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# ***Rent To Own consumer research***

## **Technical Annex**

*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. Background

The FCA issued a Call for Input<sup>1</sup> 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 Statement<sup>2</sup> that set out the priorities for a review of the high-cost credit sector. In this they identified RTO as a sector to look at in greater detail during the next phase of the review.

In May 2018 the FCA announced that they believed a case was made, *prima facie*, to consider the introduction of a price cap<sup>3</sup>. 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. After competitive tender, the FCA contracted PwC Research to conduct a programme of consumer research among a number of groups of RTO consumers who were of interest to them. This quantitative research builds on qualitative research<sup>4</sup>, also conducted by PwC Research, in early 2018.

This report is a Technical annex to the Consumer Research report, and explains how the research was conducted. It also includes the questionnaire used in the study.

## 1.2. Objectives of quantitative research

The overall objective of the research was to establish consumers' use, experience and understanding of these products 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<sup>5</sup> and walkaways<sup>6</sup> do instead of using RTO.
- How current and former RTO customers feel about their decision to use RTO.

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

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

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

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

<sup>5</sup> Declined applicants are consumers who have applied to a rent to own retailer to purchase a product and have had their application declined.

<sup>6</sup> Walkaways are consumers who have 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.

## ***2. Sample and methodology***

The target population for this research study were consumers who had recently interacted with a RTO retailer, namely:

### **Accepted customers**

Consumers who had applied to a rent to own retailer to purchase a product and had had their application accepted.

### **Declined applicants**

Consumers who had applied to a rent to own retailer to purchase a product and had had their application declined.

### **Walkways**

Consumers who had applied to a rent to own retailer to purchase a product and decided to walk away from the process prior to completing their application.

Accepted customers were further divided into three groups for interviewing and analysis:

- Representative – a representative sample of those who had been accepted in the last 2 years.
- Recent applicants – those who had been accepted for an RTO agreement in the last 3 months.
- Former customers – those who had applied to a rent to own retailer two or more years ago to purchase a product, had their application accepted and had finished paying for their product. They had not taken out another RTO agreement since then.

### ***2.1. Sample source***

The FCA approached two RTO firms to provide lists of applicants and customers. A representative sample of each of the three groups was then transferred by the FCA to PwC Research via encrypted email to approach for interview.

### ***2.2. Methodology***

This was a mixed mode survey. Respondents were initially invited to participate in the research via a telephone interview. However, an online version of the survey was available for all respondents to switch to if required.

Fieldwork was completed in two phases. In phase one, 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.

In the second phase of fieldwork an additional group of consumers referred to as Walkways, were added to the 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 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.

All participants in phases one and two were given the option of being entered into a prize draw to win one of six Amazon vouchers to the value of £250.

### Follow up qualitative teledpths

As a follow on from the survey, all participants were asked if they would be willing participate in an in -depth telephone interview to discuss their experiences in more detail.

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 teledpths were conducted and a number of these developed into case studies that were then added to this report.

**Figure 1: The table below outlines the number of completed quantitative interviews in each consumer group**

Outcome	Phase 1	Phase 2
Accepted customers – representative	498	
Declined applicants – representative	261	
Walkaways – representative		251
Boost former customers	100	
Boost accepted customers	104	
Boost recent accepted customers (in last 3 months)	49	
<b>Total completed</b>	<b>1,012</b>	<b>251</b>

The boost sub-samples for accepted customers and recent accepted customers were used for further data analysis, but are not included in the survey base for the narrative report.

## 3. Questionnaire

### 3.1. Initial design

A new questionnaire was developed for this research project, using key question areas suggested by the FCA from their earlier consumer research on the potential impact of price capping in the high cost credit (payday lending) market 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 to ensure that the language was consumer friendly and the questions were clear. The questionnaire was further reviewed by an academic consultant and research expert employed by the FCA to advise on the wider project.

During the design process, care was taken to structure the questions in a way that avoided using complex industry language, while still providing the FCA with relevant, reliable information. The questionnaire was soft launched before full fieldwork began to ensure participants were able to answer the questions and that the survey routing<sup>7</sup> was working as intended.

### 3.2. Final questionnaire

The average interview length was 23 minutes for Accepted customers, 16 minutes for Declined applicants and Walkaways. The survey covered the following:

- Screeners to confirm that participants could recall being accepted/declined/walking away.
- Details of product purchased/sought.
- Understanding of the RTO agreement by Accepted customers.
- The impact of the RTO agreement on Accepted customers.
- Whether Declined applicants had any alternative options available to them other than a RTO.
- The impact on Declined applicants of not being accepted for a RTO.
- Why Walkaways decided not to get a product from the RTO retailer and what alternative options they had available to them.
- The impact on Walkaways of deciding not to continue with their RTO application.
- The consequences for Declined applicants and Walkaways who had to go without a product.
- Financial behaviours of each of the 3 consumer groups, including any financial difficulties they have experienced and the impact of this.
- Classification questions including further demographics.

The final questionnaires used in this research are provided in the Appendix.

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<sup>7</sup> Routing directs a respondent through a survey based on the answers that they provide.

## 4. Fieldwork

### 4.1. Fieldwork summary

The survey was carried out via telephone. Although all participants had the option to switch to an online survey if required, none completed via this mode. Fieldwork for Accepted and Declined customers took place over a 3 week period from 22/08/18 to 14/09/18. Fieldwork for the Walkaway group took place over a 1 week period from 17/09/18 to 24/09/18.

### 4.2. Soft launch

The first day of fieldwork acted as a soft launch in which only a small number of interviews were completed. In total, 12 interviews were conducted as part of the soft launch process. On the morning of 23rd August, after the soft launch, we paused the survey while the PwC Research team carried out a full review to make sure the questionnaire was working as intended. It was, and no issues were identified by this review, so fieldwork was launched fully later that morning.

### 4.3. Fieldwork statistics

In phase 1, a total of 1,012 surveys were completed with customers who had been accepted for a RTO agreement or had applied for a RTO agreement but been declined by the retailer in the last 2 years. In phase 2, a total of 251 surveys were completed with consumers who had applied for a RTO agreement and decided to walk away from the process prior to completing their application. Therefore, overall a total of 1,263 completed surveys were achieved.

**Figure 2: The table below illustrates the performance of each consumer group.**

Outcome	Accepted customers	Declined applicants	Walkaways
Total sample entered	45,845	34,884	49,479
Total sample utilised	24,572	21,269	23,571
Answer phone	9,305	8,421	9,358
Unobtainable	5,287	6,005	5,571
No reply	4,300	3,749	5,765
Refusal	1,478	1,174	1,147
Call Limit Reached	1,606	51	62
Busy	893	928	842
Wrong Number	288	295	262
Soft appointment	338	271	140
Quota failure	90	8	58
Screened out	188	88	92
Suspended part way through survey	50	20	23
<b>Completed</b>	<b>749</b>	<b>259</b>	<b>251</b>



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# Appendix

The questionnaires used in this research are provided below:



FCA RTO Accepted Customer and Decline



FCA RTO Walkaway questionnaire.pdf

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