined as correctly identifying the lower total cost product, and the impact of each treatment, differed across the product pairs.

APR only (control group)

Participants shown only the APRs generally appeared to rely on a 'low APR = low total cost heuristic' when choosing which product would cost less to repay in total. 61% of participants selected the lower-APR option in all three comparisons, regardless of actual total cost.

Consistent with this pattern, more than 80% of participants shown only the APRs correctly identified the lower total cost product in Pairs 1 and 2, where the product with the lower APR also had the lower total cost. However, only 17% correctly identified the lower total cost product in Pair 3, where the lower-APR option actually cost more overall due to a longer repayment duration.

Complementary metrics alongside APR

Providing the total amounts repayable alongside the APRs reduced reliance on the 'low APR = low total cost' heuristic and significantly improved participants' ability to identify the lower total cost product in all three comparisons. Participants were 53 percentage points (pp) more likely to correctly identify the lower total cost product in Pair 3—where the

higher-APR product cost less overall—compared with those shown only APRs. Providing the total amounts repayable also produced smaller but statistically significant improvements in Pair 1 (+4pp) and Pair 2 (+7pp). However, despite these improvements, some participants appeared to continue to rely on APR. Even when presented with the exact amounts they would need to repay, 25% of participants still incorrectly reported that the lower-APR product would cost less to repay in Pair 3.

Adding the monthly repayment amounts alongside total amounts repayable and the APRs provided no statistically significant improvement in participants' ability to identify the lower total cost product in any pair, when compared to showing total amounts repayable and the APRs alone. Importantly, it did not harm performance either. Other evidence has shown that monthly repayments remain a key factor in consumer decision-making, particularly in relation to budgeting and affordability. We return to this point later in this section and in the Discussion section.

Providing an explanation alongside the APRs, highlighting that repayment duration affects total amount repayable, had a limited effect compared to APRs alone. Participants shown the explanation were 3pp less likely to identify the lower total cost product in Pair 2. The explanation had no statistically significant impact for the other pairs.

Showing how much participants would repay per £ borrowed also had limited impact in Pairs 1 and 2 compared with APRs alone. This information resulted in a small but statistically significant decline in performance in Pair 2 (-3pp) and had no statistically significant effect in Pair 1. However, in Pair 3—where the lower-APR product cost more to repay in total—this information increased the likelihood of identifying the lower total cost product by 35pp relative to APRs alone.

Non-standard treatment

Providing asymmetric information (i.e., the APR for one product and the total and monthly repayment amounts for the other) impaired participants' ability to correctly identify the lower total cost product in Pair 1 (-40pp) and Pair 2 (-15pp), compared to always showing only the APRs. However, in Pair 3—where the APRs-only group performed particularly poorly—the non-standard treatment improved performance by 31pp.

Figure 4. The impact of treatment on likelihood of correctly identifying the lower total cost product in Pair 1

We have rounded results to the nearest percentage point, which explains why graphs and in-text figures may show minor variations in effect size.

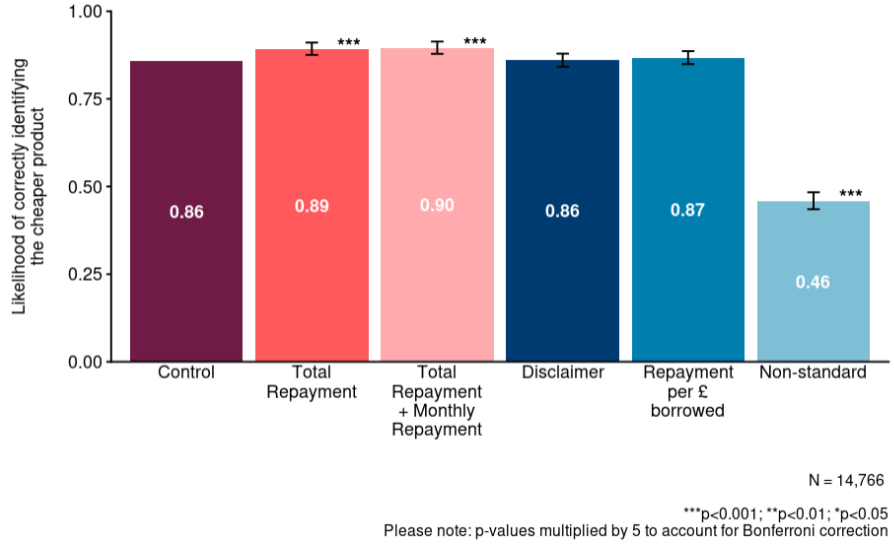


Figure 5. The impact of treatment on likelihood of correctly identifying the lower total cost product in Pair 2

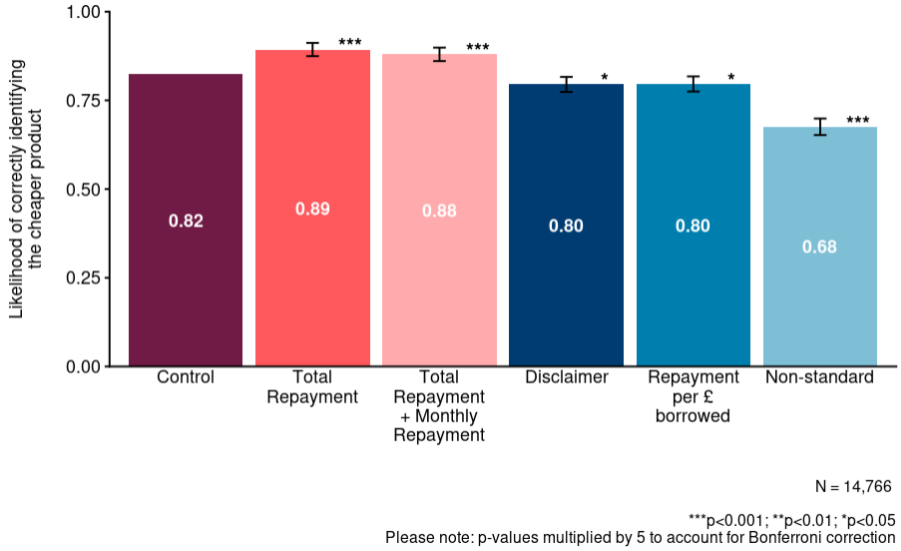
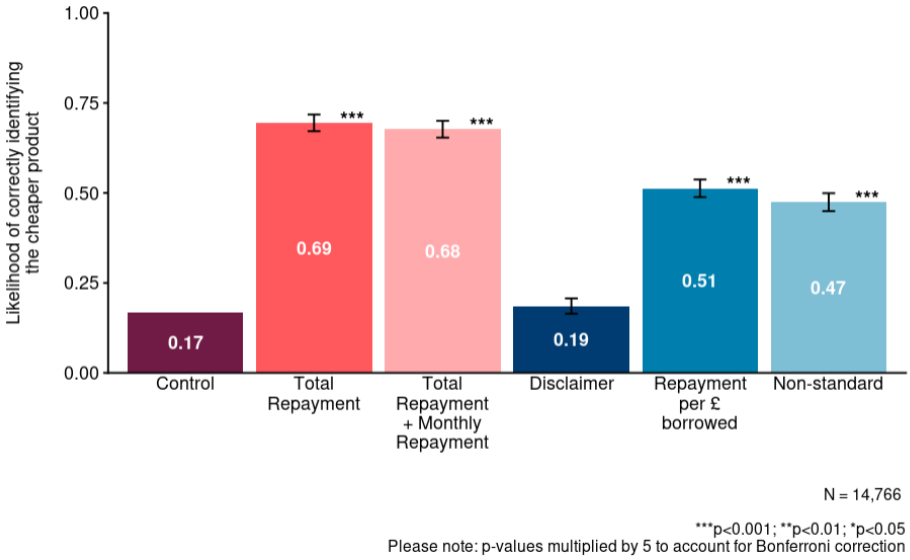


Figure 6. The impact of treatment on likelihood of correctly identifying the lower total cost product in Pair 3



Confidence in ability to identify the lower total cost product

Participants rated their confidence in identifying the product that would cost less to repay in total on a 1–5 scale for each comparison. Scores of 4 or 5 were considered 'confident'. These results are summarised in Table 4.

Overall, participants' confidence broadly tracked their actual performance:

- Participants were less likely to report confidence when comparing Pair 3, where the lower-APR product cost more in total, than Pairs 1 and 2.
- Showing the total amount repayable increased the likelihood of reporting confidence by 4–11pp across comparisons compared to the APRs alone.
- Adding an explanation alongside the APRs had no statistically significant effect on confidence in any comparison.

However, not all treatments affected confidence in ways that matched actual performance:

- Adding the monthly repayment amounts to the total amounts repayable and APRs did not improve performance beyond presenting only the total amounts repayable amounts and APRs but increased the likelihood of reporting confidence in Pair 3 by 6pp.
- Showing the repayment per £ borrowed values reduced the likelihood of reporting confidence in Pair 1 (-5pp) compared to the APRs alone, despite having no effect on performance.
- Non-standard information reduced the likelihood of reporting confidence across all comparisons (by 10–23pp), even though it improved performance in Pair 3 relative to the APRs alone.

Table 4. Impact of treatment on confidence in ability to select the lower total cost product

Product Pair Comparison *% of participants who reported being confident per comparison*	Control	APR + Total amount repayable (TR)	APR + TR + Monthly repayable	APR + Explanation	APR + Repayment per £ borrowed	Non-standard
Pair 1	71%	+4pp	+5pp	-1pp	-5pp	-23pp
Pair 2	61%	+11pp	+13pp	-3pp	-2pp	-15pp
Pair 3	55%	+10pp	+16pp	-3pp	-2pp	-10pp

Note: The results here show the % of participants who reported confidence in their ability to select the lower total cost product. The green cells indicate where the likelihood of reporting confidence is statistically significantly (at our 'Bonferroni-corrected' significance level of 1%) higher than the control group. Red cells indicate where the likelihood of reporting confidence is statistically significantly lower.

Taken together, these deviations suggest that while some types of information increase or decrease participants' confidence in their ability to identify the lower total cost product, changes in confidence do not always correspond to better or worse performance in identifying the lower total cost product.

The lower confidence observed in the non-standard information treatment relative to the APRs-only group also suggests that standardisation itself may give participants confidence, even when in situations where reliance on APRs alone leads to poorer outcomes (as in Pair 3).

Preference

During the comparison task, for each product pair, we asked participants which product they would prefer, or whether they had no preference.

Preference appeared more closely aligned to *perceived* total cost (i.e. which products participants selected as lower total cost) than actual total cost. Depending on comparison, between 66% and 81% of participants preferred the product they perceived to have the lower total cost. By contrast, between 36% and 78% of participants preferred the actual lower total cost product.

Treatment effects on preference generally followed the same pattern as their impact on performance on the comparison task. When treatments helped participants correctly identify the lower total cost product, they also tended to increase the likelihood that participants preferred that product. For example, providing the total and monthly repayment amounts increased the likelihood of preferring the lower total cost product by between 3pp and 33pp relative to APRs alone. Full results are presented in Table 5.

Table 5. Impact of treatment on the likelihood of preferring the actual lower total cost product

Product Pair Comparison *% of participants who preferred the lower total cost option*	Control	APR + Total amount repayable (TR)	APR + TR + Monthly repayable	APR + Explanation	APR + Repayment per £ borrowed	Non-standard
Pair 1	83%	+2pp	+3pp	-1pp	-1pp	-37pp
Pair 2	82%	+3pp	+4pp	-2pp	-3pp	-15pp
Pair 3	14%	+43pp	+33pp	+2pp	+28pp	+29pp

Note: The results here show the % of participants who preferred the lower total cost product. The green cells indicate where the likelihood of preferring the lower total cost product is statistically significantly (at our 'Bonferroni-corrected' significance level of 1%) higher than the control group. Red cells indicate where the likelihood of preferring the lower total cost is statistically significantly lower.

We also asked participants to identify the most important factor in their decision to choose a credit product in real life. Cost-related factors were the most cited reasons for choosing a credit product. Of those who reported previously owning a credit product:

- 24% of participants cited the total amount repayable
- 18% of participants cited the monthly repayment amount
- 15% cited the APR

Experience completing the comparison task

We asked participants several questions about their experience of completing the comparison task: whether they found it easy to understand the cost and compare products, whether they felt that being able to compare products was important for choosing their preferred option, and whether they believed they had sufficient information to compare products and their costs. These results are presented in Table 6.

Overall, participants' self-reported experience of the task, and the effect of our treatments on these perceptions, broadly aligned with actual performance and patterns in self-reported confidence.

Providing the total amount repayable consistently improved participants' experience across all measures relative to APRs alone, including ease of understanding costs (+12pp), ease of comparison (+9pp), and perceived sufficiency of information (+16pp). These improvements mirror the positive effect of providing the total amount repayable on participants' performance on the comparison task.

By contrast, non-standard (asymmetric) information had a negative effect on participants' experience across all measures, compared to APRs only. This aligns with the

lower confidence reported among this group and is consistent with the negative impact of asymmetric information on performance on average.

Table 6. Impact of treatment on participants' experience completing the comparison task

Question	Control	APR + Total amount repayable (TR)	APR + TR + Monthly repayable	APR + Explanation	APR + Repayment per £ borrowed	Non-standard
To what extent do you agree with the following statements… *% of participants who selected 'Agree' or 'Strongly agree'*						
…I found it easy to understand what each credit product would cost me	57%	+12pp	+16pp	-4pp	-2pp	-14pp
…It was easy to use the information provided to compare the different products	64%	+9pp	+13pp	-3pp	-1pp	-20pp
…Being able to compare between products was important in helping me decide which product I prefer	77%	+4pp	+5pp	+0pp	-1pp	-5pp
How do you feel about the amount of information shown for comparing and choosing the product that would cost you the least to repay? *% who selected the following answer option*						
…I had the right amount of information	63%	+16pp	+24pp	+0pp	+7pp	-17pp

Note: The green cells indicate where the likelihood of selecting the relevant answer option is statistically significantly (at our 'Bonferroni-corrected' significance level of 1%) higher than the control group. Red cells indicate where the likelihood of selecting the relevant answer option is statistically significantly lower.

However, not all participants' experience aligned with performance. Although adding the monthly repayment amounts did not improve performance on the comparison task beyond providing the total amounts repayable and APRs, participants appeared to value this information. Compared with those shown the total amounts repayable and APRs alone, participants also shown monthly repayment amounts were more likely to agree

that it was easy to understand costs (+4pp), compare products (+4pp), and that they had the right amount of information (+8pp). This reinforces the pattern observed in confidence, where monthly repayment amounts increased confidence without improving accuracy.

We also explored whether participants who did not feel they had the right amount of information believed they had too little or too much. Only a small minority (2%-4%, depending on treatment) reported having too much information, while a larger proportion (10%-52%) felt they had too little. Treatments that provided additional information alongside APRs generally had a positive or null effect on the likelihood of participants saying they had the 'right amount' of information. Taken together, this evidence suggests that additional information was typically well-received.

Understanding

We asked participants three multiple-choice questions to assess their objective understanding of credit. Each question had four answer options, including 'I don't know'. The results for these questions are summarised in Table 7.

Fewer than half of participants across all treatments correctly identified the definition of APR. Among those shown only the APRs, 38% selected the correct definition. This lack of understanding aligns with performance on the comparison task, with only 17% of those in this group correctly identifying the lower total cost product in Pair 3.

Two treatments improved understanding of APR relative to showing APRs only: adding an explanation (+7pp) and showing the repayment per £ borrowed values (+5pp). All other treatments had no statistically significant effect.

Among participants shown only the APRs, 47% correctly identified that a higher-APR product can cost less overall if repaid over a shorter period. None of our treatments significantly affected this understanding.

A relatively larger share of participants recognised that repaying a credit product faster usually reduces its total cost, although understanding remained low overall. In the APR-only group, 57% answered this question correctly. None of our treatments had a statistically significant impact on this measure.

Table 7. Impact of treatment on the likelihood of participants answering conceptual understanding questions correctly

Understanding question *% of participants who answered correctly*	Control	APR + Total amount repayable (TR)	APR + TR + Monthly repayable	APR + Explanation	APR + Repayment per £ borrowed	Non-standard
Which statement best describes representative APR on a credit product?	38%	+3pp	+1pp	+7pp	+5pp	+2pp
Can a product with a higher APR ever cost less than one with a lower APR?	47%	+0pp	-2pp	+3pp	+1pp	-3pp
If you repay a credit product faster and there are no fees for doing so, what usually happens to the total cost?	57%	-1pp	-1pp	-1pp	-2pp	-2pp

Note: The green cells indicate where the likelihood of selecting the correct answer option is statistically significantly (at our 'Bonferroni-corrected' significance level of 1%) higher than the control group. Red cells indicate where the likelihood of selecting the correct answer option is statistically significantly lower.

Discussion

Interpretation of our findings

Our research demonstrated that APR plays an important role in how consumers compare credit products, even when many consumers do not fully understand what APR represents. This is consistent with existing evidence (PwC, 2025), which suggests that consumers often struggle to explain what APRs mean but still pay attention to them when shopping for credit.

Our results confirmed this pattern. Participants shown only APRs appeared to rely heavily on a simple *'low APR = low total cost'* rule of thumb when comparing the cost of products. This may be because consumers use APR as a proxy for total cost, because they do not pay attention to the product term, they do not understand APR well, and/or they do not understand the impact of payment duration and how to discount the APR accordingly. Examining *why* consumers may adopt this rule of thumb was outside the scope of this research.

In two of the product comparisons, this 'low APR = low total cost' heuristic led to the correct choice of the lower total cost product. However, a lower APR may not always align with a lower total cost. For example, when the lower-APR product has a sufficiently longer payment duration to make it the higher cost product overall. This suggests that there may be cases where APRs alone may not be sufficient to support good outcomes, in particular, where repayment duration affects the total cost in ways that are not readily captured by a simple percentage-based metric. This points to the potential value of complementing APR with information that expresses borrowing costs in more concrete and straightforward terms.

Our research found that complementary cost information can improve consumer decision-making when presented alongside APR. Prior research suggests that consumers benefit from cost information expressed in clear and concrete terms, such as total borrowing costs or monthly repayments (Ranyard et al., 2006; McHugh et al., 2011). Among the cost metrics we tested, the total amount repayable appeared particularly effective as a complement to APR. The total amount repayable presents the cost of borrowing in a direct monetary form that consumers may be able to use more easily alongside APRs when comparing products. This may help consumers better understand repayment amounts and support them to make effective decisions.

Not all cost-of-credit information was equally effective in helping participants compare the total cost of products in our experiment. However, this does not mean that such information is not helpful for consumers in the real world. Assessing the value of different metrics in affordability considerations was outside the scope of this study, as participants were asked to assume they could afford all monthly repayments. In real-life borrowing decisions, however, considerations like affordability may play an important role.

For example, we found that monthly repayment amounts did not improve participants' ability to compare the total cost of products beyond providing the total amounts repayable and APRs. However, providing monthly repayment amounts increased perceived ease of comparing products and perceived sufficiency of information. Additionally, among participants in our study who reported previously owning a credit product, 18% cited the monthly repayment amount as the most important factor when choosing a credit product, making it the second most commonly cited factor. This is consistent with the qualitative research by PwC (2025) which found that users of higher-cost credit find monthly or weekly repayment amounts helpful to prioritise the products they feel they can afford. Therefore, while monthly repayments may not be the most helpful metric for supporting the comparability of credit costs, they may still be important to consumers when shopping around.

Our results suggest that improving conceptual understanding of APRs is not necessarily sufficient, or even necessary, to improve decision quality. Treatments that improved participants' ability to identify the lower total cost product did not generally improve conceptual understanding of APR or related credit concepts. Conversely, the APR + Explanation treatment increased the proportion of participants who correctly identified the definition of APR, but this did not translate into better performance in comparing products. This suggests that disclosure effectiveness should not be judged solely by whether consumers can understand them, but whether consumers can effectively use the information conveyed to make better decisions.

Within the controlled setting of our experiment, there was little evidence that participants were overwhelmed by additional information. Very few reported having 'too much' information, while larger proportions felt they had 'too little'. In fact, providing additional information often increased the perceived ease of understanding costs and comparing products, even when it had little impact on actual performance. However, these findings should be interpreted in context. In real-world borrowing decisions, where time constraints, competing demands on attention, and more complex information environments are likely to apply, consumers may be more susceptible to information overload. Taken together, this suggests that while information overload remains a valid concern in disclosure design, it should be balanced against the potential benefits of providing decision-relevant information. The issue may be less about the amount of information provided and more about whether the information provided is context-specific, relevant, clear, targeted as well as easy to use.

Finally, our findings add evidence on the importance of standardisation for comparability. Our results suggest that when participants were asked to compare products that used different cost metrics, their ability to identify the lower cost option fell on average, and their confidence in their decisions also declined. Of those shown the same information for both products (all treatments except the non-standard treatment), between 60-80% reported finding it easy to compare the cost of products, while only 44% reported finding it easy when different information was shown for the different products.

Implications for the CONC3 review

These findings are directly relevant to the FCA's review of the financial promotion rules in CONC 3. They speak to the importance of standardised disclosures to facilitate comparability as well as the effectiveness of supplementary alternative cost information to support informed decision-making.

Our results suggest that, alongside maintaining comparability through standardised disclosures, greater flexibility in disclosure design may generate benefits where it allows firms to present cost information in ways that are more straightforward and useful for consumers. In this respect, the findings are consistent with the broader aims of the Consumer Duty, which emphasises communications that enable consumers to make effective, timely and informed decisions. The evidence from this study suggests that disclosures expressed in concrete monetary terms may support that objective better than APR alone in some contexts. However, we only tested complementary metrics alongside APR, rather than as a standardised substitute to APR. Therefore, we do not have evidence to suggest that removing APRs completely or substituting them with standardised alternative metrics like the total amount repayable will lead to better or worse consumer outcomes.

Our results also highlight a potential risk of increased flexibility. We found that consumers were unable to compare products effectively when required to use different cost metrics for each product. This suggests that in the credit market context, if firms were allowed to employ different cost of credit metrics, consumers may face similar challenges in comparing products. Our findings therefore suggest that the policy question is not simply which disclosure approach best improves consumer understanding, but how to preserve the benefits of a common comparison benchmark while allowing firms sufficient flexibility to improve consumers' decision-making.

In this sense, the results do not point to a simple choice between prescriptive standardisation and full flexibility. Instead, they suggest that an effective regime may need to combine both in some contexts. One potential implication is that there may be value in retaining a standardised metric (e.g. Representative APR) that supports cross-market comparison, while also allowing or encouraging firms to present complementary cost information that helps consumers. The findings therefore suggest that flexibility may be most effective when it operates alongside, rather than instead of, a degree of standardisation. This is consistent with the FCA's Call for Input and related Feedback Statement on the Consumer Duty. Responses to the Call for Input highlighted that the FCA should find a balance between high-level and detailed rules, to improve flexibility while delivering appropriate standardisation. More broadly, the results underline the importance of assessing disclosure rules not only in terms of whether they improve consumer understanding in an abstract sense, but also in terms of whether they support accurate comparison across similar types of products and effective choices in practice.

Whilst this research focuses on consumer responses, firms' behavioural and dynamic responses are also fundamental to market outcomes. In particular, the nature of competition and the incentives shaped by regulation will determine how firms respond in practice, which in turn will affect the extent to which any trade-off between consumer understanding and comparability materialises.

Limitations of the research

It's important to be mindful of the limitations of this research. First, the study was conducted in an online experimental setting using hypothetical choices. Although the comparison task was incentivised, participants were not making real borrowing decisions. To isolate the effect of cost information on participants' ability to identify the product with the lower total cost, they were explicitly instructed to disregard affordability considerations. In real-world contexts, however, consumers may face additional pressures and influences, including time and budget constraints, brand preferences, prior experiences, channel effects, and competing demands on their attention, all of which may ultimately shape their decision to choose one product over another. For example, as noted earlier, consumers using higher-cost credit often focus on the monthly or weekly repayments they can afford (PwC, 2025), illustrating how affordability may shape real-world decisions in ways not captured by this research.

Second, the experiment focused on a limited set of cost-of-credit information. It did not examine alternative standardised cost-of-credit metrics that could replace APR, such as presenting only total repayment or repayment per £ borrowed. As a result, the research could not assess whether a standardised alternative metric would outperform APR alone or APR supplemented with additional information. The experiment also tested only one form of flexible disclosure, where one product showed APR and the other showed total and monthly repayment amounts. In practice, flexibility could lead to a wider range of non-standard disclosures, including scenarios where firms communicate cost information without APRs (as tested in Plain Numbers and ClearScore, 2025).

Third, the products used in the experiment were deliberately simplified and presented in a neutral, context-free format. This was done to isolate the effects of different cost metrics, but it means the study does not capture the full complexity of real credit journeys. In practice, consumers often encounter disclosures alongside product branding, marketing claims, pre-existing preferences, and wider contextual information that may shape how disclosures are interpreted and used.

Finally, the study did not cover all forms of consumer credit. In particular, revolving credit products such as credit cards were excluded. The extent to which the findings generalise to other product types, including products with more complex pricing structures or usage patterns, remains an open question.

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