
Rent To Own consumer research

Narrative report

*Establishing
consumers' use,
experience and
understanding of
RTO products and
comparing
outcomes for
consumers who
have been accepted
or declined for RTO
services*

November 2018

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1. Introduction

1.1. Glossary of Terms

Throughout this document, the following terms are used:

RTO

Rent to own

RTO retailer

RTO retailers offer a range of household goods on a hire-purchase basis, where consumers typically make weekly repayments over one to three year terms

Accepted customer

A consumer who has applied to a rent to own retailer to purchase a product and has had their application accepted.

Accepted customers rep

A representative sample of Accepted customers who had their application accepted in the last 2 years.

Declined applicant

A consumer who has applied to a rent to own retailer to purchase a product and has had their application declined.

Declined applicants rep

A representative sample of Declined applicants who had their application declined in the last 2 years.

Walkaway

A consumer who has been in contact with a rent to own retailer to purchase a product and decided to walk away from the process prior to completing their application.

Former customer

A consumer who applied to a rent to own retailer two or more years ago to purchase a product, had their application accepted and has finished paying for their product. They have not taken out another RTO agreement since then. They may also have returned their product.

Participants

Collective terms to describe people who took part in this research project.

1.2. Background

The FCA issued a Call for Input¹ in November 2016 that asked for views and evidence on potential areas of concern in the high-cost credit sector. Following this, in July 2017 the FCA published its Feedback Statement² that set out the priorities for a review of the high-cost credit sector. In this they identified the Rent To Own sector to look at in greater detail during the next phase of the review.

¹ <https://www.fca.org.uk/publications/calls-input/high-cost-short-term-credit-price-cap>

² <https://www.fca.org.uk/publications/feedback-statements/fs17-2-high-cost-credit>

In May 2018 the FCA announced that they believed a case was made, prima facie, to consider the introduction of a price cap³. Primary consumer research was needed to help inform the FCA's analysis of the impacts of any potential pricing intervention to be used alongside evidence provided by firms and their analysis of credit reference agency data. This quantitative research builds on qualitative research⁴, also conducted by PwC Research, in early 2018.

1.3. Objectives

The overall objective of the research was to establish consumers' use, experience and understanding of the Rent To Own market and compare outcomes for consumers who have been accepted or declined for RTO services. Specifically, the research aimed to establish:

- The impact of the high costs of RTO on customers and their perspectives on the product
- What declined applicants and walkaways do instead of using RTO
- How current and former RTO customers feel about their decision to use RTO

1.4. Methodology

Sample sourcing

Customer data was obtained from the principal providers of RTO in the UK, using the FCA's regulatory powers.

Design and testing

A new questionnaire was developed for this research project, using key question areas suggested by the FCA as the initial starting point. The PwC Research and FCA project teams then worked together to develop the questionnaire further. The questionnaire was reviewed by the team involved in the qualitative research conducted earlier in 2018 and a small amount of cognitive testing was completed before fieldwork started, to check that the language used was consumer friendly and the questions were clear. A soft launch was then implemented to pilot the survey with a small number of respondents. The survey was then halted while the PwC Research team carried out a full review to confirm the questionnaire was working as intended.

Quantitative research – Phase one

The fieldwork was conducted via telephone with an option for participants to switch to an online version of the survey if preferred. In phase one, telephone interviews were conducted with a representative sample of Accepted customers and Declined applicants. Controls were applied so that the proportion of Accepted customers and Declined applicants participating in an interview matched this profile. Potential participants were then screened out if they claimed not to have bought a product or considered buying a product from a rent to own retailer. In total, 1,012 surveys were completed in this phase.

Quantitative research – Phase two

In the second phase of fieldwork an additional group of consumers (Walkaways) were identified by the FCA and the decision was taken to add them to the survey process. The fieldwork for this group was also conducted via telephone with an option for participants to switch to an online version of the survey if preferred. Screening criteria was set, so that only those who had had considered getting a product from a rent to own retailer were allowed to complete the survey. A total of 251 surveys were completed in phase two.

Overall, 1,263 completed surveys were achieved across phase one and phase two.

³ <https://www.fca.org.uk/publication/consultation/cp18-12.pdf>

⁴ <https://www.fca.org.uk/publication/research/usage-and-experiences-of-high-cost-credit-consumer-research-report.pdf>

Follow up qualitative teledepths

On completion of the quantitative research and analysis a number of participants took part in a telephone interview in order to understand their RTO experience in more detail. These were identified as representative of customers whose responses indicated that they had been through very similar experiences. In total nine teledepths were conducted and a number of these developed into case studies that were then added to this report.

The quantitative questionnaires can be found in the Technical Annex published alongside this Narrative Report.

2. Summary

RTO customers and applicants were more financially vulnerable than the population as a whole

The majority (around two thirds) of Accepted customers and Declined applicants were not employed and had household incomes of under £18,000 per year. Few had access to ready cash and half were struggling to keep on top of their bills and credit commitments with a quarter missing some form of non RTO payment (e.g. council tax, utility bills) in the last six months. Walkaway customers were in a slightly better position with higher levels of employment and income, greater awareness of their debts and a slightly more proactive approach to debt issues.

Most RTO customers/applicants felt that they did not have other immediate credit options available to them and often believed RTO was their only option for purchasing

There was little shopping around – only 28% of Accepted customers considered purchasing their product from elsewhere and just 13% specifically considered an alternative payment method. When prompted to think back to the options available to them at the time of purchase, half (51%) of Accepted RTO customers claimed to have no other payment options open to them. For those that did have other payment options available to them, most would have relied on saving up (26%), or borrowing money/selling something (20%) to fund their purchase elsewhere. Only 17% mentioned being able to use a debit card/cash and just 7% a credit card. The results indicate that the majority of Accepted customers had few viable alternative payment or credit options available to them, particularly if they felt the need to make an immediate purchase.

There was a similar picture for Declined applicants. Half bought their product elsewhere when they were declined by the RTO and in the main funded this by saving up or sourcing funds/product from friends/family. One third of those buying elsewhere paid by cash/debit card but very few were able to access a different line of credit (3% credit card, 3% flexible payment agreement, 3% catalogue credit). Among those who went without the product after being declined, the majority (69%) said that they thought the RTO retailer had been their only option for purchasing this product.

The majority of Walkaways (69%) bought their product elsewhere after considering purchasing from the RTO retailer. Again there was a reliance on saving up or sourcing funds/product from friends/family and just over a third used cash/debit cards (38%). Walkaways were more able to make use of credit such as a flexible payment agreement (8%) or credit card or store card (6%) compared to Declined applicants but it appears that these credit options are still only accessible to a minority.

RTO customers and applicants were focused on weekly repayments rather than the overall cost

Two factors were particularly important for Accepted customers when considering their RTO agreement – keeping weekly repayments down (49%) and simply being accepted (30%). Keeping the overall cost of accessing the product down was a not a key consideration (15%).

The majority (80%) of Accepted customers claimed to be aware of the length of time over which they agreed to spread their payments, and awareness of the weekly repayment sum was also high, with 86% of Accepted customers being able to state the amount they believe they repay per week.

This contrasts starkly with awareness of the overall cost of their product. Only 44% of Accepted customers were able to state the total amount they believed they would have to pay overall. In fact when asked how important each factor was to them, 83% claimed the weekly repayment amount was important compared to 60% for the overall product price.

There was evidence that Declined customers placed even more importance on weekly repayments with 33% saying it was why they initially chose to go to an RTO retailer rather than elsewhere (compared to 22% of Accepted customers).

A sizeable proportion of RTO customers did not understand the benefit of making larger weekly repayments

Over half (58%) of Accepted customers claimed they could have increased their weekly repayments if they needed too. However, this must be considered in the context that Accepted customers were seen to have overconfidence in their ability to keep paying and exhibited projection bias – underestimating the possibility of change – which hampered customers' attempts to assess affordability.

Awareness of the positive impact repaying more per week would have was mixed. While most understood that paying more per week would mean they would pay the money back faster (68%), only 37% made the link that this would mean they would pay less in total interest.

The majority of customers were aware that RTO agreements were more expensive overall than other methods of payment

Despite low awareness of the specific overall product prices, there was an understanding that costs will be higher at an RTO retailer. When buying their product from their RTO retailer, 83% of Accepted customers believed that it would be at least the same or more expensive than buying the product elsewhere (22% the same, 61% more expensive).

However, many were not aware that the basic product price at the RTO retailer was more expensive than elsewhere

Nearly two in five customers did not look at the product price (defined as the basic price before any extra cost such as interest or delivery charges are added on). Of the 62% who had looked at the product price, 41% were aware that it was more expensive than a similar product elsewhere – this was equivalent to 26% of all Accepted customers.

Given their lack of alternative options, most Accepted customers felt that choosing an RTO retailer for this product purchase was the best available option for them at the time

Just over four in five (83%) of Accepted customers believed that it was for the best that the RTO retailer approved their application. The same proportion (83%) believed they would have been adversely affected if they had gone without their product. This rose to 94% for those who purchased White Goods and 91% for those who purchased Furniture.

Similarly, Declined customers who went without their product were more likely to believe it would have been better if their application had been approved (64%).

However, one in five Accepted Customers now regret their decision to buy from an RTO retailer. In addition, those who ended up buying their products elsewhere believe it was for the best

One in five Accepted customers regret buying their product from an RTO retailer. This is closely linked to experiencing difficulties making repayments, having to cut back on spending elsewhere and receiving a worse deal than they expected.

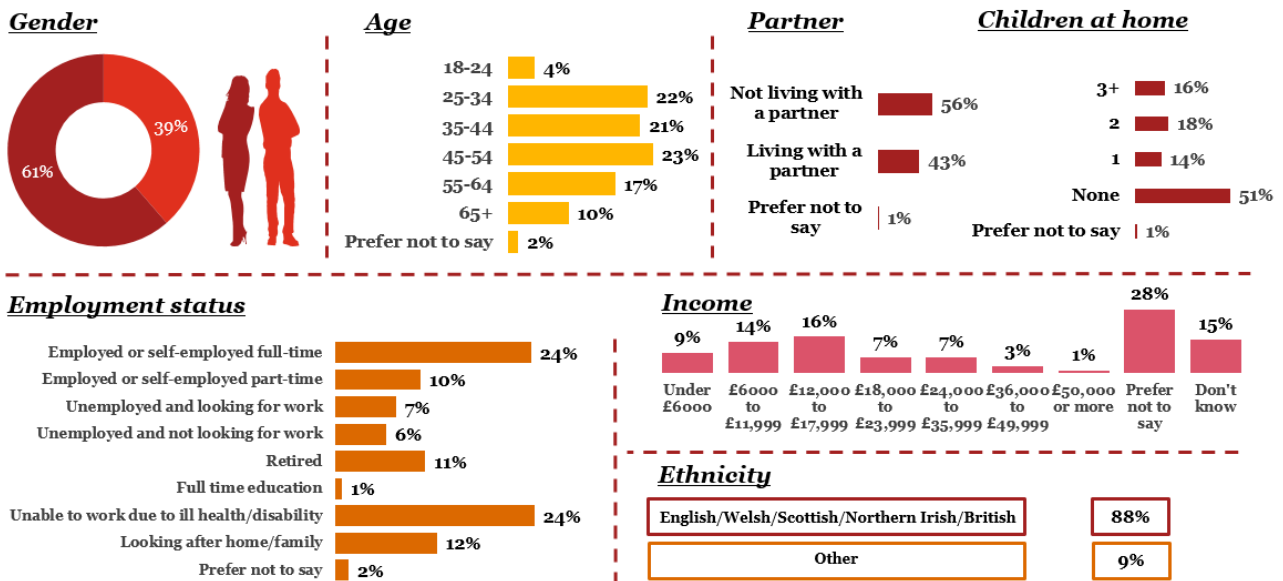
40% of Declined applicants who bought their product elsewhere thought it would have been better if their RTO application had been approved.

3. Accepted customers

3.1. Profile of research participants

The demographic profile of Accepted customers interviewed is illustrated in Figure 1 below.

Figure 1: Demographic profile of accepted customers



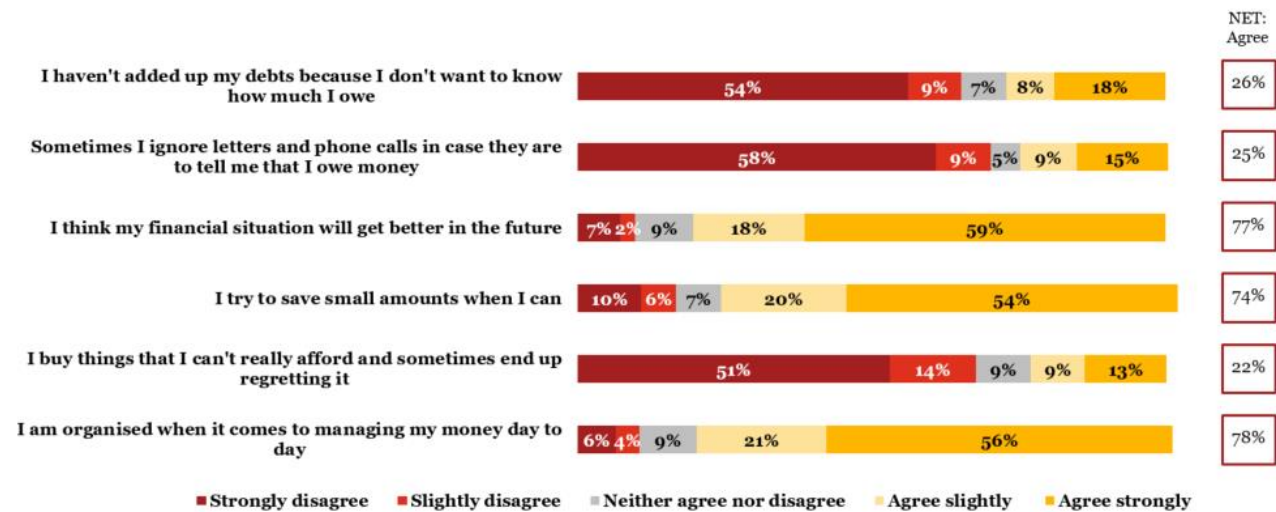
Base: Accepted customers rep (498)

Accepted customers were more likely to be female with a broad spread across the age groups. The majority (64%) were not employed and over two thirds (67%) of those who stated their household income said that it was under £18,000. Few have access to ready cash – over half (59%) had no savings and only 9% said they had savings of £500 or more.

3.2. Financial situation

Accepted customers claim to be organised and saving where possible but around one quarter admit to undisciplined behaviour, for example ignoring letters or phone calls in case they are to tell them that they owe money or buying things they can't afford and regretting it later.

Figure 2: Agreement with statements about money management



Base: Accepted customers rep (498)

One half of Accepted customers were struggling to keep on top of their bills and credit commitments including 15% who were falling behind with these commitments.

Just over a quarter (27%) of Accepted customers had missed a non-RTO payment, such as a utility bill or council tax payment in the last six months and nearly a third had experienced emotional problems such as anxiety and stress due to their financial difficulties.

It is clear that most Accepted customers have low incomes and many are struggling with their finances. For one in eight (12%) this had reached a serious point and they had sought financial help from a professional debt management or advice organisation in the last six months.

3.3. Product purchased

Accepted customers were most likely to be seeking Electronics (34%) followed by White Goods (29%), Computers/Phones (21%) then Furniture (15%). The most purchased individual products were TVs (23%), washer/dryers (13%), mobile phones (11%) and sofas (11%).

Nearly half of Accepted customers (44%) wanted this new product because their previous product had broken. This was followed by a third (33%) who wanted a better or newer version and 20% who did not already have this type of product.

Linked to the high proportion replacing broken products, 67% claimed the product was one they could not have gone without. Replacing a broken product was most common for those seeking white goods and these products were also more likely to be claimed as essential compared to other products. 90% of Accepted customers who purchased white goods claimed it as a product they could not have gone without.

83% of Accepted customers believed they would have been adversely affected if they had gone without their product. This rose to 94% for those who purchased White Goods and 91% for those who purchased Furniture.

The majority (90%) of Accepted customers purchased the type of product they had planned to buy. However one fifth bought a more expensive model than what they were initially looking for. The largest reason given for buying a model that was different to their intended model was because they wanted that version (31%), although 17% said that staff had suggested that version.

Nearly a fifth (19%) of Accepted customers purchased a refurbished or returned product. Of these, just over three quarters (76%) received a price reduction for purchasing a refurbished or returned product. In all, 16% regretted their decision to buy a refurbished product.

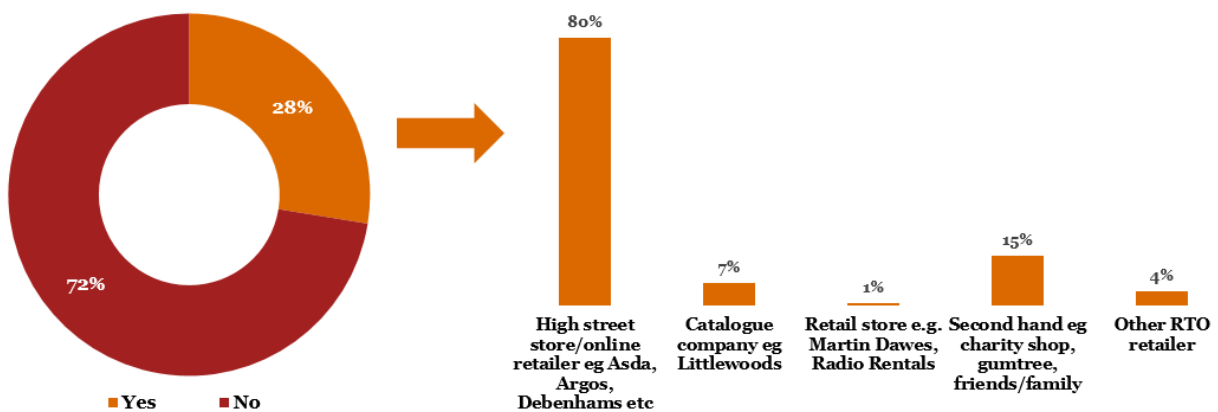
Four in five (83%) of Accepted customers purchased at least one additional extra with their product. 71% purchased insurance for theft and accidental damage, 55% a warranty for service cover and 31% paid for delivery or installation of their product.

3.4. Accepted customer journey

Few Accepted customers are shopping around – only 28% considered purchasing their product from elsewhere. Of these, the majority (80%) considered a high street store/online retailer.

Those considering buying elsewhere were more likely to say that a low overall cost was their key priority (32%). They were also more likely to have applied for their product online (35%), to be buying furniture (35%) and to believe their product was an essential item to them (29%).

Figure 3: Considered buying product elsewhere and from where



Base: Accepted customers rep (498)

Base: Accepted customers rep who 'considered buying their product from elsewhere' (137)

Only 13% of Accepted customers actively considered using an alternative method of paying for their product, of these, saving up (7%) and cash/debit card (6%) were mentioned most frequently.

When specifically prompted to think back to the options available to them at the time of purchase, half (51%) of Accepted RTO customers claimed to have no other payment options open to them.

For those that did have other payment options available to them, more would have relied on saving up (26%), or borrowing money from friends or family/selling something (20%) to fund their purchase elsewhere. Only 17% mentioned being able to use a debit card/cash and just 7% a credit card.

Having the means to use an alternative payment method was unsurprisingly higher among those with comparatively higher incomes (56%) of those with an income of over £12,000 a year.

The results indicate that the majority of Accepted customers think they have few viable alternative payment options available to them, particularly if they feel they need to make an immediate purchase.

3.5. Choice of RTO retailer over other providers

Accepted customers cited a range of factors which influenced their decision to purchase from an RTO retailer, however, having used them before (37%), feeling it was their only option as they could not get credit elsewhere (29%) and having low weekly repayments (22%) were most commonly mentioned. Being a convenient store also plays a part (16%) but only 5% mentioned insurances or warranties as a driver.

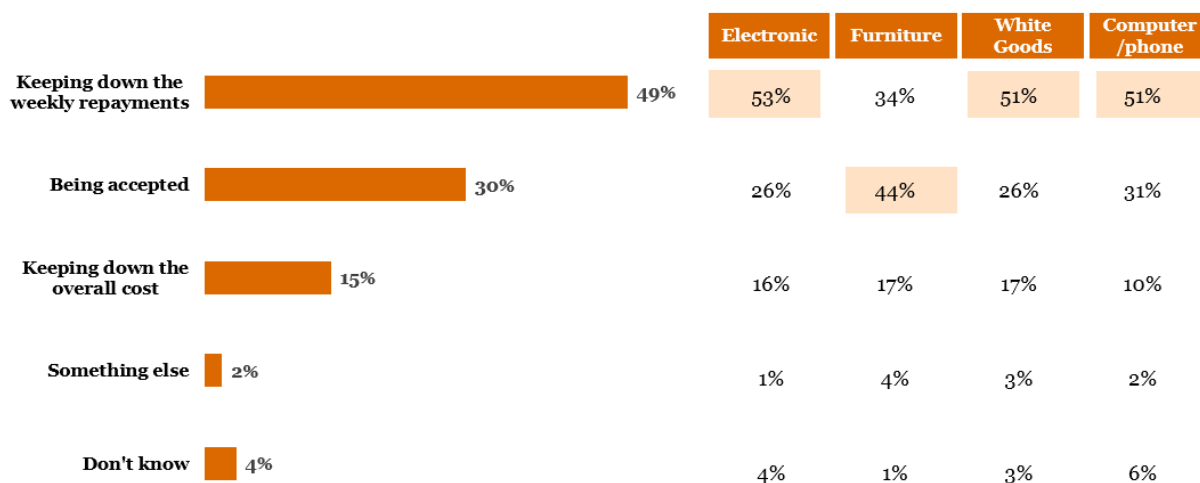
When asked to identify the main reason for purchasing from the RTO retailer, for the largest proportion, four in ten, it was the belief that it was the only way they could get their product. This was particularly key among those buying white goods (52%). A further 26% chose to purchase their product from their RTO retailer because they had the lowest weekly repayments, and this was the biggest driver for those buying electronics.

3.6. Payment options

Drivers of specific repayment agreement

Two factors were most important for Accepted customers when considering their RTO agreement – keeping weekly repayments down (49%) and simply being accepted (30%). For those buying furniture being accepted was the most crucial factor. Keeping the overall cost down was a not a key consideration (15%).

Figure 4: Priorities when taking out a RTO agreement



Base: Accepted customers rep (498)

Base: Accepted customers rep – Electronics (167), Furniture (77), White goods (145), Computer/phone (107)

Weekly Repayments

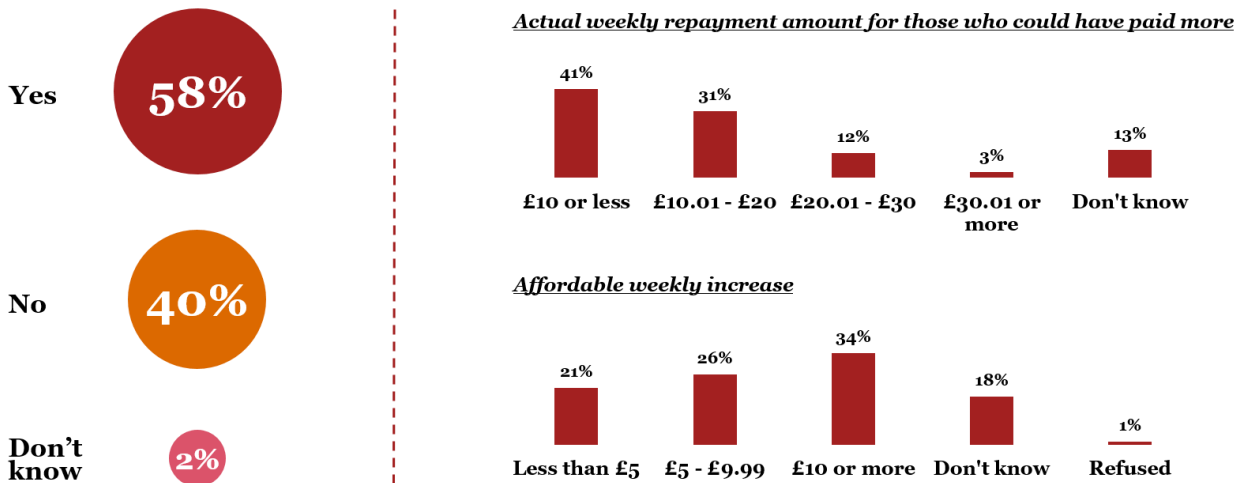
The majority (80%) of Accepted customers claimed to be aware of the length of time over which they had agreed to spread their payments and 81% said that they had been provided with different payment term options. There was more negativity among former RTO customers – 28% claimed not to have been provided with payment term options.

Awareness of the weekly payment value was also high, with 86% of Accepted customers being able to state the amount they believed they repay per week. Of this group, over half (55%) said they were paying more than £10 per week.

More than half (58%) of Accepted customers claimed they could have increased their weekly repayments if they needed too. This was higher among those who bought Electronics (65%), those buying non-essential products (72%), male customers (67%) and those who stated they had alternative payment options (64%), although 53% of those without other payments options still stated they could have increased their repayments. Just over a third (34%) of Accepted customers believed they could have paid an additional £10 or more per week for their product.

This result should be considered in the light of findings from the qualitative research conducted earlier in 2018. Accepted customers were seen to have overconfidence in their ability to keep paying and projection bias – underestimating the possibility of change – was also widely observed. This hampered customers’ attempts to assess affordability; they failed to anticipate the possibility of any future negative changes in their financial situation such as a job loss, reduction in benefits or domestic ‘emergency’ e.g. washing machine breaking down.

Figure 5: Able to increase payments



Base: Accepted customers rep (498) Base: Accepted customers rep who ‘would have been able to pay a little more per week’ (291)

Awareness of the positive impact repaying more per week would have was mixed among Accepted customers. While most understood that paying more per week would mean they would pay the money back faster (68%), only 37% made the link that this would mean they would pay less in total interest.

Overall cost

The weekly repayment amount appeared to resonate much more with customers than the overall product price. Awareness of the overall cost of their product was lower, with only 44% able to state the total amount they would have to pay overall (compared to 86% for weekly repayments).

83% of Accepted customers claimed the weekly repayment amount was important to them, compared to 60% for the overall product price.

Despite low awareness of the overall product prices, there was an understanding that overall costs would be higher at an RTO retailer. When buying their product from their RTO retailer, 83% of Accepted customers believed that it would be at least the same or more expensive than buying the product elsewhere (22% the same, 61% more expensive).

Just under two thirds (62%) claimed to have looked at the product price (defined as the basic price before any extras such as interest charges or delivery are added on). One quarter (23%) of these customers did not compare the price elsewhere. 41% recognised that this price was more expensive than for a similar product elsewhere (this is equivalent to 26% of all Accepted customers).

3.7. Perceptions of decision

Just over three quarters (77%) of Accepted customers believed that their RTO agreement was the best option available to them at the time. This was slightly lower among those who had shopped around before purchasing, but still high at 70%. This was linked to Accepted customers’ perceptions that they have no alternative options available.

Believing the RTO agreement was the best option available to them at the time was also higher among those buying essential products (80%) and those who did not have any other payment options (87%).

Affordable weekly payments (20%) and a poor financial situation (17%) were the key reasons for believing RTO was their best option at the time.

Figure 6: Was an RTO the best option?

		Alternative payment options available		Product essential		
		Yes	No	Essential	Possibly gone without	Easily gone without
It was the best option available to you at the time	77%	66%	87%	80%	74%	64%
It would have been better to pay for your (product) in a different way	7%	9%	4%	7%	6%	6%
It would have been better not to buy this (product) at all	7%	11%	3%	6%	8%	11%
It would have been better to buy your (product) from a different place	6%	9%	4%	5%	6%	13%
Don't know	3%	5%	2%	2%	6%	7%

Base: Accepted customers rep (498)

One in five Accepted customers regretted buying their product from the RTO retailer. This rose to 33% of those who considered purchasing elsewhere. Regret was closely linked to experiencing difficulties making repayments, having to cut back on spending elsewhere to make repayments and receiving a worse deal than expected. The over-riding reason for this was the total cost of the product being expensive (84%). 23% also claimed they had to pay late fees and 21% regretted their choice due to the quality of their product not being as good as they had expected.

15% of Accepted customers claimed that using a rent to own agreement worked out to be a worse deal than they had expected. The main driver of this was the total amount paid being more than expected (70%). That being said, the majority (83%) of Accepted customers believed it was for the best the RTO retailer approved their application and 65% of current customers would consider using Rent to Own to buy again in the future.

Former customers, however, showed a slightly different picture with 26% claiming that using a rent to own agreement worked out to be a worse deal than they had expected, only 66% believed it was for the best that the RTO retailer approved their application and only 42% would consider using Rent to Own to buy again in the future.

While the majority claim that buying their product from an RTO retailer was the best option for them, around one in five Accepted customers have experienced financial difficulties making repayments. 18% of Accepted customers said they had experienced difficulty paying for their product and almost a quarter (23%) have had to cut back on spending elsewhere in order to make sure they could meet their repayments.

“Sarah”, 29, Accepted

Financial management and planning

- Sarah is a single mum to two children aged 7 and 5. She works part time in a school and gets tax credits
- When she was younger she got into a lot of trouble with borrowing and ended up getting a Debt Relief Order. At 18 and working as a dental nurse she took out a loan for £2,500 to help her brother who was at university and struggling
- She is now very organised, has two bank accounts – one for bills and one for everything else. She has moved all her outgoings to the same day each month; her salary covers her bills and then she lives on her tax credits. She checks both accounts on a mobile app daily. She is trying to rebuild her credit rating and regularly checks it with Experian; currently at the lower end of Poor

Sarah’s RTO journey

- A year ago Sarah’s vacuum cleaner needed replacing. She went to RTO because 2-3 years earlier she needed to replace her washing machine and fridge freezer. She could have asked her father but because he has already helped her a lot financially she wanted to do it on her own. She knew she wouldn’t be accepted for mainstream borrowing because of her DRO, and friends had told her it was easy to be accepted for RTO
- She repaid the Hoover over a year, and has around £500 left to pay on the white goods, which she took out over three years
- She feels she has a good understanding of the cost of RTO but over the course of the interview twice made reference to the high interest rate of 29-30%. She also took insurance which she understood to be a requirement
- A few days before speaking to us Sarah had a call from the retailer offering her ‘four free weeks’ – essentially four weeks before starting repayments. She felt it would have been very easy to take up the offer especially close to Christmas, but she said no. She wants to pay off her appliances, and is also conscious of friends on benefits having repayments of up to £70 per week. She doesn’t feel this should be possible

Impact of being accepted

- Sarah is pleased she was able to get the things she needed as she has been comfortable with the repayments and would have struggled without the items
- She would not use RTO for non-essential items – she used a TV and a laptop as examples of non-essentials. If she needed or wanted these she would either save up or see if she could borrow from her father
- She feels RTO provides a service for low income people with poor credit history, but she thinks the interest is too high, the total cost vs. the basic cost is not emphasised strongly enough and people are allowed to take on too many products at once
- She hopes to improve her credit score to gain access to more/better borrowing options in the future

5

5 The names of the case studies have been masked

“Billy”, 37, Accepted

Financial management and planning

- Billy works full time and has two young children. Finances are very tight. He has regular childcare costs, and bills coming in throughout the month, so he has to be very careful and planned with his spending
- He thinks that the current financial situation for many people is hard, especially when like him there is no potential for financial backing from parents or the prospect of a higher paid job. Despite this, Billy is positive about the future and thinks RTO can help people who have had problems obtaining credit in the past or who are struggling to make ends meet
- Billy spends around an hour a month planning his spending and believes he is good at managing his money. He writes down all his outgoings so he understands when bills needed to be paid and so that he doesn't overspend. He also uses a mobile phone app to monitor any bills or costs which come in as the month progresses

Billy's RTO journey

- Billy's decision to use RTO to buy his TV was mainly driven by the level of weekly payments. He spent time researching his purchase for a couple of months until a deal came up that suited him financially
- Billy is able to recall the weekly cost of his purchase, the length of the repayment period and the total amount of credit. He has the paperwork for the agreement stored safely if he needs to refer back to it
- Billy had thought about alternatives to RTO but as he had a bad credit history he thought he would not obtain credit. He also prefers not to borrow money from friends or family. Using RTO left him money available for other upcoming costs coming up such as Christmas

Impact of being accepted

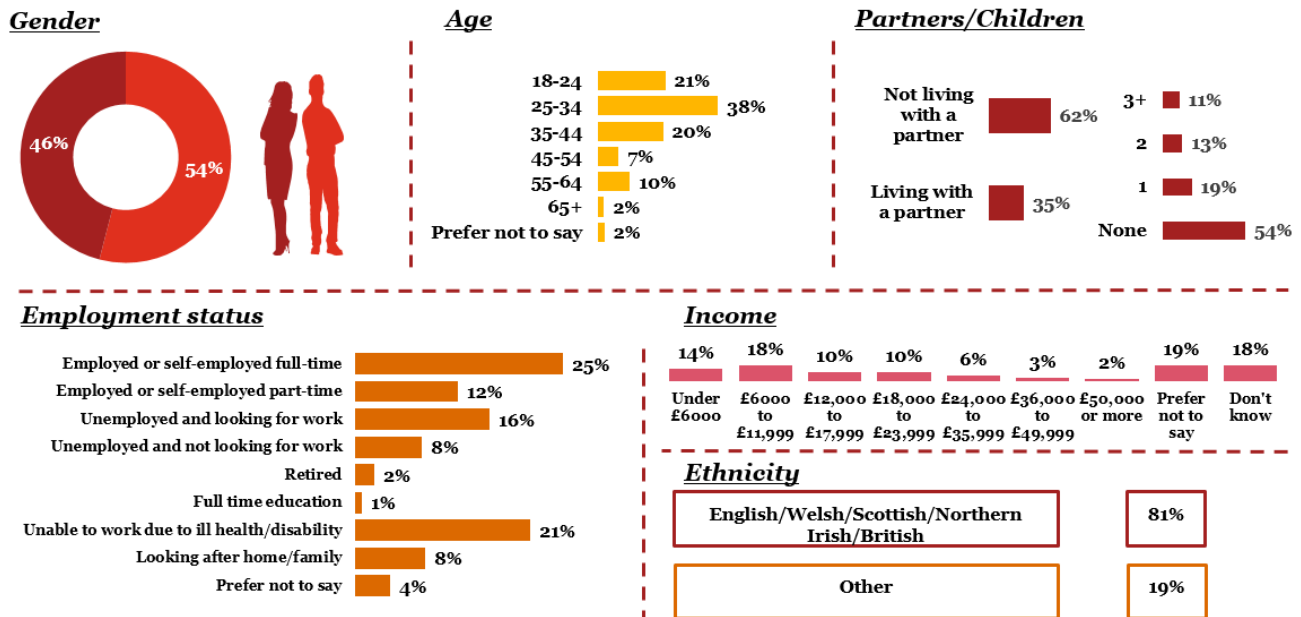
- Billy is happy to have been accepted and sees RTO as a cheaper way of making his purchase, even after interest is applied, than other options that might have been available to him
- In a situation where he needed to borrow in future he would consider RTO again, alongside any other options open to him. If he was 'desperate for something' he would use RTO again, but doesn't anticipate doing so as he feels currently he has everything he needs
- The overall cost to be paid back is the only thing that would put him off using RTO again; he finds being able to pay weekly very helpful

4. Declined applicants

4.1. Profile of research participants

The demographic profile of declined customers interviewed is illustrated in Figure 7 below.

Figure 7: Demographic profile of Declined applicant participants



Base: Declined applicants rep (261)

Declined applicants were more likely to be male and in the younger age groups than Accepted customers. However, their financial characteristics were similar – the majority (59%) were not employed and 67% of those who stated their household income said that it was under £18,000. Few have access to ready cash – nearly half (48%) had no savings and only 16% said they had savings of £500 or more.

4.2. Financial situation

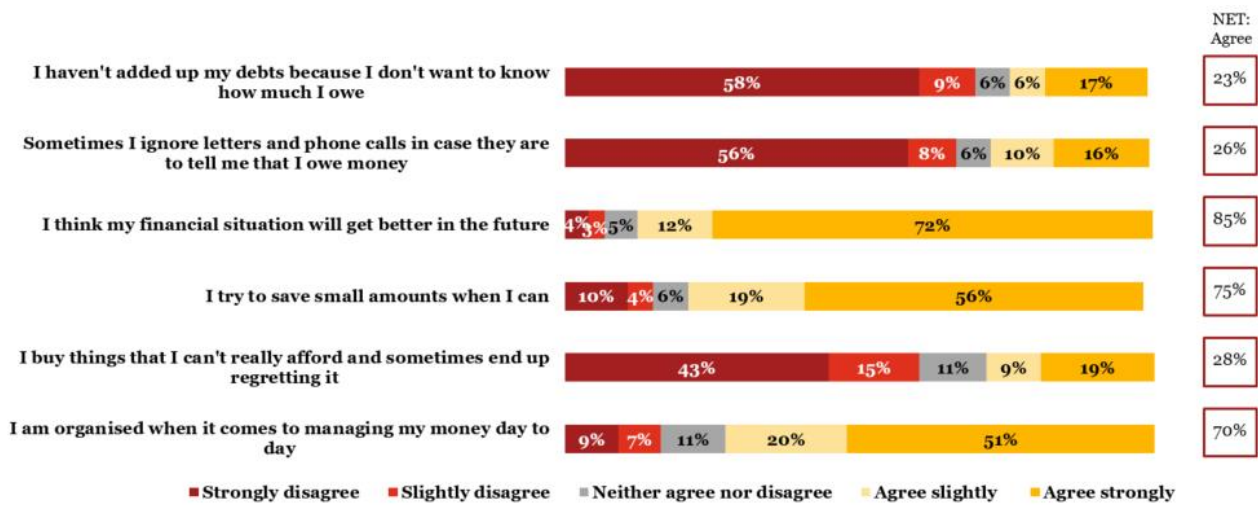
As with Accepted customers, one half of Declined applicants were struggling to keep on top of their bills and credit commitments including 21% who were falling behind with these commitments.

Nearly one in three Declined applicants had missed a non RTO payment, such as a utility bill or council tax payment in the last six months and nearly half had experienced emotional problems such as anxiety and stress due to their financial difficulties.

The reported financial situation of Declined applicants was therefore similar to Accepted customers and for a comparable number (10%) this had reached a serious point where they had sought financial help from a professional debt management or advice organisation in the last six months.

Despite this, Declined applicants were more positive about the future with 85% agreeing that their financial situation will get better in the future (compared to 77% of Accepted customers).

Figure 8: Agreement with statements about money management



Base: Declined applicants rep (261)

4.3. Product sought

Declined applicants were most likely to be seeking electronics (41%) followed by computers/phones (26%) then furniture (18%) and finally white goods (13%). The most sought after individual products were TVs (25%), mobile phones (15%), music systems (13%) and sofas (13%). This differed from Accepted customers in that Declined customers were seeking more electronic items and fewer white goods.

Linked to this differing product focus, nearly half of Declined applicants (44%) wanted their new product because it was a better or newer version of their current model (rather than it being a replacement for a broken item). And as a result, more, 49%, claimed it as a product they could easily or possibly have gone without.

Seeking an 'upgrade' was most common for those seeking electronics or furniture and these products were also less likely to be claimed as essential compared to other products.

4.4. Choice of RTO retailer over other providers

When asked why Declined applicants chose to go to a RTO retailer instead of getting their product another way, the most common reasons were due to the low weekly repayments (33%) and feeling that this was the only option open to them (31%).

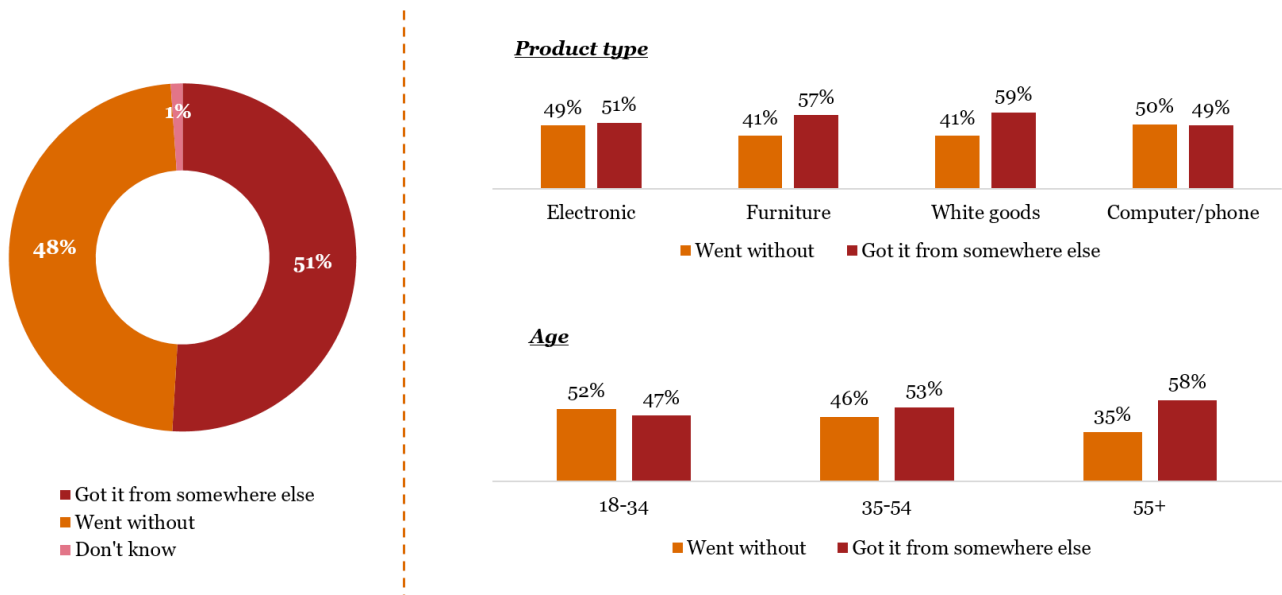
There were also mentions of the store being convenient (18%), having used them before (15%) or receiving a recommendation from friends/family (12%). However, less than 10% mentioned specific features such as the returns facility, warranties, insurance or delivery/installation. Similarly only 8% said that low overall cost was a driver.

The key difference to Accepted customers was that Declined customers placed more importance on weekly repayments whereas Accepted customers had more habitual behaviour i.e. they had used them before.

4.5. Alternative behaviour

One half of Declined applicants went on to buy the product they were seeking elsewhere (51%). Older age groups and those seeking furniture and white goods were most likely to buy the product elsewhere. While younger age groups, those with lower level incomes or savings and those seeking electronics/computers were more likely to go without.

Figure 9: Whether went without product or bought elsewhere



Base: Declined applicants rep (261), seeking Electronic (106), Furniture (46), White goods (34), Computer/phone (68), 18-34 (154), 35-54 (70), 55+ (31).

Nearly half purchasing their product elsewhere bought from a high street or online retailer (48%) with nearly a quarter buying second hand (23%). A further 11% turned to another rent to own retailer.

Of those buying elsewhere (excluding other RTO retailers), a mix of payment types were used with half saving up or sourcing funds/product from friends/family. One third paid by cash/debit card but very few were able to avail of credit (3% credit card, 3% flexible payment agreement, 3% catalogue credit).

Figure 10: Method of paying for product bought elsewhere

Source of funding	%
Cash/debit card	34%
Saved up	20%
Gifted to me	15%
Borrowed from friends/family	10%
Money owed to me	4%
Credit card or store card	3%
Flexible payment agreement	3%
Catalogue credit	3%

Base: Declined applicants buying elsewhere excluding from another RTO (111).

“Jan”, 41, Declined and went elsewhere

Overall summary

- Jan lives with her husband and children, and is currently caring for one of her parents. She moved to her current home two years ago. Jan was shopping with a friend when she saw a dining table which she wanted to buy using RTO, but because she had not had credit in the past her application was declined. She managed to buy a similar product elsewhere.

Financial management and planning

- Jan thinks her financial situation is ok, she feels positive about her present financial situation and does not have loans or credit cards. She has a savings account which she puts money into every week. She pays all her bills as they come in and does not owe any money to anyone at present.
- Overall she thinks she is very confident in managing her finances. She has a record of her income and outgoings and sometimes plans this by writing things down on paper (although not all the time).

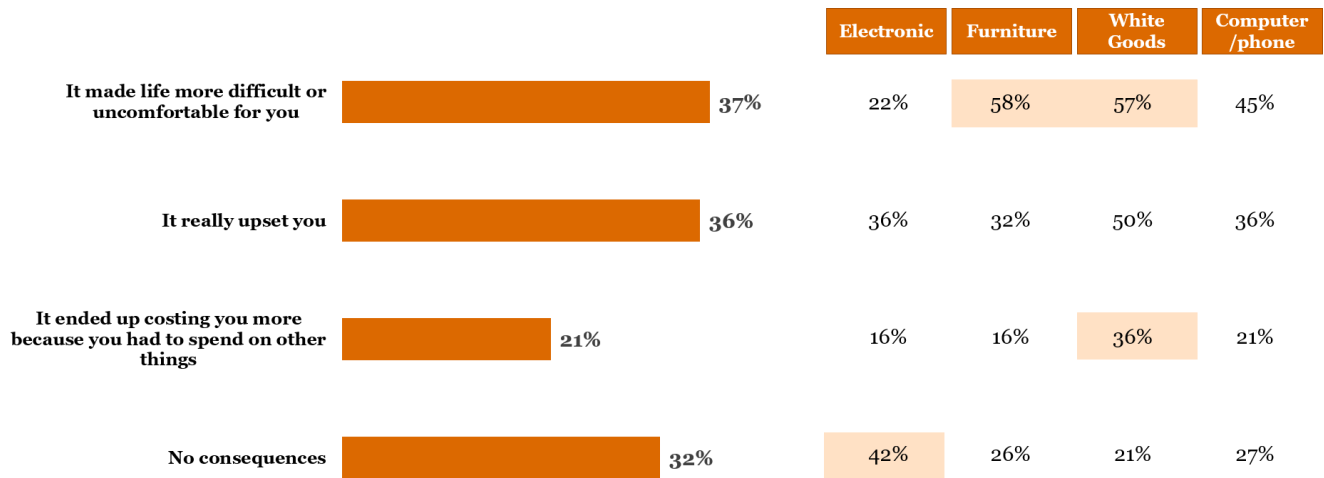
Jan’s RTO journey

- Jan went shopping with one of her friends and saw a dining table she liked the look of, so she decided to apply for a RTO agreement. The retailer talked her through the various payment options and plans on offer (1 year, 2 year, and 5 year).
- From Jan’s perspective she wanted to complete the purchase as quickly as possible. She seemed to understand the payment options available to her and said she could make a larger payment over a shorter period of time to avoid paying a higher cost for the dining table.
- Jan’s RTO application was declined. The retailer told Jan this was because she did not have a borrowing pattern or credit history to draw on and the retailer recommended she check with Experian for further information.
- She felt disappointed by this as she really liked the table which she thought would fit well within her home. She questions how she is meant to build up a credit history if these kind of agreements aren’t approved for her in the first place. She thinks she should have been given the chance to demonstrate she could pay for the dining table before having her application refused.
- In terms of alternative payment sources Jan had explored these, but explained that she did not like borrowing money from friends and family. She had also thought about making the purchase using her personal savings, but wanted to keep this money available should it be needed for something else. She thinks the ability to pay weekly would have been more flexible and better suited to her financial situation.
- Ultimately, Jan managed to obtain a dining table from another retailer, so the impact of having her application for RTO refused was fairly limited.

The majority of Declined applicants (69%) who went without their product said that they thought the RTO retailer had been their only option for purchasing this product. This was similar across all genders, ages and product types sought.

A similar proportion felt that they suffered consequences as a result of going without, particularly those seeking white goods.

Figure 11: Consequences of Declined applicants going without their product



Base: Declined applicants who went without their product (121), seeking Electronic (50), Furniture (19), White Goods (14), Computer/phone (33). CAUTION low base size for certain products.

4.6. Perceptions of decision

Overall 52% of Declined applicants felt that it would have been better if the store had approved their application. Conversely 36% felt that it was for the best that the store declined with the remainder saying they didn't know (6%) or something else (6%), for example that it made no difference. This was consistent across most demographic groups and product types sought.

Those who went without their product were significantly more likely to say it would have been better if the store had approved their application (64%) compared to those who bought their product elsewhere (40%). Indeed, most declined applicants felt that buying their product elsewhere was the best option available to them at the time (73%).

The majority of declined applicants (64%) remain open to considering RTO in the future and this is higher among those who went without their product (74%) compared to those who bought elsewhere (58%).

“Dawn”, 40, Declined, went without

Personal circumstances and financial management

- Dawn, 40, is an unemployed single mum who lives at home with her daughter, 6. She recently went to prison for a week, and since getting out has struggled financially. She had to reapply for her benefits and is in the process of being transferred to Universal Credit. She is currently living on £20 a week and relying on help from friends and family
- She’s anxious about how she will manage her finances on Universal Credit as the payments will be monthly and she’s always managed her money weekly

Dawn’s rent to own journey

- Dawn went to use Rent To Own for the first time in April this year as the screen on her mobile phone was broken and she wanted a new one. Initially, she thought about asking her mum for help, but her mum had just lost her job and was not in a position to lend her the money
- Her screen had been cracked about a week or so when she passed the shop while in town, so she popped in to have a look. She was looking at getting an iPhone 8, but when they ran the credit check, she was declined. Dawn doesn’t have a debit card – only an ATM card – and has never had any credit before so she wasn’t surprised to be turned down
- Instead of getting a new phone, she was able to borrow one from her brother, which she has since bought off him. Borrowing a smart phone meant that her daughter was able to continue using her phone to play games on and go on the internet

Impact of being declined

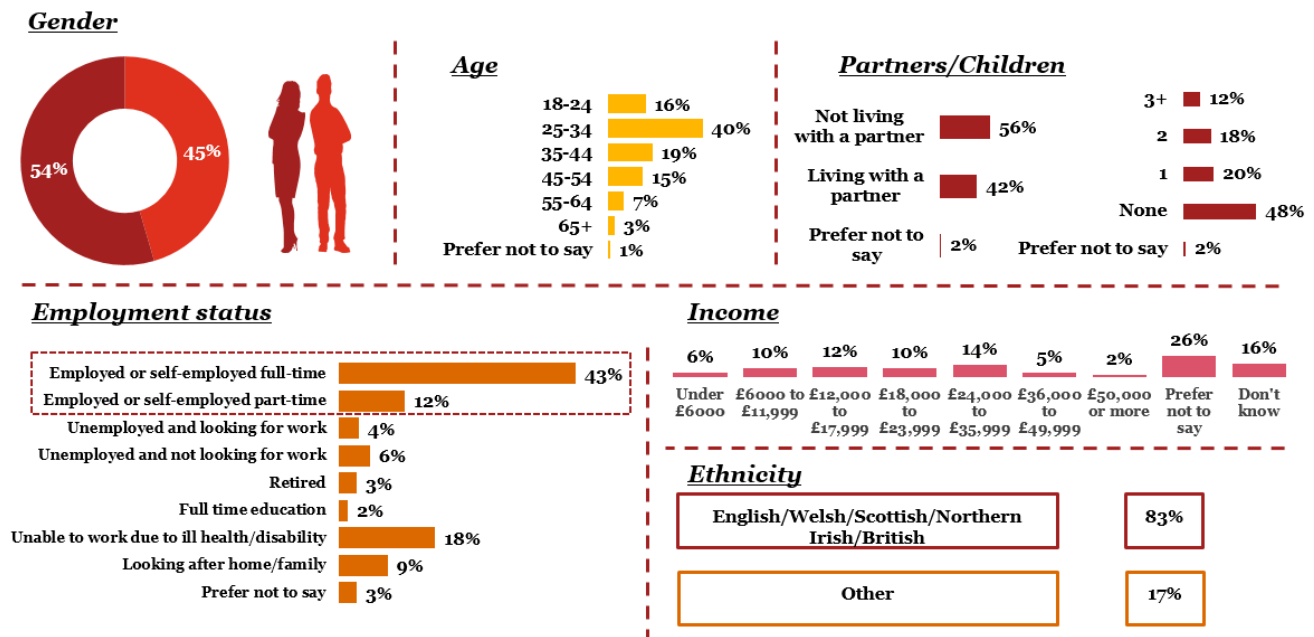
- In hindsight, Dawn is relieved that she was not accepted, as she does not need to worry about meeting the repayments. Her financial situation has deteriorated since she was declined, so even a few extra pounds a week would be unaffordable now
- Even without her financial situation becoming more precarious she would have had to cut back to cover the additional cost—for example her daughter would have had to stop swimming lessons, they would have had to spend less on food and make other small sacrifices

5. Walkaways

5.1. Profile of Walkaways

The demographic profile of Walkaways is illustrated in Figure 12 below.

Figure 12: Demographic profile of Walkaways



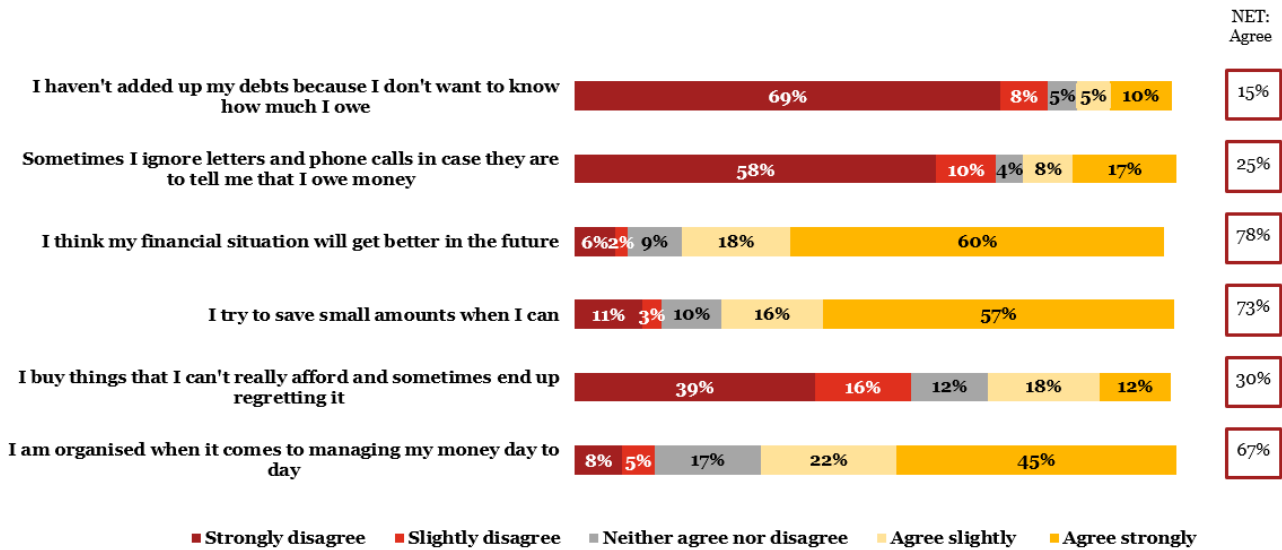
Base: Walkaways (251)

Walkaways were more likely to be female and in the younger age groups. While still having incomes at the lower end of the scale, their employment and income position appeared to be better than both Accepted customers and Declined applicants as they were significantly more likely to be employed and 48% of those who were willing to answer said that their household income was under £18,000 (compared to around two thirds of Accepted customers and Declined Applicants).

5.2. Financial situation

Walkaways had similar characteristics to Accepted customers and Declined applicants, but were more likely to be aware of their level of debt, only 15% agreeing that they hadn't added up their debts because they didn't want to know what they owe (compared to 26% of Accepted customers and 23% of Declined applicants).

Figure 13: Agreement with statements about money management



Base: Walkaways (251)

Almost one half (46%) of Walkaways were struggling to keep on top of their bills and credit commitments however only 16% were falling behind with these commitments (compared to 21% for Declined applicants).

Just over a quarter (28%) of Walkaways had missed a non RTO payment, such as a utility bill or council tax payment in the last six months and nearly a third had experienced emotional problems such as anxiety and stress due to their financial difficulties.

Perhaps linked to their better knowledge of their level of debt, Walkaways were slightly more likely to have sought financial help from a professional debt management or advice organisation in the last six months (14% compared to 12% for Accepted customers and 10% for Declined applicants).

These results suggest that Walkaways are starting from a slightly better baseline position than Accepted customers or Declined applicants – they have higher levels of employment and income, greater awareness of their debts and a slightly more proactive approach to debt problems.

5.3. Product sought

Walkaways were most likely to be seeking electronics (35%) followed by computers/phones (23%), white goods (22%) then furniture (18%). The most sought after individual products were TVs (27%), sofas (14%), laptops (12%) and washer/dryers (11%).

The largest proportion of Walkaways (42%) wanted a new product because it was a better or newer version of their current model. As a result, 52% claimed it as a product they could easily or possibly have gone without. Seeking an 'upgrade' was most common for those seeking electronics or furniture and these products were also less likely to be claimed as essential than those who were seeking white goods.

5.4. Choice of RTO retailer over other providers

While the list of reasons for choosing to consider an RTO for this product were similar to Accepted customers and Declined Applicants, Walkaways were more likely to focus on the low weekly repayments rather than convenience or certain acceptance.

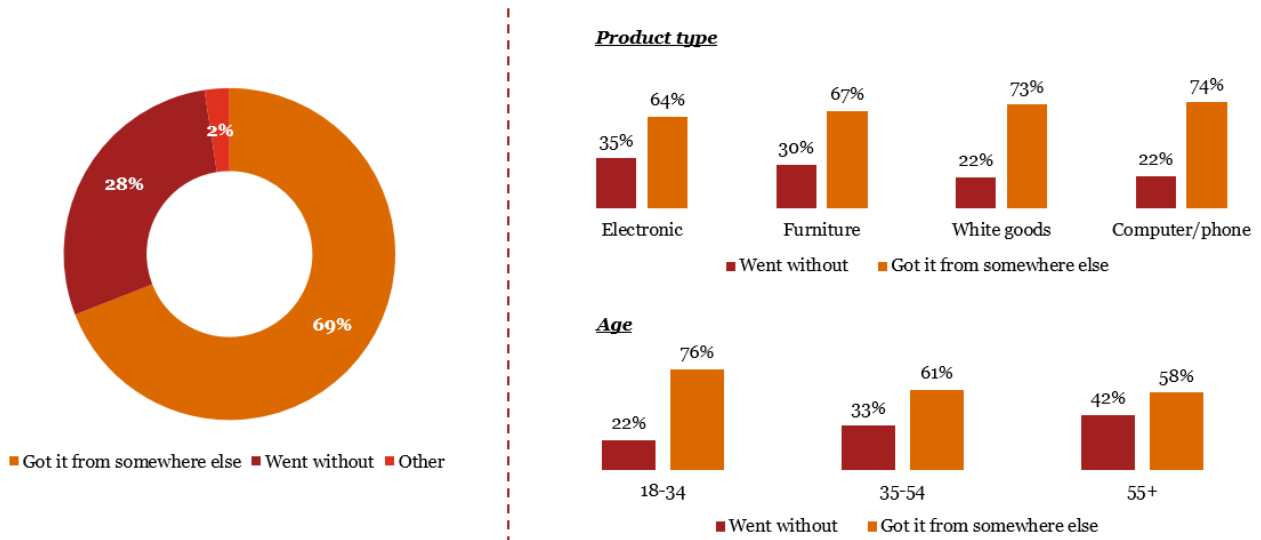
37% of Walkaways chose to go to the RTO retailer due to the low weekly repayments. This was higher among those purchasing white goods (40%) and electronics (40%). Other deciding factors included, the belief that the RTO retailer was their only option (26%), flexible repayments (9%), the convenience of the store (7%) and having used the retailer before (7%).

5.5. Alternative behaviour

Cost was the main driver of Walkaways not pursuing an RTO application. 35% claimed it was cheaper to buy their product elsewhere and 21% said the interest charged was too high making the repayments too costly. Costs was more of a driver for those purchasing electronics or a computer/phone.

More than two thirds (69%) of Walkaways went on to get the product they were seeking elsewhere, compared to only 51% of declined applicants. Younger age groups and those seeking computers/phones and white goods were most likely to buy the product elsewhere. While older age groups and those seeking electronics or furniture were more likely to go without.

Figure 14: Whether went without product or bought elsewhere



Base: Walkaways (251), seeking Electronic (88), Furniture (46), White goods (55), Computer/phone (58), 18-34 (140), 35-54 (84), 55+ (24).

60% of Walkaways seeking their product elsewhere bought from a high street or online retailer, with a further 19% buying second hand. Only 4% turned to another rent to own retailer, compared to 11% of those who had their application declined.

Of those buying elsewhere (excluding other RTO retailers), a mix of payment types were used with most either using cash/debit card, saving up or sourcing funds/product from friends/family.

Figure 15: How paid for product bought elsewhere

Source of funding	%
Cash/debit card	38%
Saved up	12%
Borrowed from friends/family	12%
Gifted to me	10%
Flexible payment agreement	8%
Credit card or store card	6%
Got it free	3%

Base: Walkaways buying elsewhere excluding from another RTO (156), <3% not shown

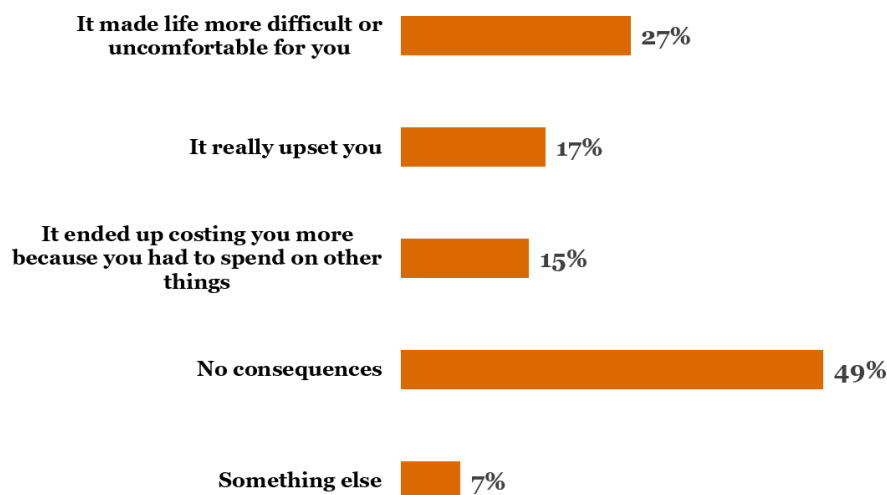
Walkaways were more able to use other forms of credit such as a flexible payment agreement (8%) or credit card or store card (6%) compared to Declined applicants (3% for both payment types) but it appears that these credit options were still only accessible to a small minority.

For those who bought their product elsewhere, the overall product price was the key consideration and 61% felt this was cheaper than using an RTO. Only 14% of Walkaways claimed they had to put in a lot of effort to find an alternative way to buy their product, and the majority (92%) were comfortable with their alternative way of paying.

Of those walkaways who went without their product, half (52%) said that they thought the RTO retailer had been their only option for purchasing the product. While sizeable, this is lower than for declined applicants where nearly seven in ten (69%) felt the RTO was their only option.

A similar proportion (51%) felt that they suffered consequences as a result of going without, particularly those seeking white goods.

Figure 16: Consequences of Walkaways going without their product



Base: Walkaways who went without their product (71)

5.6. *Perceptions of decision*

Just over three quarters (77%) of Walkaways believed it was for the best that they didn't choose to get their product from the RTO retailer. Conversely 17% felt that it would have been better if they had got the product from the RTO retailer and 6% said they didn't know. Those who went without their product were significantly more likely to say it would have been better if they had got their product from the RTO retailer (27%) compared to those who bought their product elsewhere (11%).

Most walkaways who bought their product elsewhere felt that this was the best option available to them at the time (83%). When asked why they said that, the overall cost of the product was mentioned most often.

Over half of walkaways (54%) remain open to considering RTO in the future, however those who went on to buy their product elsewhere were less likely to consider Rent to Own again (53%) compared to those who went without (59%).

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