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# *Usage and experiences of High Cost Credit*

## Consumer research report

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## *Executive summary*

### *Background*

The Financial Conduct Authority (FCA) took over responsibility for consumer credit in 2014. In the period since, it has focused on those products that pose the most potential risk to its consumer protection objectives.

The FCA issued a Call for Input in November 2016 for views and evidence on potential areas of concern in the high cost short term credit (HCSTC) sector. In July 2017 the FCA published a Feedback Statement outlining the priorities for its review of the high cost credit sector. Home Collected Credit, Rent To Own (RTO) and catalogue credit were identified as three sectors that needed greater focus in the next phase of the review in terms of their potential to cause consumer harm especially with ongoing (i.e. longer term) use.

The FCA commissioned PwC Research to undertake exploratory qualitative research to build on the FCA's existing evidence base, by gauging deeper understanding of consumer use and experience of these high cost credit products. The scope of the research also includes store cards, due to similarities of this product with catalogue credit. The methodology involved nine discussion groups and sixty in-home one-to-one interviews with customers of high cost credit products. These were conducted across eleven locations. Participants in the research were selected on the basis of their use of one or more of Home Collected Credit, Rent To Own and catalogue credit and/or store cards, incorporating a mix of length of time used and a spectrum of how well they felt they were coping with their overall levels of product borrowing (from those broadly coping to those who were self-defined as struggling). Fuller details of the aims of the research and questions answered can be found in the technical appendix to this report.

### *Key Findings*

#### ***Clear demographic overlap in this study among customers of Home Collected Credit and Rent To Own***

Overall the demographic profile, financial behaviours and attitudes of Home Collected Credit and Rent To Own customers were very similar. Frequently participants had been or were still customers of both product areas. In this study, they were typically from low income households and had high levels of financial pressure on the household. This household financial pressure included people being out of work (either off work sick and/or claiming benefits), single parent households with very limited incomes and the presence of children.

Attitudinally, these customers often had or perceived themselves to have poor credit history, frequently as a result of borrowing behaviour at a young age, when customers admitted that the consequences of defaulting on payments or inability to pay were not really given much consideration. As a result, many perceived or knew through failed applications that mainstream credit options were restricted, and that high cost credit was the only established means for them to borrow.

#### ***In contrast, some catalogue credit and store card customers in this study felt less constrained by their credit options***

Store card customers in this study were more distinct from the rest of the high cost credit demographic profile. For example they had different perceptions of Home Collected Credit and Rent To Own, seeing them as an expensive source of credit and likening them to modern 'loan sharks'. There was, however, more overlap in the profile of catalogue customers and customers of Home Collected Credit and Rent To Own. Some catalogue customers had more experience of Home Collected Credit and Rent To Own and were more open to this form of credit. Catalogues were also seen as having less stringent credit checks and being more available to those with imperfect credit histories.

### ***Some key factors emerged that contributed to more habitual use of high cost credit***

Whereas less habitual high cost credit customers tended to have more aspiration and belief in their ability to get out of debt and improve their credit score (and their mainstream credit options), longer term customers more frequently could not see themselves ever being debt free. A few habitual high cost credit customers said they had experienced legal interventions to resolve and manage ongoing arrears where debt had spiralled 'out of control' and they were unable to resolve their debt issues without intervention. Three key factors emerged that impacted the likelihood of becoming more cyclical, habitual customers of HCSTC:

1. **Need to manage finances week by week:** the need to manage their finances on a short term basis led to an inclination to only consider the short term, affordable cost of borrowing, with the overall deal or longer term cost a secondary consideration. In this respect, the longer term customers admitted that they were not making allowances for any changes in circumstances or how this could impact their ability to pay.
2. **Lack of perceived choices/options combined with the immediacy of the need for a solution:** behaviour was driven by what they knew or believed to be the lending options available to them; limited knowledge led to more limited choices. In addition, the immediacy of the need for a resolution in an emergency encouraged usage of convenient, easy to access solutions. The speed of access to cash or products and a quick application process (particularly Home Collected Credit) drove their decision making.
3. **More impulsive attitude to spending:** motivated by instant gratification/short term benefits, some struggled to avoid the temptation to 'buy now, pay later'. This more impulsive behaviour was driven by focusing on the short term benefits and whether they could afford the weekly repayments.

### ***The main motivator for high cost credit borrowing was their perceived convenience and ease of use***

Across the sample both short-term and longer-term customers said that the familiarity, convenience and ease of borrowing made these products feel approachable, safe and friendlier than many of the alternative credit sources (whom many had experienced 'rejection' from). Looking at each product in turn:

- **Home Collected Credit** was seen as a flexible, personable product and was perceived as quick from application to receipt of the loan. In most instances, Home Collected Credit was embedded in the local community, making it a 'go to' option, particularly in an emergency (knowing they were highly unlikely to be turned down for a loan). The fact that the loan was collected at home was convenient and helped discipline customers to keep up repayments. Those that had refinanced a loan were quick to state how easy and quick it was to do this, making this an attractive option when they needed cash quickly.
- **Rent To Own** borrowing was seen as making expensive ('big ticket') items accessible if this was the best, easiest or only way of accessing them. Again, the perceived lack of other options, particularly in an emergency, was a driver to use. The immediacy and tangibility of getting necessary or desirable brands and products meant that RTO was a key option when 'getting the goods' was the priority in their decision making.
- With Catalogue Credit and Store Cards the provision of 'buy now pay later' was a key motivator for usage. Many did not position store cards or catalogues as feeling like using 'real money' and as such did not really perceive it as a form of 'borrowing'. The ability to defer payment provided instant gratification without needing to pay straight away. Although many claimed to make their product payments within the no-interest period, it was clear this was not always the case, despite their best intentions. The ability to improve their credit score was also a motivating factor for use among those with fewer mainstream credit options, and making minimum payments each month was seen as achieving this aim whilst spreading the cost over a (sometimes very) long period.

***Other than high interest rates, conversely it was the perceived ‘convenience’ and ‘ease of use’ that were identified as the biggest drawbacks to these lines of credit/borrowing; it was too tempting to spend/buy more***

Across all product areas there was awareness that interest rates were high, and that they were likely to end up paying back a lot more than borrowing via alternative, mainstream lines of credit. However, there was an acceptance that it was better to have high interest options than no options, particularly among those with poor credit histories who admitted they struggle to identify other credit options open to them.

Aside from cost, the main drawbacks were related to perceived temptation to buy/spend more. The role of the sales person, sales environment and website/app were all seen as adding to the perceived convenience and ease of use. Customers mentioned the attractive displays and options emphasised in RTO stores, the ease of refinancing Home Collected Credit and the frequent increases in credit limits for catalogue credit and store cards as evidence of the industry ‘tempting’ them to use these lines of credit.

Social persuasion was also important in the decision making to use these lines of credit. The friendly, approachable nature of sales people in RTO stores, personable and familiar feel of Home Collected Credit agents and the perceived ‘norm’ and social acceptability of catalogue credit/store cards were seen as making it easier to choose these providers over other retailers/lenders.

***Overriding role of overconfidence in their ability to keep paying and believing their circumstances will not change can lead to difficulties***

The affordable weekly cost was key to decision making, particularly for Home Collected Credit and RTO. However, this decision was based on their ability to make the cost next week, but not necessarily over the course of the repayment period. With catalogue credit and store cards there was also evidence of overconfidence that customers understood how promotional offers operated and the likely cost of repayments once the interest free period had expired and debt was still outstanding. 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. As a result, those who had ended up in repayment difficulties often cited an unexpected event as the catalyst.

While Home Collected Credit, catalogue credit and store card customers were generally, albeit with some ramifications, able to manage such instances (e.g. through making late payments/taking out additional borrowing etc.), a number of RTO customers perceived a ‘heavy handed’ approach from some providers in instances of late or missed payments.

***Customers identified a few key ways in which they might be encouraged to make more informed decisions regarding choice of product or lender***

Although most customers were happy that lenders provided them with access to loans/products that may otherwise be unavailable to them, there were ways in which they felt the industry might help them in the future. These centred on tackling their perceived lack of choice and their current methods of financial management.

There were some concerns expressed about how ongoing credit – both repayments and limits – are charged for and managed. This translated as a perceived lack of clarity about where customers were in their repayments (especially for Home Collected Credit and Rent To Own), with many having little/no up-to-date read on their repayments and being reliant on the provider’s word (the Home Collected Credit agent, the telephone system for RTO payments) about what they had paid and what was still owed. Likewise, the way credit limits on catalogue credit and store cards increased without consultation was sometimes regarded as problematic, being seen as offering spending temptation many customers found hard to resist.

A few also indicated that there should be greater clarity around ‘final cost’ (i.e. including insurances, delivery, etc.) earlier in the transaction process for RTO, catalogue credit and store cards. This was particularly the case for RTO where customers often felt that the price they ended up paying was higher than the headline price advertised.

Providing more balanced considerations of the pros and cons of refinancing Home Collected Credit were also felt to need more weight in conversations i.e. is refinancing a sensible option? Are the implications understood? What other solutions should be considered?

Raising awareness of other credit options was regularly cited as impacting on choice. There was very little awareness of signposting to other credit saving options (e.g. credit unions) or platforms providing tailored product offers based on their actual credit rating prior to applying for credit.

Additionally, education about the consequences of borrowing and committing to credit agreement purchases at a younger age were frequently raised as important future considerations. For many, a lack of understanding at a young age about what impact getting into financial debt and failing to repay would have on their long-term financial possibilities and options was not understood.

## Background

Since taking over responsibility for consumer credit in 2014, the Financial Conduct Authority (FCA) has focussed on those products it believes pose the highest risks to its consumer protection objective. This includes consumer harm which within this context has two main meanings; financial loss or damage, and emotional stress or distress.

In November 2016 the FCA issued a call for input<sup>1</sup> to inform its review of the HCSTC price cap as well as a more holistic look at high cost credit products. The purpose of this second initiative was to build a fuller picture of how these products are used, whether and how they cause financial strain, and if so, to which consumers. The subsequent feedback statement published in July 2017<sup>2</sup> identified three product areas of particular interest: Rent To Own (RTO), Home Collected Credit, and catalogue credit (also known as mail order or home shopping catalogues), which give consumers the option to purchase goods by making monthly repayments on credit through use of a Retail Running Account .

The FCA has expressed concerns about:

- **Rent to own:** the impact of the cost of using RTO on consumers and the potential for this type of credit to cause harm to particularly vulnerable groups.
- **Home collected credit:** repeat borrowing and refinancing, especially where any outstanding borrowing is incorporated into a new loan to provide additional credit. The FCA is concerned that when people refinance in this way, they may end up paying significantly more interest on any previous loans than they would had they maintained separate loans.
- **Catalogue credit:** the lack of clarity and transparency of catalogue products, including the charging structure and repayment options which may mean that consumers do not fully understand key features and so may not be making informed choices.

As part of its ongoing work the FCA commissioned PwC Research to undertake consumer research to explore consumers' use and experience with these products. Store cards have also been included in the research due to the similarities of product features with catalogue credit.

The chosen methodology incorporated a programme of nine discussion groups and 60 in-home depth interviews, conducted across eleven locations. Participants were selected based on their use of one or more of Home Collected Credit, Rent To Own and/or catalogue credit and store cards, with a mix of length of time used and how well or not they felt they were coping with their borrowing.

In essence the research sought to build on other evidence provided by firms and on FCA analysis of credit reference agency data, by understanding the following for each of these types of credit:

- Who is using this type of credit
- The customer journey and how/if this varies for different groups of consumers
- How the credit is used
- The extent to which options are looked at and whether or not the decision to use is considered
- The extent to which the credit product chosen is understood versus alternatives
- The vulnerability of consumers – particularly in respect of the risk of financial or emotional harm

Full details of the aims of the research and questions to be answered can be found in the technical appendix to this report.

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<sup>1</sup> <https://www.fca.org.uk/publication/call-for-input/call-input-high-cost-short-term-credit.pdf>

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



## Overlapping themes

### Short term versus longer term (habitual) customers

The research highlighted a number of common attitudes and behaviours amongst customers of high cost credit products. These attitudes and behaviours often determined whether customers were likely to be short term (often 'one off') customers and those who were longer term, more habitual customers of high cost credit.

Figure 1, below shows that when looking across the different types of borrowing, those more likely to habitually use high cost credit were also more likely to:

- **Live week to week in terms of managing their finances** – find it hard to plan further ahead, lacking the means and/or financial know-how to do this
- **Have limited options/choices for borrowing** – whether this was perceived choice or a genuine lack of options, when a need arose they felt they had few potential solutions. In addition, they often had **a more immediate need for cash/product**. It was suggested that lack of choice was exacerbated by finding themselves in emergency/crisis situations where they felt they had no time to consider and/or apply for alternatives. Therefore speed of access to cash/product and a quick application process also drove their decision making.
- **Impulsively buy products or make financial decisions** – acting before considering whether the purchase/loan was necessary or in their best interests i.e. more likely to want to buy now, and not consider the 'value' of the deal until later on (if at all)

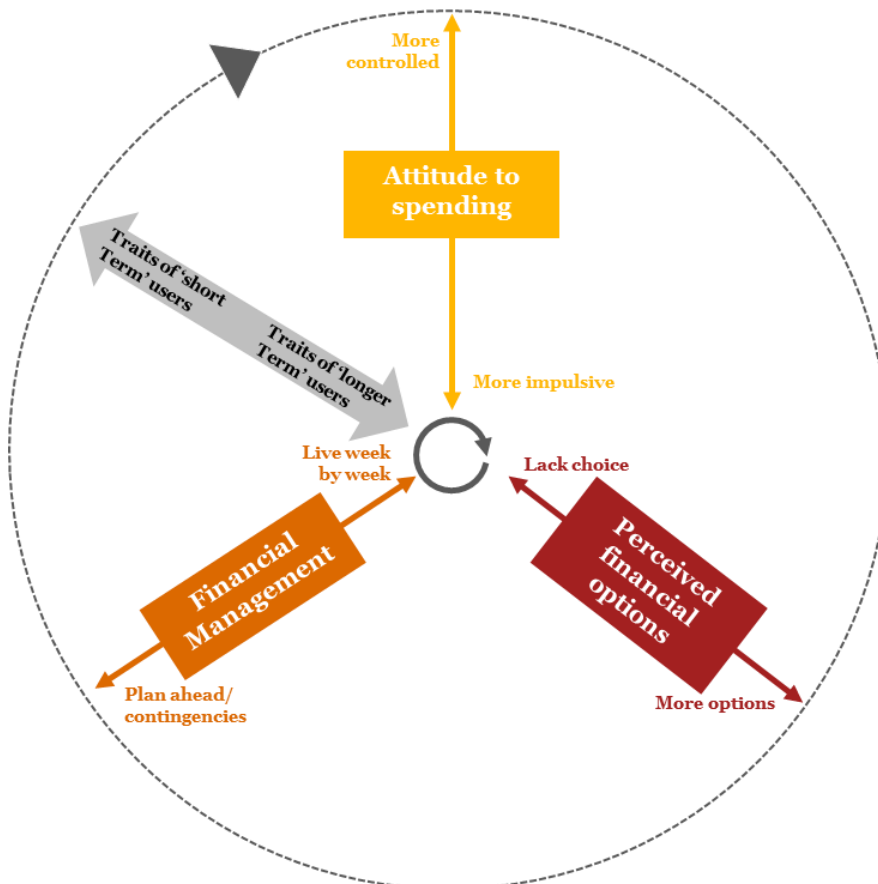


Figure 1: the key factors identified from consumer responses around their use of high cost credit being shorter term or longer term

It should be noted that other key factors also play an overarching role in propensity for customers to use to high cost credit, including their personal situation (employment, education, income, life events, age, gender, etc.) , the prevailing market conditions (availability of options digital and physical – rather than just the perceptions of these), overall understanding (financial capability and knowledge, history of use, perception of the debt burden) and social or societal factors (family and friends use/recommend, perceived acceptability).

### **Financial Management**

The short term (i.e. less habitual) customers of high cost credit said that they were keen to get out of debt. They often suggested they were adopting longer term strategies through planning their expenditure to reduce or remove their debt. They were also more conscious of not taking actions that might be detrimental to their credit rating. For example, short term customers said they were very conscientious about making at least minimum repayments and where possible paid back more than this. Some said they were actively avoiding applying for mainstream credit because they wanted to improve their credit rating by successfully making the required payments on high cost credit items before trying to apply for any mainstream credit. They were concerned about the impact on their credit score of making too many (unsuccessful) applications, and had decided that high cost credit was their best option at that time.

*“Everything’s a bit tight at the moment so I just make the minimum payments. But I’ve paid for it all ways, even paid it off in full in the past. I always pay at least the minimum so I can keep it going.”*

**Female, Catalogue credit and store cards, Birmingham**

In contrast, the longer term customers often stated they were managing their budgets week to week with little chance to think longer term. Across the sample, there was little evidence of financially planning any further ahead. Key to their decision making in purchasing any credit product was whether they could pay back the weekly amount the following week. The longer term cost of any deal/product was very much a secondary consideration, and their financial circumstances meant affordable weekly cost was key. Although the longer term cost and overall value of the deal was not viewed favourably, they often felt they had little/no choice to get cheaper credit or pay in full. In this respect, when prompted, the longer term customers admitted that they were not making allowances for any change of circumstances or how it could impact on their ability to pay.

*“At first I thought it was really good and all my friends were talking about it. When it first came out we all thought it was so cool. Even when they’re telling you you’ve got to pay back ‘this’ you’re like ‘oh yeah’ because it’s only £8 a week. But after time goes on it starts kicking in that it’s been three years and it’s a lot of money. It’s a long time to be paying that weekly money.”*

**Female, RTO, Bristol**

### **Perceived Credit Options and Choices**

Shorter term customers of high cost credit often had access to – and/or had historically used – mainstream credit options. In some cases they stated that they had a temporary poor credit rating and/or were concerned that they might be turned down for mainstream credit at the moment due to circumstantial issues, such as a missed payment on a store card or other debt.

*“You can get refused in High Street stores and that would be embarrassing. You don’t want for them to go through the whole process only to go ‘computer says no’. They had to do further checks for me and I just couldn’t be bothered to do it so I left. My chances would be slim anyway.”*

**Female, RTO, Birmingham**

*“When banks do a search on your credit history they leave a footprint in your file so if they turn you down it’s gonna cause you further problems down the line.”*

**Female, RTO, Birmingham**

However, some short term customers also stated that the convenience and ease of application for some high cost credit options – for example catalogue credit and store cards– were a reason to use them. A few said they had turned to high cost credit for speed when they had needed a loan or product urgently; Home Collected Credit or Rent To Own were commonly used as a ‘quick fix’ in an emergency.

*“I needed money for a funeral last summer, and I needed it within a day or two. I don’t like payday loan companies, heard too many bad things about them, and so a Home Collected Credit provider seemed the best, easiest, quick option for me. I knew I was paying back through the roof, but it worked at that time. It was just easy to sort quickly.”*

**Female, Home Collected Credit, London**

*“When we moved in we had nothing, and no time to plan. We had to get everything from a washing machine and a cooker to a TV, so we got it all from the shop.”*

**Female, RTO, The Valleys**

Some longer term customers who had been in a cycle of high cost credit use for many years said they could not imagine ever being debt free or ever having mainstream credit options available to them. This perception of having limited or no choices was based on a mixture of historic experience – being turned down for mainstream credit options – and a perception that some sources of borrowing would never be available to them due to problems they had had in the past.

*“I just know the bank won’t lend to me. I don’t have to check, I just know it.”*

**Female, RTO, Kent**

*“I asked my bank for a loan but they turned me down. I only wanted it until I got paid but they just said no.”*

**Female, Home Collected Credit, The Valleys**

*“There’s not a chance I’d get a loan or anything. I’m blacklisted, I got into problems with credit when I was younger.”*

**Male, RTO, Sheffield**

As a result, longer term customers said that high cost credit offered a familiar, tried and tested borrowing option, regardless of whether this was the best option. In most cases, long term customers said it felt like their only option.

*“I was just drowning in payments, and that’s the only option I had.”*

**Female, Home Collected Credit, London**

*“I’m good at budgeting, I haven’t got the money not to be. I hate being in debt but what choice do I have? The car broke.”*

**Female, Home Collected Credit, Sheffield**

## **Attitude to Spending**

Some short term customers of high cost credit indicated they were quite controlled in their spending, often because of their naturally risk-averse attitudes but also, in some circumstances, due to better financial knowledge or understanding and/or a more stable personal situation. In other cases, they had learned from having a bad credit history in the past. They said they were determined to pay off their debt and liked to make

larger repayments or have shorter loan repayment periods. They were also more likely to have only one high cost credit being repaid at a time.

Some short term customers also stated that they avoided contact with stores/online accounts, and tried not to look through catalogues (physical/online) to avoid ‘temptation’. They felt this was the safest way of stopping themselves spending, unless an emergency situation arose – such as the washing machine breaking down, TV stopping working, etc.

*“Now I won’t spend anything on it, I’ll wait until some of it is paid off unless there’s an emergency like the telly blowing up.”*

**Female, catalogue credit and store card, Leeds**

In contrast, some habitual customers of high cost credit said that they struggled to avoid the temptation to ‘buy now, pay later’. In discussing their shopping habits they stated that they often went for the latest, newest products; it was evident they were more driven than short term customers by instant gratification. They were also less focussed on the affordability of products over time or of the total cost of credit.

*“It’s all about getting it in my hands. I know I shouldn’t think like that, but sometimes I just want it and I go and get it.”*

**Female, RTO, London**

More impulsive, habitual high cost credit customers frequently said they did not worry about the longer term cost and had little or no consideration of the impact of any future change in their circumstances. They admitted their focus was on the short term only, and whether they could afford the weekly repayments.

*“You could have it there and then, you didn’t have to wait to save enough money up, so that was the main reason. I thought I can have it now.”*

**Male, RTO, Leeds**

## *Overriding behavioural biases discussed and observed with customers of high cost credit*

The FCA conducted a detailed review of the literature on behavioural economics and published a paper on the key behavioural biases that affect consumer decisions about financial products<sup>3</sup>.

Although often subconscious, when discussed with participants in this research it was evident that behavioural biases played a key role in borrowing decision making in the high cost credit market. Evidence of this was expressed in the language used to describe choices and outcomes. Customers’ accounts of their experiences also highlighted that subconscious drivers to decisions could, on occasion, lead to potentially detrimental outcomes.

### **Overriding preferences: role of present bias and loss aversion**

As already discussed, many longer term customers of high cost credit said they were impulsive, and sometimes compulsive, in their decision making, whether this was with regards to buying a new product or taking out a new loan. Examples of **present bias** – overvaluing the present over the future – were noted in many of the interviews. **Instant gratification** was widely observed as a driver to use high cost credit options. High cost credit was widely described as convenient and easy – and also quick in terms of fulfilment. Customers’ stories showed that the desire to get the product as quickly as they could was the primary need being fulfilled, with little consideration of the overall cost/value of the ‘deal’. Customers said they could order goods and get these within 24-48 hours, often without having to pay anything for it at that point. In addition, there was evidence of

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<sup>3</sup> Occasional Paper Number 1 – Applying Behavioural Economics at the Financial Conduct Authority, April 2013

a drop off in satisfaction over time, as they started to process and calculate the length of time they would be paying off their loan/making repayments on the products.

*“It’s just so easy. It literally comes to you.”*  
**Female, Home Collected Credit, Chatham**

Aligned to overvaluing the present was a perceived **sense of loss or regret** if they did not get the loan/product. Most participants described making purchase/borrowing decisions in isolation i.e. without doing any comparison research, and it was clear that the desire to have the product/whatever they needed the money for – coupled with the consequences of not having it – drove them to make their choices.

*“A lot of people, myself included get them because they can’t afford to go out and buy things. I just bought a pram for my daughter and it was a grand. There’s no way I could just get a grand out and go and buy her the pram she wants. But if I don’t get it paid off before the interest free period ends it could be extortionate.”*  
**Female, catalogue credit and store card, Leeds**

*“Your kids want something for Christmas, they’ll want this gadget or electronic thing, like a PlayStation – [Rent To Own retailer] is the place you’re going to get it for them.”*  
**Female, RTO, Leeds**

*“My granddaughter really wanted these Converse trainers for her birthday but they were £50 in the shops and I just didn’t have the money. I’m paying them back at £3 a week so it’s costing me £60 from my friend’s catalogue..I don’t want to be the nasty nanny.”*  
**Female, catalogue credit, The Valleys**

These overriding preferences meant that customers often admitted that it was ‘on the spot’ decision making – i.e. considerations about the immediate cost and benefits – that outweighed any consideration of the longer term affordability or impact. In some cases, customers said this had resulted in defaulting on payments, acquiring more or too much debt, and in a minority of RTO cases, returning goods.

*“These trainers are £60 in [high street store] but in [catalogue credit provider] they’re £120. Logic doesn’t kick in, they’re there and you can just click and buy them, even though you could get two pairs if you went to town and got them”.*  
**Female, catalogue credit, London**

### **Overriding beliefs: role of over-confidence and projection bias**

Customers frequently reported that their key consideration in deciding whether or not to take a high cost credit product was whether or not they felt they could afford to pay next week. This demonstrated **over-confidence** in their ability to maintain repayments throughout the period of the loan. There was also evidence of over-confidence that they understood how promotional offers operated and the likely costs of repayments once the interest free period had expired and there was still debt outstanding. **Projection bias** – underestimating the possibility of change – was also observed. Many expressed surprise at the impact of life events such as job loss, loss or reduction of benefits or an unplanned expense such as a new washing machine, on their ability to continue to make their payments. Given that many were paying back loans over a long period – often 2-3 years – these overriding beliefs meant there were many examples of how unforeseen life events had impacted on their ability to continue to pay, resulting in longer periods of repayment, additional interest charges and a negative impact on their credit scores.

*“They do suck you in. They say you can pay weekly and it’s x amount per week but you don’t think about how much you’re paying overall. The washing machine is £200-300 quid but then you’re paying back £500-600. good for convenience but not in the long run.”*

**Female, RTO, London**

*“You’re just thinking about the weekly cost. You’re thinking £8 a week, that’s not bad. But if you think about it monthly and yearly.”*

**Female, RTO, Bristol**

### **Decision making rules of thumb: role of limited attention, narrow framing and Social Persuasion**

Most customers had some subconscious ‘rules of thumb’ that drove their financial decision making. For example, there was evidence of some customers allocating money for different purposes and these boundaries were very rigidly adhered to – **mental accounting and narrow bracketing**. As such, a few high cost credit customers said that they had ‘an amount’ they felt they could spend within their weekly budget on RTO – or in some cases on catalogue credit or store cards. When they had paid off an item, the surplus money was not always used to pay off another debt, but used to make a new purchase on RTO, catalogue credit or store cards, or to take out a new loan.

**Framing and limited attention** was also evidenced by the fact that many admitted they had nothing to compare their borrowing arrangements against; they did not know how much similar products cost at other retailers or how their loans compared to other lending options including mainstream borrowing. They knew the weekly cost, as this was discussed early in the sales conversation, but frequently appeared to know little about the terms and conditions they had signed up to or how additional costs had been calculated.

*“We were in there about 2 hours and by the end you’d just sign anything to get out of there. They don’t tell you how much you end up paying in total, it’s spread across different pages and there are a lot of pages!”*

**Female, RTO, Chatham**

Additionally, **social persuasion** was important, with participants often stating that the salesperson and/or their friends or family were very important in the decision making process. Some said they simply trusted the sales person’s advice on how to refinance Home Collected Credit or what insurances/add-ons they ought to buy alongside RTO, because they seemed genuine.

*“They don’t pressure you but they will be like, ‘Come on, you know you want this’. I don’t think they really care about your situation, they’re just trying to get more sales. You can be telling them you can’t afford it and they’re saying, ‘It’s only like £6 a week, it’s really nice, you could do with it, I’m sure you could’.”*

**Female, RTO, Bristol**

There was a strong and widespread reliance on what they were told at point of sale and what they could recall from this exchange. Paperwork was rarely read carefully, and was often identified as too lengthy or confusing.

*“It’s only what I remember he [the salesperson] said at the time. I don’t know where the paperwork is. I didn’t look at it really, apart from when I bought it. There’s so much of it, it’s like it’s designed so you don’t want to read it.”*

**Male, RTO, London**

There was evidence that these decision making biases can potentially lead to financial strain, particularly where people did not know what they had signed up to or whether they needed the additional cover. Some reported feeling surprised and let down by the consequences of defaulting on payments, given that the sales process had been so friendly and warm.

*“I was really shocked how they treated me when the direct debit didn’t go through. They were threatening to take the TV and the Wii back. It was so different to how they were when I bought it. They were so much nicer and it shook me up a bit, it was like ‘ah, this is the real them, this is what they’re really like when they want their money.’ Suddenly I was an awful customer and I owed them more money ‘cause of the interest on the missed payments.”*

**Female, RTO, Kent**

## Product specific findings

### Home Collected Credit

#### Introduction to Home Collected Credit

Home Collected Credit, also known as “home credit” or “doorstep lending” is where consumers borrow money—usually cash—and the lender calls at their home to collect the repayments. The loans are typically for smaller amounts (under £2000). This form of lending tends to be flexible, with customers often able to informally vary their weekly repayments over the course of the loan. Consumers are also often able to refinance and take out a bigger loan, or ‘top up’ their loan during the repayment term.

#### Reasons for using Home Collected Credit

Participants in the research had generally moved into Home Collected Credit in one of two ways; they were either introduced or recommended it by other customers, or had responded to a local marketing initiative. None of those we spoke to in the research, had sought out Home Collected Credit as a result of researching their options. The research showed that in most instances Home Collected Credit was embedded in the customer’s community; very often family and/or neighbours and friends were using the same agent or at least the same provider. This meant that taking out this type of loan was a natural choice as the provider was the local ‘go to’ lender.

*“When he [former partner] left and I realised he’d cleared out our account I panicked, all I cared about was making sure I kept my house. I asked my mum and she knew the agent. I rang the woman and she brought me the money the next day”*

**Female, Home Collected Credit, The Valleys**

*“When I moved in the house was empty and I hadn’t had any time to save – not that I could have. My neighbour told me about Home Collected Credit; she said it would be easy and I would get it”*

**Female, Home Collected Credit, Birmingham**

A very small number of participants had previously had no connection to Home Collected Credit, and had responded to a leaflet drop or a seasonal promotion such as shopping vouchers at Christmas. One or two participants said that they had first become aware of their provider a result of an agent knocking at their door.

*“We had a leaflet through the door. I thought nothing of it at the time but when my car broke down I didn’t know what to do; I remembered the leaflet and called them”*

**Male, Home Collected Credit, The Valleys**

#### Perceptions of Home Collected Credit

None of the Home Collected Credit customers in the research felt they were getting a good deal with their borrowing, but the cost was considered of secondary importance compared to the perceived benefits. Recall of the detail was very low, with no-one able to confirm how much interest they were paying in percentage terms. While a small number had a rough idea of how much they were due to pay back in total, this was only in cases where a single loan was currently in place. Even in such cases, there was often a discrepancy between the amount given by the customer and the amount written in the repayment book. Where customers had refinanced, knowledge of the total amount repayable was low, especially where refinancing had taken place more than once. While none of the participants wanted to be paying high levels of interest, there was a resigned acceptance that there was no more affordable alternative. This was especially true among customers who had previously asked for an overdraft or bank loan and been turned down.



*“In the position I was in, I was very satisfied—I can’t say I wasn’t. But it is a lot of interest.”*  
**Female, Home Collected Credit, Bristol**

*“I hear the bit about how much I can borrow, I don’t hear the bit about how much I have to give back”*  
**Female, Home Collected Credit, London**

*“I’m getting a good deal for me, but if you had loads of money it’s not a good deal because there’s other places.”*  
**Female, Home Collected Credit, Bristol**

Customers reported that at the time when they took out their loans they needed money urgently; this meant that knowing they would not be rejected for a loan was an important consideration. Home Collected Credit loans were perceived as easy to get, and this certainty appeared to play a role in the decision to go ahead.

*“Apart from the interest, everything is fine. I knew I could get it, it’s not loads of questions and I knew it would be there. I’d give it a 10”*  
**Female, Home Collected Credit, Bristol**

*“It’s available to everyone”*  
**Female, Home Collected Credit, Bristol**

Convenience was also cited as a key benefit, for two main reasons. Many of the Home Collected Credit customers did not have a car or easy access to transport. Many also spent most of their time at home, so in both cases having an agent come to them was felt to be very convenient. Customers also said that the weekly collection model provided a level of discipline that made it easier to keep up payments. At the same time, they did not always feel under pressure to make a full payment; many said that their agents were happy to take a smaller payment if they did not have the full amount.

*“The interest is very high but you can easily miss a week if you need to”*  
**Male, Home Collected Credit, Chatham**

*“She’s really good if I can’t make my payment; as long as I pay something it’s ok”*  
**Female, Home Collected Credit, The Valleys**

Aside from high rates of interest, two other drawbacks emerged; the extended length of the repayment period and the likelihood of being ‘drawn into’ a cycle of repeat borrowing. Both of these were more commonly reported by those who had been using Home Collected Credit over a long period or knew long term customers who had been.

*“They push it on you, and if you’re that way inclined, you’ll just keep borrowing and borrowing and borrowing”*  
**Male, Home Collected Credit, Chatham**

### ***Customers of Home Collected Credit***

The research identified two broad types of Home Collected Credit customer; one-off/infrequent and habitual as shown in figure 2:



Figure 2: One-off versus habitual customers of Home Collected Credit

One-off customers were generally more financially comfortable and often debt averse, with a strong perception of high cost credit not offering value for money. These customers described having found themselves in a difficult situation, typically facing an unforeseen and unplanned expense for which they needed a quick solution. Not perceiving themselves to have other options, such as informal borrowing from family or friends, and not wanting or feeling unable to apply to mainstream lenders, Home Collected Credit was seen as a very quick, easy fix. There was usually no prior relationship with, or connection to the provider, and awareness was usually down to having had a leaflet through the door, an agent knocking, or a recommendation having asked around. The process was described as transactional, and little or no relationship was established with the agent.

*“They were desperate times– I’m self-employed and I injured myself. We did all the maths, budgeting, all the car-booting but were still short so there was no other way. You don’t want to tell anyone about it. but it [Home Collected Credit] is the final straw.”*

**Male, Home Collected Credit, Birmingham**

Other common characteristics of short term customers of Home Collected Credit was a self-belief that the need was temporary, an expectation that the change in circumstances would soon be reversed, improved, or resolved, and a strong desire not to get into a cycle of repeat borrowing.

**Case Study: Julie, 53– Home Collected Credit, Broadly coping, Bristol**

Julie is single and lives alone, but her daughter and grandchildren live down the street. She’s out of work at the moment due to poor health. She took out a £500 Home Collected Credit loan 6 months ago to redecorate her spare bedroom.

Due to her poor credit rating – she had a bank loan but stopped paying it off – she didn’t think she had any other options for borrowing the money. She decided to go with her Home Collected Credit provider because her daughter was using them, and it was easy to sort everything out from her daughter’s house where she spends a lot of time– she liked that if she’s not around one week her daughter is able to make the payment for her. She’s been regretting her decision recently, as she’s repaid the original loan amount, and is now paying off the interest. She doesn’t think she would use Home Collected Credit again as it’s an expensive way to borrow and the weekly repayments have been a struggle at times.

*“I took out a Home Collected Credit loan about 6 months ago because I needed a new carpet but the interest is too high. It’s £8 a week but I’ve just got to grin and bear it. It would be nearly paid off if I’d have saved up for it”*

Longer term or habitual customers in contrast had generally been financially squeezed for a sustained period; working in a very low paid job or on a zero hours contract, long term unemployed, unable to work or acting as a carer to either children or older family members. Household income was very low, largely benefits dependent and needed to support multiple dependents. Managing a very limited budget was an ongoing, top of mind challenge. These customers had no savings and nothing left over week to week to accommodate unplanned expenses.

Unlike one-off customers who took out Home Collected Credit to plug a temporary shortfall, longer term customers’ use of Home Collected Credit varied, ranging from regular small loans to top up income – used to help cover day to day expenses, occasional larger sums needed to cover unexpected costs, and planned larger sums to cover expected events such as Christmas, birthdays or anniversaries, and school uniforms.

Regular use of Home Collected Credit was typically embedded in the local community to the point of being ‘the norm’, with long, well established relationships with agents, and frequent references to repeat borrowing and refinancing. Few could envisage a life without Home Collected Credit borrowing. While generally their focus was firmly on the day to day and not the future, when asked to think ahead, most anticipated either no change or a worsening of their financial circumstances, resulting in little aspiration to be debt free.

*“I’ve been with them [Home Collected Credit provider] forever and I always work it out that if I get a loan October/ November for Christmas, take the year to pay it back and then by the next Christmas I can get another one.”*

**Female, Home Collected Credit, London**

### **Case Study: Carol, 62— Home Collected Credit, Broadly coping, The Valleys**

Widowed around five years ago Carol has two grown up children and grandchildren who live a little way away, and a grown up disabled daughter who lives at home and goes to a day centre. Carol has never had a bank account and money has been even tighter since her husband died. They also used RTO for big expenses like TV and audio, and she still has a cash box next to the TV. As well as RTO she is a long term continuous customer of Home Collected Credit. She switched from one Home Collected Credit provider to another some years ago because she thinks they’re nicer and fairer. She borrows £1,000 every year in the autumn to cover the cost of Christmas – presents and food – and pays it back over the next year. Sometimes she doesn’t quite pay it off so whatever is left gets rolled into the new loan and she borrows a little more. She can’t imagine not using this credit/having this option.

*“Always the beginning of November, and always the same amount so I know where I’m at”*

*“They [the local council] announced they were going to do away with the bedroom tax, but they haven’t. I can’t see it changing now and if there are more cuts I’ll lose my [part time, dinner lady] job as well.”*

**Female, Home Collected Credit, The Valleys**

The characteristic both customer types shared was a conviction that there were no other option that were a) available to them, b) so easy to get – more or less guaranteed and so quick, and c) so convenient to repay – at home, low weekly payments. Although there were some references to having tried other options, this was very often a historical experience and not one repeated whenever looking to take out a loan.

*“When all avenues are exhausted doorstep loans are the only option.”*

**Male, Home Collected Credit, Birmingham**

*“For some people if they’re – you know, desperate times, that kind of thing, it’s nice to have that kind of familiarity, the friendliness..But most people whenever they turn to these people they’re not looking for these things they’re just looking for the money, it needs to be a swift process.”*

**Female, Home Collected Credit, London**

### **Focus on weekly affordability vs. longer term cost**

Like customers of other forms of high cost credit, the focus when taking out Home Collected Credit was consistently expressed in terms of the weekly cost. There were some references to the high cost of this form of credit but recall of the precise terms was not evident. This emphasis on weekly affordability appeared driven by both customers and providers; customers were focussed on managing their weekly budget and needed to know what the weekly outgoing would be, and providers were offering loan terms expressed in weeks, i.e. not ‘one year’ but ‘52 weeks’. This emphasis seemed to have a direct impact on decision making;

- Size of weekly repayments appeared manageable and easier to evaluate than the total cost of the credit

- The week to week focus may have been actively inhibiting the likelihood of considering the longer term / a future change in circumstances
- Paying back a loan over x number of weeks appeared to feel ‘shorter’ than it would have done if considered in years
- The immediacy of cash in hand on the spot may also have overridden any notion to think about the longer term

It was also noted that among very long term, habitual customers of Home Collected Credit the concept of the total cost of the loan/total amount payable seemed irrelevant; something that was never going to happen and even if it did, in the face of no other viable option being perceived as available, the overall cost was academic. Added to this there was a sense of acceptance that a high overall cost was an inevitable consequence of weekly affordability.

### ***Role of Home Collected Credit agents***

As referenced earlier, short term or one-off customers of Home Collected Credit appeared to have little to no relationship with an agent; any interaction was seen as purely transactional. Long term customers on the other hand generally had a long standing relationship with an individual agent, and interactions when described gave a sense more of a friendship than a provider/customer relationship. Some were described as friends of the family, with several connections in common. Where long term customers had little connection, for example when the agent had changed several times, this often resulted in the customer saying they were dissatisfied.

*“My collector is lovely and you’ll be chatting and say something’s broken and she’ll give you the money but it all adds up and before you know it you’re paying a fortune back.”*

**Female, Home Collected Credit, The Valleys**

It was evident that where there was often a good relationship, and potentially some blurring of lines between provider and friend, but this often carried a somewhat misplaced sense of trust with some feeling little sense of being encouraged to take out more loans despite agents being quick to pick up on any signs that the customer might be struggling and proactively offering top up/additional borrowing.

There was also evidence of customers being notified of eligibility for further borrowing in an indirect way. One customer had moved away from a book to using her provider’s app to keep track of her payments, as she kept losing the book. Looking at the app with her during the interview, there was a notification on the landing page of a £600 loan being available to her.

While the majority of agents appeared to be perceived as ‘a trusted friend’, some longer term customers felt that some were too quick to encourage further borrowing. Several customers reported that they had been waiting to pay off one loan before taking out another and had been told that they could ‘top up’ sooner rather than wait.

*“It’s 24 year I’ve been with my Home Collected Credit provider. It’s too long, the interest is too much to pay back. He used to say, ‘You’re finished this order, I’ll renew it for you’ and he’d renew it, every time I finished an order, he’d renew it. That’s how I got into debt. I wouldn’t have got into debt if it hadn’t been for him. He’d just give it me out his pocket because he always had money on him.”*

**Female, Home Collected Credit, Newcastle**

There was very little evidence of any discussion about the merits of waiting, or of taking out an additional loan to run concurrently rather than rolling an unsettled roll into a new one. There was a perception that the only drawback to refinancing was any outstanding debt being held back out of the amount being borrowed. Equally, there was no sense of refinancing being any cheaper or more expensive than having two loans; on the contrary, there was a concern that having two loans would be less affordable and more onerous in terms of (weekly) repayments.

*“You’d have to find double money every week. You’d be paying double!”*

**Female, Home Collected Credit, London**

*“I didn’t know you could get two loans. I don’t think you should be allowed to have two. You’re assessed on the first loan on how much you can afford to pay back so why would you suddenly be able to pay double?”*

Female, Home Collected Credit, Birmingham

### ***Managing repayments***

While the weekly home collection model was seen as convenient and easy, there was some evidence of customers’ paperwork not always being up to date and/or difficult to read (see figure3). It was not always clear what the interest payable was, when additional borrowing had been taken out and what the impact of reduced or missed payments would be.

In addition, it became clear that some customers did not have a good understanding of what (if any) payments they had missed, with many saying that had missed less than appeared to be the case when looking at their paperwork. It was also clear that reduced payments – often a fraction of the agreed weekly payment – were common, without any suggestion from customers of what this might mean in the longer term.

*“If I haven’t got it one week I can just give her a couple of quid. As long as I keep it going she doesn’t mind.”*

Female, Home Collected Credit, The Valleys

*“I always pay something every week, even if I can’t afford to make the full amount. I never miss.”*

Female, Home Collected Credit, Cambridgeshire

Figure 3: Example of customer’s ‘book’

Short term customers on the whole appeared satisfied with their decision. The overarching impression was that the loan had served a purpose, they acknowledged that they’d probably paid over the odds but they’d found a solution to a temporary problem and did not expect to need Home Collected Credit again.

Longer term customers were largely satisfied but appeared to be less aware of what their Home Collected Credit loans were costing them and little interest in overall cost of their borrowing, seeing it as something that was unlikely to change or ever come to an end.

### ***Behavioural biases in customers driving risk of potential harm***

As already referenced, it was clear that behavioural biases were influencing decision making around Home Collected Credit and that these sat with the customers;

- **Over-confidence** in their ability to make repayments, especially when thinking only about the (relatively low) weekly sum they needed to find.
- **Projection bias** also seemed to be hampering any attempt to assess affordability, as customers failed to anticipate the possibility of any future negative changes in their financial situation such as a job loss or reduction in benefits.

Two other biases were observed as being especially impactful on decision making

- **Instant gratification** or present bias, causing the prospect of immediate – or near immediate – cash in hand to override any thought other than being able to meet a pressing need
- **Social influence**, as demonstrated by an acceptance of Home Collected Credit as ‘the norm’/what everyone does. Other than present bias, one-off/short term customers of Home Collected Credit were less influenced by these biases as they were generally more able to comfortably afford the repayments and were more naturally debt averse/ opposed to repeat borrowing, while evidence of all four were seen in longer term/habitual Home Collected Credit customers.

### **Case Study: Hannah, 24— Home Collected Credit, Struggling a bit, Birmingham**

Hannah is a single mum to three children 6, 4 and 2. She stopped working 6 months ago as childcare is too expensive, and plans to go back to education when her youngest starts nursery so she can get a job that pays enough to make working worthwhile.

She believes she got into trouble financially when she had a credit card after her oldest son was born. She maxed out the credit card going on holiday with her mum after a break-up and buried her head in the sand and didn't pay her bill.

Since maxing out the credit card, she's not been accepted for mainstream credit. She's currently holds a number of high cost credit products— Home Collected Credit and catalogue credit—and has used RTO and payday loans in the past. Two years ago she moved into her new house, but was only given a few days' notice. She took a Home Collected Credit loan out to decorate, put in flooring and carpet and buy more furniture.

However, over Christmas she was threatened with bailiffs after not paying her council tax and was left with a £600 and £800 bill to pay which she had to ask her mum to help her out with. This experience was a wake-up call for her to get her finances back in order and she plans to be debt free by the end of next year. She has been more proactive managing her bills, and has contacted her water company asking them to reduce her payments which they agreed to do.

*“When I moved here it was completely empty. I had to decorate, I had to get flooring, put carpets in upstairs. I needed furniture. I was bidding so I bid that week, got offered the house on a Friday and moved on the Monday. I didn't have any money to do any of that so I had to get a Home Collected Credit loan.”*

In some cases, influence of these biases, while not driven by providers or agents, appeared to have been exploited or capitalised on. Examples of this included reports of being ‘tempted’ into taking out further borrowing, out of date or messy paperwork making it hard for customers to have a true picture of their borrowing, agents looking out for signs that the customer might need another loan, and active targeting of people who might be or be feeling financially vulnerable.

### **Customer suggestions for reducing the risk of harm**

The research showed that customers found Home Collected Credit to be a necessity in their lives as they were often unable to access credit from mainstream providers. As such, there were no suggestions to ban Home Collected Credit or stop customers in similar situations to themselves being able to access Home Collected Credit. However, customers did appreciate both the high cost of these products and the impact of their own approaches to financial management. They therefore made suggestions (in Figure 5) for safeguards to be put in place to stop potential misuse or abuse, whether on their part or on that of less scrupulous companies.

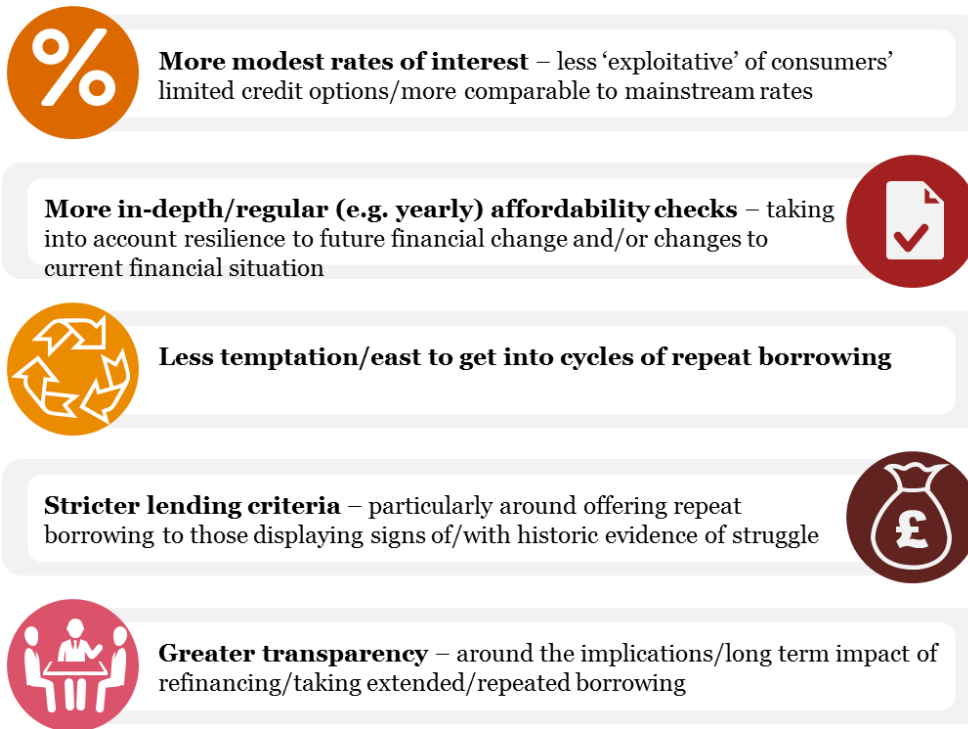


Figure 4: Consumer suggestions for reducing harm in Home Collected Credit

*“It’s too easy to borrow and too easy to up the credit limit. They coerce you into borrowing [more]. The agent pretends to be your best friend but they don’t know you really. Don’t offer me more money if I haven’t asked for it.”*

**Male, Home Collected Credit, Birmingham**

*“They should have lower interest rates for the people that need it the most. They shouldn’t be making the most money off them.”*

**Female, Home Collected Credit, London**

*“You should get a soft credit check, agents should stop offering you it, bring interest rates into line with other lenders, you should have one loan at a time and it should be linked to other lenders.”*

**Female, Home Collected Credit, Chatham**

*“If people have got good credit, they should tell them what other options they have”.*

**Female, Home Collected Credit, Birmingham**

*“They should vet advisers so their interest is more with the customer. They just think about their commission.”*

**Male, Home Collected Credit, Birmingham**

## Rent To Own (RTO)

### Introduction to Rent To Own (RTO)

Rent To Own is a form of hire purchase where customers pay for items—frequently large appliances, televisions and home entertainment—in weekly or monthly instalments over a pre-agreed term, typically 52, 104 or 156 weeks. At any point during the term, RTO customers are able to stop paying and hand back the item, ending the

contract. Providers charge fees for late payments, and if customers do not meet their repayments, then the provider can take the item back.

The research found significant overlap between the customers of Home Collected Credit and Rent To Own; some held both credit types, and many who were just using RTO had used Home Collected Credit in the past. The research revealed a number of attitudinal and behavioural similarities between these two groups, which meant that both groups demonstrated the same behavioural biases when it came to decision making.

### ***The customers of RTO***

The research showed that consumers used RTO in a range of situations and demonstrated a range of attitudes towards using credit in this way. As seen in Figure 6, these factors influence the extent to which consumers are at risk of harm through using this form of credit.

Through analysis of the research findings, it was possible to identify two key aspect of consumers’ attitude and behaviours that influence their use of this form of credit:

- **Attitude to spending** – the level of control consumers had over their spending influenced their decision to use RTO, as well as their decision making once in-store or online. Those with higher self-control over their spending demonstrated more discipline and budgeted more carefully, whereas those with less control over their money were more likely to commit to weekly repayments that were more than they could comfortably afford to repay.
- **Frequency of use** – consumers who were using RTO more often were more likely to rely on RTO as a way to purchase goods for their home. They were more likely to perceive this form of credit as the only option available to them and more likely to be in a cycle of borrowing, or habitual customers. Infrequent customers were more likely—even if only briefly— to look at other ways of borrowing before RTO due to a dislike of this form of credit.

These two aspects can be used to form a matrix, from which four types of consumer emerge:

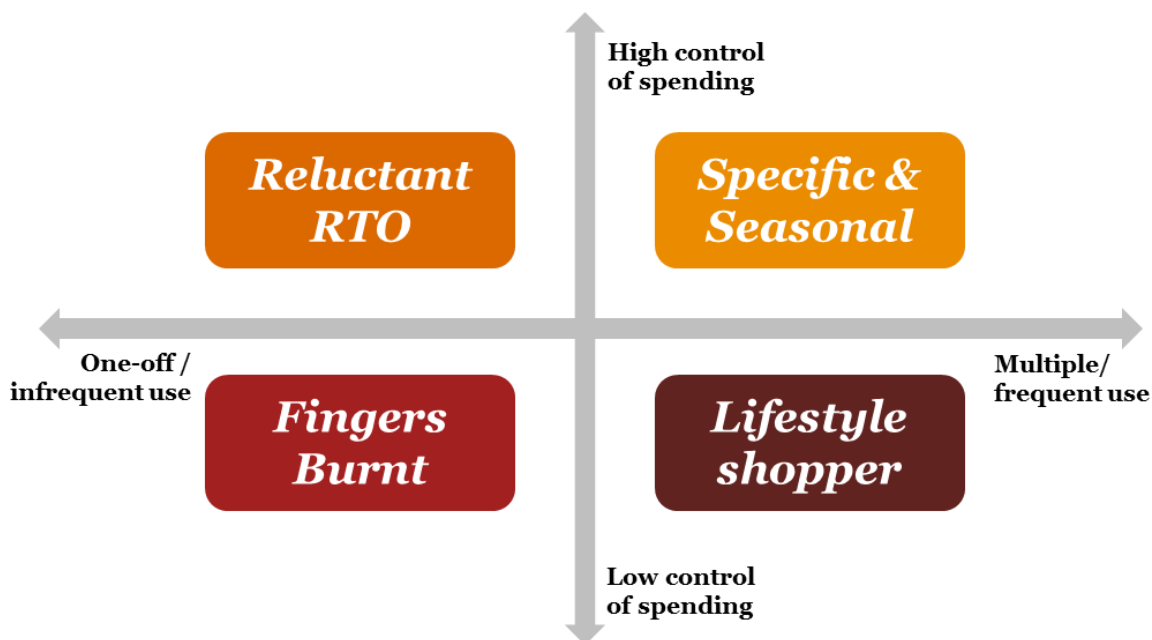


Figure 5: Matrix of RTO customer types

#### ***Reluctant RTO***

*Who are they:* Reluctant RTOs were customers that were managing their finances and relatively disciplined with their money. These customers tended to be in work, but often in jobs with unpredictable hours, which meant that their income was inconsistent. They had strategies for managing their money, and many were able to save a small amount each month—although this would often need to be used for unexpected expenses or



occasional purchases (e.g. car repairs, school trips). Among these customers there was an aspiration to not continue borrowing and to live within their means, but also an optimism that their financial situation could improve.

*“I just have envelopes in my head for all different things and then I can portion the money out and know how much we need. we’ve struggled a lot in the past so I’ve had to be on top of it. There’s money in the kitty for if there’s a problem with the car or anything like that, rainy day money. We can use that if we need to—things for the kids, like my youngest has got prom coming up and wanting to do the National Citizen’s Service.”*

**Female, RTO, Bristol**

*“I set out a menu, and when I go to the shops I only buy what we need so there’s no excess spending.”*

**Female, RTO, London**

**Their use of RTO:** These customers used RTO as a ‘one off’ or very infrequently to make emergency purchases—for example when essential goods such as washing machines or fridge freezers had broken down. Their need to use RTO was dictated by their financial circumstances at that time and in many cases these customers’ financial situation has improved since they took out the product. Their decision to use RTO was more rational and they often looked into other options before making a decision to use RTO. This type of RTO customer often had poor credit scores due to taking out loans or credit cards in the past and not meeting repayments, but others had no credit score as they had rarely borrowed in the past and not built up their score.

*“We’d done it in the past and we were hoping to not have to do it again but you don’t know what’s round the corner”.*

**Female, RTO, Bristol**

### **Specific and Seasonal**

**Who are they:** Like the *Reluctant RTOs*, these consumers had high control of their spending. They were generally able to manage their finances well and their repayments did not place too much of a burden on their finances, however there were some in this group who despite budgeting well could not manage to make ends meet. However, Specific and Seasonal customers had less aspiration to get themselves out of debt (and did not see RTO as ‘debt’), and were less likely to demonstrate saving behaviours.

*“Put it this way, my cards are up there and there’s one there that I can’t afford to pay every month. I have to turn the heating off because I know I don’t have the money to pay the rest of the bill.”*

**Female, RTO, The Valleys**

*“I’m reasonably confident, I can take a bit off something one week and then make sure I pay it back the next week. I write it all in a book. I get paid on the Wednesday so I sit down on the Sunday and look at what I’ve got to pay and if I can’t do it I think ‘I’ll take a tenner from there’. When I see it on paper I know what I’m doing, but some nights I go to bed thinking ‘what am I going to do?’”*

**Female, RTO, The Valleys**

**Their use of RTO:** These customers were regular customers of RTO, but purchases were largely planned. Purchases tended to be made at specific times of year, such as to buy presents at Christmas or every time a specific item needed replacing. For example, using RTO every time their TV needed replacing without looking at other options to purchase the item. Specific and Seasonal customers had had positive experiences with RTO in the past, and had a dislike for other credit lines (due to both perceptions and past experiences) which meant that RTO was their default way of purchasing goods with little or no consideration of other available options.

*“Your kids want something for Christmas and they’ll want some of this gadget or electronic thing, like a PlayStation, [Rent To Own retailer] is the place you’re going to get it for them.”*

**Male, RTO, Leeds**

### *Lifestyle shopper*

**Who are they:** Lifestyle shoppers were less controlled with their spending and made more impulsive financial decisions. They liked to be able to fill their homes with the things they wanted and were using credit as a way to do this. This group did not have ingrained savings behaviours, and were not empowered in the sense they were not optimistic about their financial situations improving in the future.

*“I’m rubbish at money. I love to spend. I’m one of those that thinks it’s a bargain but it actually ain’t and they do you over.”*

**Female, RTO, London**

*“I don’t have the patience to save, if I see something I want, then I won’t want to wait and save up for it. I want it there and then.”*

**Female, RTO, Birmingham**

**Their use of RTO:** These customers held multiple products at the same time, and used RTO for both essential and quality of life products. Use was often unplanned, with additional items picked up while browsing in store. They were largely able to meet their repayments without an issue, indeed some had grown accustomed to them, and when the term ended on one product, they would look to use up this available ‘budget’ on another product.

*“I’ve had loads from [Rent To Own retailer] – tellies, telly stand, mobile phone. DVD player. I’ve had all sorts. It’s just the way I have to get stuff.”*

**Female, RTO, Sheffield**

### *Fingers Burnt*

**Who are they:** Fingers Burnt were consumers who demonstrated low control of spending, like the Lifestyle Shoppers. These customers were most likely to have an unstable income, or to rely on benefits. They were often younger customers and many were single parents. These customers did not have strategies for budgeting, and were more likely to live life week to week, not thinking about or planning for the future.

*“Having the kids means that I have to keep on top of things. The main thing is food and keeping up with the bills. I try not to spend what I haven’t got. It’s hard to keep on track but I’ve got no choice. I’ve got nothing at the end of the week, but I’ve usually done everything I need and the food shop.”*

**Female, RTO, Bristol**

**Their use of RTO:** These customers were distinct due to their predominantly negative experience with this way of borrowing. They had used RTO as a one-off (but often for multiple products in one purchase, or within a short time), but had struggled to keep up with their repayments or defaulted. The strictness of the way providers deal with this situation was disliked, and these customers did not believe they will use RTO again. The consequences of missing payments was not a consideration for them at the point of sale, but this sense of regret mean that going forward, they claimed to be more likely to investigate other forms of credit (such as catalogue credit, store cards or Home Collected Credit) or how to get the item without using credit (e.g. borrowing from family or friends or saving up).

*“I think they’re complete loan sharks.”*

**Female, RTO, Glasgow**

*“At the time I thought I’d use it again, but now I wouldn’t. I thought if my washing machine breaks or I need a new telly then I’ll have somewhere to go. I didn’t think I’d just go there to spend though, I thought it was where you go when you really need it.”*

**Female, RTO, Bristol**

## **Overall Perceptions of RTO**

Parallels can be drawn between how consumers feel about Rent To Own and Home Collected Credit as both are seen as affordable and accessible. The main difference between perceptions of these two forms of credit is that post-sales, RTO is seen to be much more rigid and inflexible.

### *An affordable way to purchase goods*

RTO was seen as affordable due to the low weekly repayments for high cost items. As explained later in the report, although the affordability of low weekly repayments was seen as a key benefit to consumers, this focus on weekly cost as opposed to the overall cost can have the potential to cause financial strain.

*“I wouldn’t have been able to get certain things I needed without it but they add on all the money on top.”*

**Female, RTO, Bristol**

### *An available line of credit*

Participants felt that they did not have many credit options available to them, and as a result were drawn towards RTO as they believed it would be easy to get approved for credit. Participants explained how they knew everyone would get approved for RTO, despite having no or poor credit history. It is perceived that RTO will always be available to them, and can be relied upon in an emergency or as a last resort, for which consumers expressed gratitude.

*“We knew we’d be accepted so we just went with what we know.”*

**Female, RTO, Bristol**

*“There’s loads in the store to look at but the problem is that it tempts you. It’s also accessible. Everything is available to you.”*

**Male, RTO, Birmingham**

### *Expensive in the long run*

Despite the perceived affordability of the weekly repayments, the overall cost of borrowing this way was seen to be expensive. Consumers believed the total cost was high due to the high interest rates despite not knowing what the APR on the credit was, and did not consider low weekly repayments or long repayment terms contributing for the high price. Additionally, consumers who researched purchasing their items outright first were aware that product prices at RTO providers were inflated to start with, meaning the cost with interest was even higher.

*“It’s made things easier for us in the sense we’ve been able to afford something we’ve really needed. But in the long run we’re not better off because we’ve paid more. It’s given us the option to pay it off at a reasonable rate.”*

**Female, RTO, Bristol**

### *Inflexible and unforgiving*

Participants that had struggled with their repayments felt that RTO providers took a heavy handed approach to missed payments or changing circumstances. Negative post sales experience was the main driver of dissatisfaction with RTO and is explored in more detail later in this report.

*“We wanted to pay off a £500 sum and they wouldn’t let us do it, they said ‘if you can’t afford it, why did you take it out?’”*

**Female, RTO, The Valleys**

### **Reasons for using RTO**

The research identified a number of drivers to using RTO, which were largely consistent across all four customer typologies:

#### *Perceived lack of other options*

This emerged as the key driver for the use of RTO. Across the typologies, participants did not believe that they had other viable options available to them. In some cases, this belief was somewhat rational, particularly among the more financially confident, who researched other ways of getting the item they wanted but found that other credit lines were either not open to them, or the cost of repayments would be too expensive. In most instances, participants did not give consideration to other options as they were concerned about being denied credit from other sources due to the potential for negative impact on their credit score, or the embarrassment of being declined for credit in store.

There were some consumers that wanted providers to signpost them to cheaper ways of borrowing, if there were any open to them, so that they could find out about other options that might be available.

*“I’ve no option. That’s why I use it. I mean things are looking better now, or I should say I’m getting better because I’m working on that. But I needed a TV: it’s as simple as that.”*

**Male, RTO, Leeds**

*“I’ve never had a credit card, I thought about it but I was brought up to live within my means—if you haven’t got it, you can’t have it.”*

**Female, RTO, Bristol**

*“You can get refused in High Street stores and that would be embarrassing. You don’t want for them to go through the whole process only to go ‘computer said no’.”*

**Female, RTO, Birmingham**

#### *Affordability*

As stated, the low weekly repayments meant that RTO felt like an affordable way to borrow, and made big purchases accessible to them and within their means. Additionally, participants reported budgeting weekly which meant that it was easier for them to judge affordability in terms of weekly repayments. Consumers demonstrated overconfidence at the point of take out as they assumed that because they can afford the weekly repayment that week, they would be able to afford it in the future.

*“It’s given us freedom with our monies. if we weren’t able to pay this weekly then we would have been in a difficult position. It’s helped us to budget and pay this weekly.”*

**Male, RTO, Manchester**

#### *Immediacy*

Another key driver for using RTO was the ability to get goods almost straight away. Participants believed that the delivery times for items from RTO providers was shorter than other retailers, particularly with items such as sofas (with RTO it could be delivered a week later, but with mainstream retailers it could take a month). The focus was very much on getting products quickly, at the expense of thinking about long term value for money demonstrating **instant gratification**.

*"I wanted to go straight to the source. I'd much rather get what I need than borrow £300 and waste £100."*

**Female, RTO, London**

*"I didn't have the money, but it would have took me too long to save and I needed it right there and then."*

**Female, RTO, Bristol**

*"I could have saved up but I've got other commitments. I know I could have got it cheaper but this was easier. I'm on a fixed income but I wanted it there and then. You wouldn't do it if you had the money!"*

**Male, RTO, Birmingham**

### Tangibility

The in-store displays with desirable brands and products reinforced the idea among participants that RTO was a way to purchase items that would be otherwise unavailable to them. Participants reported that seeing the goods, combined with the affordability and immediacy described above, captured their imagination; the emotional pull of the items and the instant gratification that comes with purchasing items influenced consumers' decision.

*"They've got very good sales tactics, TVs, fridges with the ice dispensers, the sofas you can sit on and think that won't make a dent when really it does."*

**Female, RTO, London**

*"The shop window's all nice with the TV and sofas. You can see what you can get. I'm always shopping in my head!"*

**Female RTO, London**

*"I was walking past and saw it in the window so I went in and had a look and I just went for it."*

**Male, RTO, Birmingham**

### Social Influence

As seen with Home Collected Credit, using RTO to purchase goods was normalised, and for most there was little or no stigma attached to using this form of credit. Most participants were influenced to use RTO to an extent through friends and family, whether that be through familiarity by association or explicit recommendation. Further, as detailed later, the role of the staff during the in-store sales process further influenced consumers' decisions to use RTO. Additionally, there was the perception that providers are friendlier than other retailers.

*"I can't say I'm disappointed with service. I went to [Rent To Own retailer] and the people I spoke to every step of the way the way have been brilliant. And this is the difference. If you go to somewhere like a High Street retailer or something like that, they'll look at you like you're \*\*\*\* on the floor."*

**Female, RTO, Leeds**

*"My daughter had done it, and we'd done it in the past. I didn't really think about anything else."*

**Female, RTO, Bristol**

*"My friend was just like, 'Let's go to [Rent To Own retailer]'. And I definitely needed [the stereo] because my old one was broke."*

**Female, RTO, Bristol**

*“My sister is with [Rent To Own retailer] so I knew there was a shop at Perry Bar and I knew that it’s affordable.”*

**Female, RTO, Birmingham**

### **Insurance**

A minority of consumers reported using RTO as they believed the insurance offered by RTO providers was superior to the cover offered by mainstream retailers—particularly enhanced fire cover. In these cases, however, the insurance cover is a secondary motivation for use, rather than the primary driver.

*“I’ve got the insurance, but then I pay extra for the fire and theft as well. My mother in law’s house blew up. they lost everything bless them. But I don’t think you can be too careful.. I know people that have used it and they come round and fix things straight away, but then [High Street retailer], their cover isn’t as good.”*

**Male, RTO, Manchester**

*“We always used to take the insurance; it meant we didn’t need to get contents insurance for the house.”*

**Female, RTO, The Valleys**

### **Choosing a provider and channel**

Although most RTO customers in this research knew that the overall cost they were paying was high compared to purchasing the item outright or, in some cases, on finance from mainstream retailers, they did not compare RTO to other forms of credit such as credit cards or catalogues. This lack of reference points meant that they did not have a clear sense of how expensive overall their item was as they did not compare the total cost of the item directly to other forms of credit.

After deciding to use RTO, participants largely went straight to one provider and did not compare providers on price to look for the best deal. In the main, participants were only aware of one provider which was dictated by what was available in their locality. A few consumers were aware of more than one provider and chose based on their perceptions of how trustworthy the brand is. Their opinion was formed through either previous experience or word of mouth. In some cases, negative experiences with one RTO provider influenced the decision to seek out a different one.

The research showed that consumers use different channels to shop. The most common way to shop was a combination of online and in store. Participants reported browsing online to choose the product they would like, then going in store so that they can see the goods in person. Additionally, it was seen to be a benefit to have the sales person explain the terms of the contract to them, even if the information was not absorbed. These customers were most likely to be Reluctant RTOs or Seasonal & Specifics who made more planned, considered decisions.

Shopping in store only was another popular channel to purchasing items using RTO. However, compared to those that look online beforehand these consumers were much less likely to go in store with an idea of what they were looking for so were more influenced by the in-store environment make more impulsive decisions. Customers most likely to shop in-store fell into the *Lifestyle shopper* and *Fingers Burnt* groups and were therefore likely to be more impulsive with their decision making.

Less commonly used channels included online only and at home. Customers shopping online only were looking to use a provider that did not have a local presence, typically after a bad experience with their ‘local’ provider. There was one participant who arranged for an RTO salesperson to visit them in home after choosing what they wanted from a catalogue. Participants who used these channels again demonstrated more considered decision making, as they spent time planning their purchases before the point of sale.

*"[Rent To Own retailer] are extortionate, they remind me of loan sharks. [Other Rent To Own retailer] have less interest and they let you pay it off in one go without the interest."*

**Female, RTO, Bristol**

*"I went in store because I like dealing with people face to face but I looked online first. We knew the one we wanted from online, but if it was going to be a bit more expensive then I wouldn't have gone for a cheaper one, just because of the total amount you pay back."*

**Female, RTO, Bristol**

*"I went in store because they've got one in Hounslow."*

**Female, RTO, Bristol**

*"Someone had gone down and put the windows through at the [Rent To Own retailer] in Sheffield, I'd heard bad things about them."*

**Male, RTO, Sheffield**

### **Types of items purchased using RTO**

Participants in the research used RTO to purchase both essential and quality of life products; large appliances, televisions, furniture and home entertainment were all bought using this type of credit. At the point of purchase, consumers regarded the items as essential, but they fulfilled either a rational or an emotional need (see figure 7).

**Typically replaced items = fulfilling a rational need**



**Typically upgraded items = fulfilling an emotional need**

Figure 6: Commonly purchased items and where they typically fulfil a rational or emotional need

### **Replacing items**

Where consumers were using RTO to replace broken, essential goods, such as a washing machine or fridge-freezer, the purchase tended to be more rational and fulfilled a basic, unmet need. These were the 'emergency' purchases that were made by all 4 consumer groups, in particular the Reluctant RTOs. Consumers did not have

an available lump sum to purchase the goods, and given the urgency (real and perceived), using credit was necessary as there was not the time to save up money for the item.

### *Upgrading items*

However, where participants were upgrading items they already owned, but that were not broken, the reasons for doing so were largely emotionally driven. In these instances, consumers' basic needs were being met, but they were looking to extend their quality of life. Examples of these kind of purchases included using RTO to make sure that children did not go without at Christmas, or replacing furniture so that it all matched.

It's worth noting that the same item can fulfil an emotional or rational need, depending on the circumstances of the consumer at the time. For example, a TV bought when the old one was broken is more rational, compared to replacing a television that is just a few years old and in good working condition.

*"I had to use [Rent To Own], I was in a tizz because there's three children and that means a lot of washing."*

**Female, RTO, London**

*"I'm happy because I'd spend that in the launderette and I don't have to go out in the cold to do my washing."*

**Female, RTO, Birmingham**

*"If [Rent To Own retailer] didn't exist then I probably wouldn't have thought about getting the stereo, because I was in the shop and I seen it and I was like 'I have to have that'."*

**Female, RTO, Bristol**

*"We didn't really need it, we could have done without it but because [the TV] was playing up and we could get a new one we did, not realising how much interest we were paying."*

**Female, RTO, The Valleys**

### **Sales experience**

Many participants described a number of features of the store and the sales process that contributed to them spending more than they had originally intended.

### *Glossy products on show*

It was reported that providers' displays featured the most desirable items, which meant that consumers were tempted by more expensive products than they had planned to buy, or to buy unplanned items. Some consumers felt that RTO providers only stock more expensive products which limits their choice to higher cost items, as they are the only ones that are available to purchase using RTO. These participants—typically the Reluctant RTOs—would have liked to see providers offering a 'value range' so that they had the option to get cheaper products.

*"They have things out in the showroom and it was playing and it all lights up and stuff, and my front room is black and red like the stereo and I just fell in love with it. Otherwise I wouldn't have looked for anything like this before—just fridges and washing machines and stuff."*

**Female, RTO, Bristol**

*"They've got 60 inch TVs and I'm thinking that would be nice in my living room. It's all the nicest things in the shop."*

**Female, RTO, London**



*“They’ve got phones, stereos, sofas, fridge freezers. It’s like a candy shop for an adult. There’s everything. Even chests of drawers.”*

**Female, RTO, London**

### *Promotion of unrealistic weekly amounts*

Consumers reported being drawn in by the low weekly costs advertised in window displays, on price tickets and online, which were not offered to them once they had been credit checked. However, by the time consumers found out what their actual cost of the repayments would be, they had already invested time going through the process and committed emotionally to getting the product.

There were calls from customers for providers to be more explicit about the fact the weekly costs advertised are representative to avoid consumers being drawn in with a cost they would never be offered.

*“I’d applied online and it said the TV was £8 a week. When I went in store to confirm they said it would actually be around £28 per week. Then they said I had to get insurance too.”*

**Female, RTO, Leeds**

### *Extras not included in the weekly amount*

Towards the end of the sales process, RTO customers stated that unanticipated costs were added to the weekly repayment amount. Insurance, additional warranty and installation fees all inflated the weekly cost to more than they thought it would be when they began the sales process. As above, the affordability of this revised cost was not always fully considered.

*“They don’t make it clear how much you’re going to pay. They’re there to sell you a product, not give you the small print. They stick the delivery on as well, the dodgy gits.”*

**Female, RTO, London**

### *Upselling and encouragement from sales staff*

Some consumers reported that the sales staff in store encouraged them to purchase more expensive products. In a few cases, consumers reported being encouraged to take out further products, even when they stated that they would not be able to afford the weekly repayments. Here, social influence played a role in consumer decision making.

### **Case Study: Rebecca, 34— RTO, Struggling a bit, Sheffield**

Rebecca, lives at home with her 4 children. She suffers from ME and is currently on disability benefit so isn’t working at the moment—but was working in a shoe shop when she purchased her sofa from [Rent To Own retailer].

She originally went online to get her sofa, then went to go in-store to finish the paperwork. She believed it had been approved, but when she was in-store the salesperson told her that she did not meet the affordability criteria. She didn’t think she would be able to get the sofa, but then after waiting a bit the salesperson found a way for her to be able to get it.

*“It was £17 a week and they were saying I couldn’t afford it, but then they did some miraculous thing on the computer and went ‘oh actually, you can now!’ and then stuck another 7 quid on for the insurance. I didn’t mind, I just wanted the bloody sofa!”*

The research also uncovered evidence of providers doctoring consumers’ information so they meet the affordability requirements. In one example, the consumer was so focussed and intent on getting the item that they were not thinking about the long term affordability and took out the contract, despite knowing that they had initially been declined. Another consumer reported persuading the manager in store to let her pay less per week, but she was unclear on the impact that would have on the overall cost.

Other consumers reported being brought into the store from the street, and persuaded to purchase items completely spontaneously—again, this lack of planning and consideration put consumers at the risk of financial strain as they again did not consider the long term affordability of the repayments.

*“They don’t pressure you but they will be like ‘come on, you know you want this’ but I don’t think they really care about your situation, they’re just trying to get more sales. You can be telling them you can’t afford it and they’re saying ‘it’s only like £6 a week, it’s really nice, you could do with it, I’m sure you could’.”*

**Female, RTO, Bristol**

*“I managed to get a bit of a deal because I’d already had a couple of things from them and they knew me but I was like ‘listen, I really want it and I’m a good customer. I’ve had a few late payment charges but it’s not like I ain’t paying it. Can I pay you £10 a week?’ so he phoned up the manager and they let me do that.. No I don’t think I’m paying it longer, or maybe that’s why they could let me have it cheaper? I don’t know really.”*

**Female, RTO, Bristol**

### ***Understanding of how RTO works***

In the main, consumers had a good understanding of how RTO works and could recall the key features at a broad level:

- They pay in fixed weekly instalments over an agreed length of time
- They were able to return the item at any point
- There are late payment fees
- If they want to stop making repayments they can return the item
- The provider is able to reclaim the item if they do not keep up with the repayments

*“I don’t own it until I’ve paid for it. If it breaks it’s ok if it’s on guarantee because they’ll come take a look at it but if not then you have to get a new one and start paying again.”*

**Female, RTO, The Valleys**

*“You’re going to pay a set fee for however many weeks—you choose—and then at the end it’s yours.”*

**Female, RTO, Birmingham**

However, for some consumers the in-store sales process was overwhelming and they did not digest the information provided easily. Although most felt that the sales staff did a good job of explaining everything they needed to know about the contract, not everyone was aware of basic facts about the terms including the length of the contract, penalties for late /missed payments or details of insurance cover and the exact overall cost. Consumers’ limited attention during this part of the sales process due to excitement over getting their new item, boredom after spending a long time in store meant they were more likely to switch off for parts of the conversation, particularly those that they did not think were relevant to them (e.g. missing payments because they did not expect they would not meet all their payments at take-out).

This limited attention is compounded by the dense information customers were given to take home. A minority reviewed their contract at home but found the paperwork difficult to understand as the information was spread over multiple pages with no summary to highlight the key information in a more accessible way. In most instances, however, consumers did not express that they looked at their contract after purchase.

*“It was easy to understand, you just fill out your information, show them ID and bank statements, then they call someone to do a check—on your credit I think—and then yep that’s fine. You pay the first payment for that week then you can either take it or pay to get it delivered.”*

**Female, RTO, Bristol**

*“We were in there about 2 hours and by the end you’d just sign anything to get out of there. They don’t tell you how much you end up paying in total, it’s spread across different pages and there are a lot of pages!”*

**Female, RTO, Chatham**

*“They give you an agreement and that. I don’t read it. There’s pages and pages of it. [Do they talk you through it?] Errrrr yeah and no, they don’t talk you through it, you just sign it there and there. I don’t know what’s in there – I just sign it.”*

**Female, RTO, Sheffield**

*“They don’t talk you through. you just sign it and there’s a page, you’ve got to put your initials all there. They just say sign it. I don’t read it to be honest, I probably should.”*

**Female, RTO, Sheffield**

### ***Consideration of weekly affordability vs. overall cost***

Similarly to Home Collected Credit, at the point of purchase the majority of RTO customers’ main priority was the affordability of their weekly repayments. Thinking in terms of weekly repayments was intuitive as most managed their money weekly, and in line with this RTO providers emphasised the weekly cost of items in a number of ways. This ‘weekly thinking’ had an impact on the way that consumers were making decisions when purchasing items using RTO.

*“They say you can pay weekly and it’s X amount per week but you don’t think about how much you’re paying overall. The washing machine is £200-£300 quid and then you’re paying back £500-600.”*

**Female, RTO, London**

Consumers reported that window displays gave prominence to the lowest possible weekly amount repayable rather than the total cost. The effect of this was that some consumers defaulted to this option and took out products over longer terms (e.g. three years as opposed to two) to minimise their weekly cost, without giving thought to the impact this would have on the total amount they would need to repay.

The term lengths were packaged in weeks as opposed to months or years and it was observed that some consumers found it difficult to conceptualise how long the contract really was. It was not top of mind for all that 52 weeks = one year, so the amount of time they were going to be paying for the item was not fully appreciated at the point of sale, or during the contract. In addition to this, there was an overconfidence in their ability to meet repayments for the entire length of the term and RTO customers did not demonstrate considering or planning for changes in their circumstances. For the least affluent, this was a potential cause of financial strain, as they are working with slim margins in their budget, so any unanticipated cost or reduction in income may not be able to be absorbed.

Consumers reported that the total cost of items was not discussed until late in the sales conversation. As stated, at this point in the conversation they had already invested time, and were invested emotionally; as such they accepted the cost without question or consideration.

However, the total amount repayable was felt to be irrelevant to many RTO customers. The high overall cost was seen as a necessary sacrifice for low weekly repayments, and they did not feel there were other options open to them in their situation. In their circumstances at the time, having an available lump sum was not seen to be a real possibility; the total cost was seen to be equally unaffordable as the product price. From this came a sense among some that the money they would pay towards the item was money they never really had, so they couldn’t really miss it; thinking about the consequences of paying a large amount of money over a long time was difficult when the overall cost was abstract.

*“They tell you the weekly payments and the cash price, and they tell you it’s either two or three years. They don’t tell you the price with interest until you sign the contract.”*

**Female, RTO, The Valleys**

*“At first I thought it was really good and all my friends were talking about it. When it first came out we all thought it was so cool. Even when they’re telling you you’ve got to pay back ‘this’ you’re like ‘oh yeah’ because it’s only £8 a week.”*

**Female, RTO, Bristol**

*“They say if you pay it off in the year, it’s this much. Or you can take it easy and spread it out longer.”*

**Female, RTO, London**

*“I’m not looking at the interest rate, I’m looking at a washing machine that I need to clean my kids’ clothes. They’re exploiting people like me.”*

**Female, RTO, Glasgow**

Post purchase, the overall cost remained a low priority for most consumers. For the Reluctant RTOs, not looking at the overall cost was a coping mechanism of sorts. They believed that they were paying 2 or 3 times more than they would have done had they bought the item from a mainstream retailer but they did not want to see the exact amount as they knew they were getting a ‘bad deal’. These consumers were managing to meet their repayments easily, and they did not see the value in knowing the exact overall amount, as it would not change how much they needed to pay back.

*“I tend to never look at the interest. I don’t want to know. I know it’s a lot but I don’t have a choice.”*

**Female, RTO, Sheffield**

*“I kind of block out how much I’ve got to pay.”*

**Female, RTO, London**

There was some evidence of consumers feeling post purchase regret after making unplanned purchases. After the shine of the new product faded, some reported feeling disappointed at the length of the contract and the total amount they had committed to repaying. In the main, this happened at the point where the amount paid by consumers reached the total cost of the item and they were ‘paying off the interest’. However, for some this realisation came a lot sooner (see case study below). Customers who experienced these ‘moments of realisation’ were most likely to be in the Fingers Burnt or Lifetime Shopper categories—those who used RTO for non-essential items and demonstrated low spending control. Late payment fees were another cause for regret for these RTO customers, where the fee in some cases was several times their weekly repayment. These customers often experienced changes in circumstances which meant the payments became less affordable and they had to prioritise other payments.

*“It’s been good to get nice things but it’s been stressful making the payments sometimes. It was fine for a year or two but then I was just thinking ‘surely that’s enough now’. You pay a lot more for stuff than it’s actually worth. I would get the fridge again, but not the phone and the stereo.”*

**Female, RTO, Bristol**

*“By the time I got halfway through the agreement, I’d worked out that I would have paid off the TV if I’d got it somewhere else, but knowing I still had another 18 month to go and knowing I was just paying the Rent To Own providers’ profit margin..it was a bit of a tough period. That wasn’t great.”*

**Male, RTO, Sheffield**

*“We would be better off if we hadn’t had them. If we knew then we could have struggled for a couple of months and paid it outright but it was so easy and it became the norm.”*

**Female, RTO, The Valleys**

### ***Insurance and warranties***

RTO providers require the items they sell to be insured, either through consumers’ home contents insurance, or the provider’s cover. In addition to this, providers offer enhanced coverage and additional warranties (on top of the manufacturer’s warranty). Participants in the research reported varied preferences and experiences when it came to taking out insurance on their RTO products. All of those who took their product out in store recalled being offered insurance by the sales person.

In general, the customer who took out the insurance were satisfied with their decision. Having the additional protection provided peace of mind, particularly for those looking for specific cover (such as fire damage). Some felt that it is easier and more convenient to pay ‘all in one’ as opposed to having to make separate payments for the item and insurance. There was some evidence to suggest that paying contents insurance by monthly direct debit could also be more difficult to manage for those customers that manage their money solely on a weekly basis; making a monthly payment when everything else is dealt with weekly would be disruptive and create difficulties with budgeting. Further, customers who had claimed on the insurance reported positive experiences, with providers acting quickly to replace broken or damaged items, or making repairs.

*“Years ago my mum got me a washing machine and it broke, and I think I claimed on it a couple of times, and the warranty did pay.”*

**Female, RTO, Leeds**

Amongst research participants who chose not to take out any additional insurance or warranties, this was largely because they did not want to add an additional cost onto their weekly repayments or they did not see the need for enhanced insurance. For the most part these RTO customers felt that the sales staff respected their decision and did not push them to take out additional insurance. These customers went in to store knowing that they did not want additional insurance, and the majority had taken out RTO products without insurance in the past.

*“I’m just the sort of person to chance my luck. The salesperson didn’t go into it because I said I wasn’t interested in it. We were on a budget so I’ll take my chances.”*

**Female, RTO, Bristol**

*“You’re just paying for fresh air! It’s a bit tight but I don’t think I really need it.”*

**Male, RTO, Birmingham**

However, the research identified some areas of confusion for customers when deciding whether or not to take out insurance and additional warranties. Not all RTO customers who took the insurance out claimed to know if the coverage was optional or not. There were instances where customers were told by salespeople they needed to have insurance, but they could not explain or were unsure why that was. The ‘rules’ around when insurance and additional warranties are optional were not understood even among those that did not take out the insurance—they believed that they chose to not take out the insurance, rather than they didn’t need it because they already had contents insurance. There were examples of customers who took out insurance when they did not need it as a result of this lack of clarity – in one instance a customer took out insurance for his television, despite already having adequate contents insurance at home. Here, the provider did not help the customer understand their current insurance, or whether any additional cover was required, and once they realised they did not need the cover, did not make it easy for them to cancel the insurance.

*“They add it into the price. You don’t get no option—you need it so if it breaks then someone will come out and fix it. they just said it’s compulsory and you need it.”*

**Female, RTO, Bristol**

*“My mum took a look at it and she was appalled. you’re insured for the product through them, so if my daughter spills something on it then they’re covered. But. I can’t explain it, if you do claim something, like if it were to go up in flames then they wouldn’t give me nothing. It’s just for accidental damage.”*

**Female, RTO, London**

*“I haven’t got home insurance so I’ve got to get the cover with them. There’s two sets of covers, one’s like house insurance and I don’t know the other one.. It’s online and it tells you the amount, but then you scroll down and it just has boxes to add them to amounts so I just add it to the total price.”*

**Female, RTO, Sheffield**

*“They do encourage you to get it, it’s like their thing that they sell. They say if you don’t get it and it breaks, then it’ll be on you to get it fixed but you’ll still be paying for it.”*

**Male, RTO, Manchester**

### **Case Study: Tom, 27 – RTO, Genuinely struggling, Sheffield**

Tom is married and lives with his wife and 2 dogs. He works in a call centre nearby doing business to business sales. His wife is a student nurse, but will qualify soon.

Tom and his wife used [Rent To Own retailer] to buy a TV when theirs broke. He did a bit of research into TVs beforehand, but was unable to afford to get one another way. In store, he chose his television and was told he had to have the insurance. He was told he wouldn’t be able to get the TV without proof of contents insurance, which he did not have with him at the time. He was not certain what was included in his contents insurance, so he took the Rent To Own provider’s insurance out anyway. He later realised that his insurance would cover the TV so he did not need to be paying the additional £4 a week. He found it difficult to cancel the insurance, and had to call the provider multiple times.

*“When I went in and done all the paperwork, they said I had to take out the insurance for the duration of the product, which was about 30% of the price of the product for the week. I had home contents and the TV would have been covered. I had to get in contact with them and go through various things to get that taken off.”*

Customers were not able to easily distinguish between insurance, manufacturer’s warranties and extended warranties indicating that the different types of coverage were not understood. There was little knowledge of what was included in each type of cover, and many who took out their provider’s extended warranty were not aware their product would also be covered by the manufacturer’s warranty. This meant that some RTO customers were adding to the cost of their weekly repayments without fully appreciating what they were getting for their money. It was claimed that the sales people did not explain the differences between different types of cover and positioned them as one package, so that customers were not necessarily aware that they could purchase the insurance without the additional warranties.

Consumers holding multiple products at the same time often had insurance on each of the items. For these RTO customers, it was likely that purchasing contents insurance would have been cheaper than paying for several policies. However, these customers tended to get the insurance out of habit and accepted it automatically as part of the RTO process, without considering contents insurance as an alternative.

Additionally, reference dependency is at play here; when it comes to taking out insurance, many consumers did not have a point of reference for the cost of contents insurance so were unable to evaluate if taking out insurance through the RTO provider was the best option for them. Providers did not discuss or signpost

customers to alternative insurance arrangements, and it was felt that they could make them aware of their options.

*“I always get both the insurances. I just haven’t got round to getting [contents insurance]. It sounds really daft but it’s another bill. I don’t know what to do, I’ve never done it. I don’t know if I would save money, I don’t know how much I’m paying at the moment.”*

**Female, RTO, Sheffield**

### **Case Study: Bhiancha, 28 – RTO, Genuinely struggling, Bristol**

Bhiancha is single with two children and isn’t in work at the moment, although she is a carer for her eldest son

She has used [Rent To Own retailer] a number of times over the past few years, and at one point had 4 items she was paying off. She initially use RTO for a fridge freezer after hers broke and opted to make her payments in store

However, when she went in each week to pay her weekly instalment, she would browse in store and sometimes take out additional products. She bought a chest of drawers, stereo and mobile phone– all unplanned

She split with her partner, and found her payments to [Rent To Own retailer] were increasingly becoming a burden. She relied on her parents to help her meet them, but on some occasions when they were unable to, she incurred late payment fees which added to her stress

She was unable to continue paying back, so decided to return the phone but continued paying the other items. However, she now regrets getting the stereo due to the overall cost and the worry it has caused her. She only has a few weeks left to pay, and doesn't think she will use [Rent To Own retailer] again.

*“I actually did take a phone out with them as well, but then the payments were too much, so what they do is if you want to cancel something you can but you don’t get anything back. You return the item or if it’s a big item then they come and remove it and they keep all the payments you made like you was renting it”*

### **Impact of Costs of RTO on Customers**

Some consumers reported experiencing financial strain stemming from the impact of making repayments, particularly where consumers held multiple RTO products at the same time. As a result of taking out Rent To Own products, tight budgets were often stretched further by the cost of repayments, particularly for those who spent more in store than initially intended.

There was some evidence of consumers making their RTO repayments instead of other outgoings including food and bills. The high late payment fees relative to other bills meant that RTO was prioritised over other payments (for example water, council tax or building service charges). Where payments are not met, late payment fees placed a financial burden on respondents, further stretching budgets. Emotionally, this took a toll and resulted in stress and anxiety among RTO consumers. However, in cases where consumers had to return items, these were quality of life products—such as mobile phones or iPads. The impact of holding multiple products is detailed in the case study below.

Consumers who experienced the most harm—*Lifestyle Shoppers* and *Fingers Burnt holding multiple products*— often took out several items either at the same time, or over a period of time without giving full consideration to the impact making additional repayments would have on their budget.

*“You have to get things out the freezer and stretch it out a bit—it’s amazing what you find at the bottom of the freezer. It’s a short term fix, and then next week you’ve got all your food again and you’re OK.”*

**Female, RTO, Birmingham**

*“I think it has had an impact. We always used to have a few pennies spare and this has taken up the last bit of what’s left.”*

**Male, RTO, Birmingham**

### **Case Study: Kelly, 34 –RTO, Broadly coping, Sheffield**

Kelly, 34, is married with three children. Her husband is a scaffolder but she doesn’t work anymore as she found she didn’t earn any more than being on benefits.

She has experience of many types of credit – mainly Home Collected Credit, RTO and catalogues.

She has been with [Rent To Own retailer] for over 10 years and has purchased a high number of products. At its highest, her weekly repayments were £45 (3-4 products) but it has currently dropped to £21. When asked about this, she talked about the £24 difference as being available credit.

*“I’ve had a look on their website but there isn’t anything that I want at the moment”*

Participants who had struggled to meet their repayments suggested providers implement more stringent or stricter affordability checks to ensure they were not taking on repayments that they could struggle with later down the line.

*“[There needs to be] more of a check that a customer can actually afford it.”*

**Male, RTO, Leeds**

*“They didn’t even ask me any of that, they didn’t ask for any outgoings, just what my income was, if I would be able to pay each week. I have £1 left by the time I’ve paid my billings but they still let me have it!”*

**Female, RTO, Leeds**

For some Lifestyle Shoppers, using RTO was habitual and they used RTO on a continual basis. These consumers got used to the weekly repayments and, when one product was paid off would look to take out another to use up this available ‘budget’, as illustrated in the case study below. Consumers that used RTO in this way were coping with their repayments, but were not considering the total cost of their items.

### **Post sales experience**

RTO customers—typically Fingers Burnt—reported a number of areas where their treatment by providers post-sales has left them dissatisfied with the service they received.

#### **Damaged items**

The research revealed cases where participants had received damaged items such as scratched sofas, or where the installers had damaged their property during installation— see the case study below. Consumers stated that providers have not worked with them to resolve the issue, and typically had low awareness of their consumer rights so did not feel empowered to challenge providers on this.



**Case Study: Rachel, 35 – RTO, Generally coping, London**

Rachel works as a cook in a school and lives with her two sons. She describes her financial situation as being 'on an even keel'; some months she manages, but others are more of a struggle. She has a sofa from [Rent To Own retailer] which has placed a strain on her finances.

When her sofa arrived, the delivery men ripped the door frame in her house, which also ripped the sofa. She contacted [Rent To Own retailer] so that someone could come and repair the damage (to the door and sofa). Initially, she believed her sofa was going to be replaced, but she was then told they were out of stock. She has not heard from them since then, which was about nine months ago.

*"The customer care is atrocious, once they sucked you in they're not really interested".*

**Changes of circumstances**

Some participants experienced a change in circumstances during their contract and as a result wanted to either reduce their weekly repayments or pause them. Where the change in circumstance was temporary (for example being self-employed, losing their job), consumers did not want to hand the item back as they believed that within a few weeks they would be able to resume their payments.

Some customers reported approaching their provider to ask them to be flexible, but others stopped making their payments and defaulted, as they assumed they would be unable or unwilling to help them. Based on the evidence heard from the participants in the research, it appears that providers did not support customers in these instances or make allowances.

That said, there was evidence that some providers allow customers to increase their weekly repayments in order to pay their product off quicker, or pay the remaining balance off as a lump sum. Further, some participants in the research were aware of a piggybank scheme, where they can overpay, in order to create a buffer in case they are unable to make their repayments one week. However, for most paying over the weekly amount did not happen—either because they could not afford it, or it was not their priority.

**Case Study: Rebecca, 34 –RTO, Struggling a bit, Sheffield**

Rebecca, lives at home with her 4 children. She's suffers from ME and is currently on disability benefit so isn't working at the moment.

She used [Rent To Own retailer] to buy a sofa about 18 months ago, while she was still in work. However, after her diagnosis she needed to stop working so longer had an income coming in. There was a 6 week wait until her benefits were due to be paid, so she was unable to meet her weekly repayments. She called [Rent To Own retailer] to explain the situation and that she couldn't afford anything.

After she missed her repayments, [Rent To Own retailer] sent a van round to her house to come and remove the sofa. The staff stayed there for several days, and were banging on her door and shouting through her letterbox. She didn't want them to take the sofa away as she believed they would damage it while removing it and putting it in storage.

*"During this time I got this man in a van sat outside my house and he were sat there all day. I didn't answer the door to him. he were banging on the window and looking through the letterbox saying 'I know you're in there' and I was just sat inside trying to avoid him."*

Consumers suggested payment holidays as a way to remedy this and help reduce their stress if money was a bit tight for a short period. Those experiencing more permanent changes in circumstances (separating from a partner, long term sickness), wanted the ability to reduce their weekly repayments so the item continued to be affordable. Additionally, there were also suggestions that all providers could allow consumers to pay off their products early.

*“They try and make it flexible, but it’s not really. They have the piggybank that you can pay extra in, and you ring them up and then they put a note in the system but actually it would be better to just not have to pay for a few weeks.”*

**Female, RTO, London**

*“You should be able to make one big payment if you was to come into some money to pay it off.”*

**Male, RTO, Birmingham**

### **Missed repayments**

Some consumers felt that providers were quick to act following missed repayments. Consumers reported being given late payment fees, even if their payment was just a few hours late, which caused stress and anxiety. Further, consumers reported feeling harassed by RTO providers following late payments, with consumers receiving phone calls and people coming to their home to take the items, again within hours of missing the payments. The case study below illustrates how consumers have experienced this even after contacting the provider to let them know they would be making the payment late.

The consequences of missing payments —late payment fees, contact from the provider and losing the item are a big source of dissatisfaction for RTO customers, particularly those who have also used Home Collected Credit and benefited from the more flexible approach. Consumers were frustrated that providers could not be more flexible, especially when they regarded themselves as ‘good customers’ who usually met their repayments.

#### **Case Study: Kylie, 29 –RTO, Struggling a bit, Chatham**

Kylie lives with her wife and 3 and a half year old twins. She is unemployed, but is a full-time carer for her wife who is disabled, she doesn’t think she will ever be good with money as she believes it’s there to be spent.

She used RTO to purchase a sofa unplanned after being drawn into store by a salesperson on the street. She has generally managed to meet her repayments, but one week, due to her responsibility in caring for her wife, she was unable to get into store in time to make her repayment. She phoned up to let them know she was going to be late, but before she left to go in-store there were people at the door ready to take her sofa away.

*“I knew I wasn’t gonna make it down there for 10.30am so I called them and told them that my disabled wife was ill so I wouldn’t be able to get down there till the afternoon. At 11.30am, they were banging on my door. They harass you if you don’t pay. They do actually harass you.”*

However, there not all consumers reported receiving the same treatment, even if they were with the same provider, indicating that there are differences with how different branches of the same store respond to missed and late repayments.

*“You are scared in case you miss a payment. It’s a lot of money, £12 is a month’s payment.”*

**Female, RTO, Manchester**

*“You can’t ever catch it up can you? It’s awful. That’s when your credit score falls and starts tumbling and it gets out of control. And that’s why you have to go to places like [Rent To Own retailer]. Just one bad month can totally mess you up.”*

**Female, RTO, Leeds**

*“[Rent To Own retailer] has to be the priority because of the late payment charges. It’s £10 on top of what you owe them already and it adds up. Sometimes I wouldn’t pay service charge or the TV licence and then have to pay those bills doubly [sic] the next week.”*

**Female, RTO, Bristol**

*“I get like 10 text messages on the day saying, ‘Ring this number’, ‘Ring this number’ and I’m on my way in to the store!”*

**Male, RTO, Chatham**

*“I got a television, I made my payments all year and I missed one payment and they sat outside my door for two hours because I wouldn’t give the TV back. In the end I had to give it to them. It was so frightening because I was at home with four girls on my own.”*

**Female, RTO, Leeds**

### **Customer suggestions for reducing the risk of harm**

As with Home Collected Credit, there were no explicit calls to withdraw RTO as a line of credit. That being said, consumers did suggest a number of ways to overcome their perceived problems with this form of borrowing.



**Payment holidays** to ease pressure if going through a temporary decrease in income

**Ability to pay off remaining balance** with a decrease in interest to incentivise paying off early



**More stringent affordability checks** to stop consumers taking on too much

**Making consumers aware of other options** such as cheaper credit options or cheaper insurance options



**Make total cost clearer earlier in the sales process** to avoid consumers being drawn in with a cost they would never be offered

Figure 7: Consumer suggestions for reducing harm from RTO

*“They need to think if they’re going to push you emotionally, and stress you by pushing you too much.”*

**Female, RTO, The Valleys**

*“You’re just thinking about the weekly cost. You’re thinking £8 a week, that’s not bad. But if you think about it monthly and yearly. but the weekly payments aren’t that bad.”*

**Female, RTO, Bristol**

*“At the end of the day, I’m quite happy with my arrangements, but not everyone has the money every week, things do crop up and they don’t say ‘just pay us next week’. I think it would be a lot better if they had what I call a sympathetic ear.”*

**Female, RTO, The Valleys**

*“There needs to be quicker ways to pay it off, even if you even pay an extra pound a week, be allowed to actually do that.”*

**Male, RTO, Leeds**

*“If you’re a good customer they should be more lenient. It would just be easier to know that you’re not adding £10 each time.”*

**Female, RTO, Bristol**

## **Catalogue credit and store cards**

### **Introduction to catalogue credit and store cards**

In this report, we refer to catalogue credit and store cards. These are also known as retail running account and could be used in store and/or online.

When looking at the customers of these two products, there were many similarities in the patterns of use and the impact of long term use. Because of this, we have in some places talked about catalogue credit and store cards together where appropriate. However, in some instances, there are differences in customers’ reasons for take up and their perceptions of other high cost credit products. For example, store card customers had different perceptions of Home Collected Credit and Rent To Own, seeing them as an expensive source of credit and likening them to modern loan sharks. However, the research showed there was more crossover with the customers of catalogues and Home Collected Credit/Rent To Own customers. Some catalogue customers had more experience of these types of credit and, while they were aware of the high costs associated with borrowing this way, they were more open to this form of credit.

*“I’ve got my [store] accounts, and a catalogue. But I’d never have those [Home Collected Credit /Rent To Own]. I see that as when you’re desperate. You don’t do that unless you have to.”*

**Female, catalogue credit and store card, London**

*“I’ve used [Rent To Own retailer], and [Home Collected Credit]. But I try to use catalogues where I can, because it’s a bit cheaper, I think?”*

**Female, catalogue credit, Kent**

Apart from this, there were more similarities than differences between the customers of and use of store cards and catalogues and as such, we have largely looked at store cards and catalogues together.

### **Catalogue credit and store card customers**

The research revealed a broad spectrum of customer types using catalogue credit and store cards and differences in how people were using their accounts. This ultimately led to differences in the impact of long term use.

Analysis of the research findings showed that two of the three key factors referred to in the ‘Overlapping Themes’ section have a greater influence on use and the impact of long term use. These are ‘attitudes to spending’ and ‘access to other credit options’. Both factors do however contribute towards the customers’ approach to financial management;

- Attitudes to spending: how self-controlled customers were with their spending (and therefore the amount they borrowed and the frequency of borrowing) had a large impact on their decision to use catalogue credit or store card accounts and the effects of using them in the long term. Those with greater self-control were quite disciplined with their money, good at budgeting and did not tend to spend beyond their means. Those who demonstrated more compulsive spending behaviour were more likely to spend more than they were able to repay and got themselves into more difficulties with their money e.g. resulting in arrears, defaults, late payment fees etc.

- Access to other credit options: the number of alternative options open to customers (or perceived to be open to customers) also had a large impact on how often they used their accounts and ultimately the effects of longer term use. While this group of customers as a whole generally had more access to credit options than customers of Home Collected Credit and Rent To Own, there were some who have more options than others. Those who had more options available to them (often due to higher income and/or a better credit history/rating) were more in control of their finances and there was less adverse impact from long term use as they were able to spread their credit use and stay in control

These two factors can be mapped against each other to show a matrix of four different customer types, as shown in Figure 8 below.

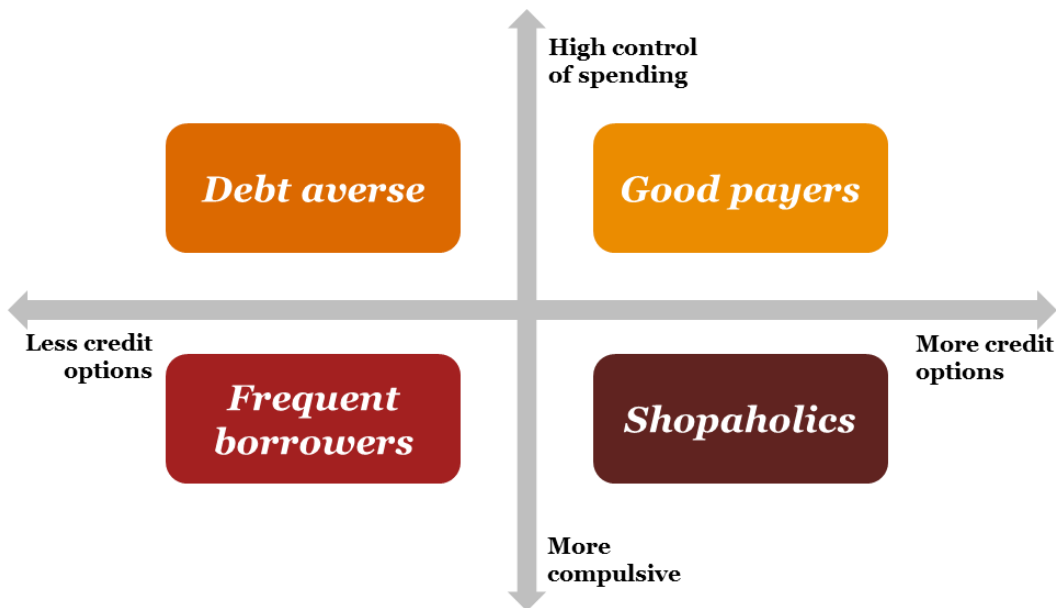


Figure 8: The core customer types observed for catalogue credit and store cards

### Debt Averse

Who are they: The Debt Averse customers didn't have many credit options (either due to a poor credit history or low income) but they were quite organised individuals who disliked getting into debt. Sometimes, however, they didn't have any other option other than to borrow. Their first port of call was often to borrow from friends or family, but this was not always possible e.g. if the amount was too large or they felt uncomfortable about asking friends or family in this particular instance.

*"I have a catalogue, and a store card, but I don't use either much. Really just at Christmas. I don't like owing money, I've had huge problems with credit cards in the past, so I'm loathed to owe. But you have to sometimes. It's really at Christmas for me, to cover off presents at a time when there's a lot of money going out. I can't afford to buy things outright, so this is the next best option."*

**Male, catalogue credit and store cards, Chatham**

Their use of catalogue credit, store cards and other forms of credit: These customers only used catalogue credit or store cards occasionally when it was a planned purchase such as household appliances and during seasonal periods such as Christmas. They felt very uncomfortable about using it for other things as they were worried about getting into debt. They were often aware of Home Collected Credit and Rent To Own but claimed they would never use them due to their concerns over the risks of accumulating too much debt.

### Good Payers

Who are they: The Good Payers had more credit options open to them (either due to a better credit history and/or a higher income) and who were also quite disciplined with their spending and preferred to avoid using credit unless it was a larger purchase. They had a higher financial capability and knowledge than the others i.e. they had a better understanding of financial products and were better at managing their income/outgoings.

*"I try my best to clear it as quickly as I can. I don't want to get into the interest. I'm determined to get them paid off."*

**Female, store cards, London**

Their use of catalogue credit, store cards and other forms of credit: These customers were more likely to be savvy customers of catalogue credit and store cards. Because of their better understanding of financial products and a higher financial capability, they often used catalogue credit and store cards as a way of deferring payment and avoiding interest. Even when using promotional offers such as Buy Now Pay Later (BNPL), they were ensuring they had the money to pay the balance off in full when it was due, or they were paying money towards their balance throughout the BNPL period to ensure they had paid it off by the deadline to avoid backdated interest.

*"It turned out you're charged extra interest for spreading the payments out. I started paying £12 a week into the account to clear the balance within 6 months"*

**Female, catalogue credit, Birmingham**

### **Shopaholics**

Who are they: The Shopaholics had more credit options open to them, as with the Good Payers, but they exercised less self-control over their spending habits and were using credit as a way to get the things they wanted rather than needed. They were browsing in store and online more, resulting in impulse purchasing and spending frivolously.

*"I like nice things (\*gesturing around lounge\*)."\**

**Male, catalogue credit and store cards, Sheffield**

*"I know it's expensive, and I know that it's a struggle sometimes, but at the end of the day, I can come home and my home is my haven."*

**Female, catalogue credit, Bristol**

*"I'd rather be in debt and have what I want now, than not have it at all."*

**Female, catalogue credit, Chatham**

Their use of catalogue credit, store cards and other forms of credit: They were often using catalogue credit and store cards with good intentions – using promotional offers such as BNPL schemes to defer payment. However, they were less disciplined than the Good Payers and would often incur interest.

*"I started off so well, paying it all off regularly. But over time, I'm not so good. It's got less and less per month."*

**Male, store cards, Chatham**

*"The offer of 4 years interest free was what spun it [using a catalogue]. It was such a small amount each week. Usually I was paying more than minimum. That's the confusing thing about catalogues. It put me off a little bit, you didn't know where you were. Unless you kept a 100% record of what you owe"*

**Male, catalogue credit, Manchester**

### **Frequent Borrowers**

Who are they: The Frequent Borrowers were struggling more with their finances and often had limited options for borrowing. They also had lower financial capability and knowledge i.e. a poorer understanding of financial products and how they worked.

*“Let’s go and buy this, let’s go and buy that. And before you know it you’ve added 3 or 4 hundred pounds to a card”*

**Female, catalogue credit and store cards, Chatham**

Their use of catalogue credit, store cards and other forms of credit: These customers, like the Shopaholics, used their catalogue credit or store cards more frequently than they initially intended and they often didn’t have the means to pay off more than the minimum payment each month. Of all 4 customer types, the Frequent Borrowers were more open to and had more experience of Home Collected Credit and Rent To Own. There were examples of Frequent Borrowers comparing the cost of an item in a catalogue with the same item in a RTO store.

*“I had a look at [Rent To Own retailer] to compare because I have got things for cheaper than the catalogue but the fridge was cheaper from [catalogue]”*

**Female, catalogue credit, Sheffield**

### ***Perceptions of catalogue credit and store cards***

The research showed that customers see catalogue credit and store cards in a different way to Home Collected Credit and RTO.

#### ***A more ‘acceptable’ form of credit***

Catalogue credit and store cards were considered to be more acceptable as a form of credit than Home Collected Credit and Rent To Own. They were felt to be more commonplace and normalised than Home Collected Credit and Rent To Own, with customers believing there was less stigma attached. Home Collected Credit and Rent To Own were often seen as ‘a last resort’ when customers had no other option, particularly among store card customers. However, in this sample catalogue credit and store card customers appeared to have more credit options than the customers of Home Collected Credit and Rent To Own.

Despite this, there was a definite overlap between those using catalogues and those using Home Collected Credit or Rent To Own. Some customers were using both alongside each other. However, store card customers were less aware of Home Collected Credit and Rent To Own and if they were, they had a very negative perception of this form of borrowing.

*“They [Home Collected Credit providers] are modern day loan sharks.”*

**Female, catalogue credit and store cards, Birmingham**

#### ***Not ‘real money’***

There was a perception amongst catalogue credit and store card customers that using these products didn’t feel like using ‘real money’. Because of the ability to defer the payment (at least to the end of the month), customers said they experienced the instant gratification of receiving the item(s) without needing to pay straight away. This feature and perception of catalogue credit and store cards has led some customers to spend more than they could comfortably pay off at the end of the month.

*“It’s convenient isn’t it. It’s like you can get by at Christmas by not paying anything until the new year. That’s great for me. Makes it feel like it’s not like buying something? If that makes sense. It feels like I’m getting it, and worry about that [payment] later on.”*

**Male, catalogue credit, Chatham**

*“A negative for me is it’s like non money, you can go in and if [High Street store] has a sale and I like the stuff, you don’t have to hand over anything, it is fictitious money. Which is tough if you’re trying to manage your savings”*

**Female, store cards, Cambridge**

### **Case Study: Danni, 40 – store card, Struggling a bit, Cambridgeshire**

Danni got her High Street store card 20 years ago. Initially it was given to her and her fiancé because they placed their wedding list there. The fact she did not have to pay everything off at once was seen as a real benefit when she had little spare money. She has gradually increased her spending limit on the card from an initial limit of £500 to £6,000. For years she only paid off minimum payments, but when she reached a balance of £5,000 owed, her husband told her to stop using the card and to start paying off more than the minimum payment.

*“I’m down to £2,000 now. It’s ridiculous, I have had that card for 20 years and I have never paid off the balance. It’s awful now I’m sat here thinking about it. I missed payments too, but they didn’t chase me. It was never flagged as a concern. I didn’t get to the point where there would be bailiffs but they could have frozen the card when you’re not paying? They didn’t ever stop the facility for me to get cash. The bill is part of a load of marketing they send you and it’s designed to get you spending more, not threaten you. It just doesn’t feel like a loan. I wish it had, a bit more at least.”*

### **Easier to get accepted**

Participants regularly said that they felt store cards and catalogue credit had less stringent credit checks and were therefore easier to get accepted on application as a new customer. In particular catalogues and some specific High Street store cards were seen as being the easiest to get accepted, and also helped improve customers’ overall credit rating provided they met their minimum repayment requirements.

*“They don’t check you like they do in places like [High Street stores]. You can get stuff without having a good credit record. Which really helps me, I can tell you.”*

**Female, catalogue credit, London**

There were, however, some more negative perceptions of catalogue credit and store cards expressed by customers.

### **Potential for use to spiral due to perception it was ‘not real money’**

There was a widespread perception that due to the lack of/limited requirement for immediate repayment, catalogue credit and store cards could lead to more frequent or larger purchases and therefore result in quickly spiralling balances.

### **Automatic and exaggerated credit limit increases**

There were concerns about the method and ease with which providers increased credit limits on their accounts, which was seen to act as a temptation to spend more than planned (or more than what was affordable on a week-by-week/monthly budget).

*“They up the limit without any discussion. You don’t know it’s happened. Most of the time I’m like ‘no, don’t spend it’ but sometimes. I’m not so disciplined.”*

**Female, catalogue credit and store card, Surrey**

*“They [the catalogue] gave my sister, like £3,000. They only gave me £800 originally [it’s more now]. She has no money and isn’t even working – it didn’t make sense.”*

**Female, catalogue credit, Cambridgeshire**

### **Lack of clarity over interest charges and interest free periods**

Customers expressed their confusion and lack of understanding on how interest charges worked and the impact on what they were charged after any interest free period. In some cases, this had led to ‘unexpected’ spiralling debt on accounts and a knock on effect on their credit rating (and other credit options).



*“I don’t pay interest on the things I buy unless you can’t make a payment – then I imagine they add the interest on.”*

**Female, catalogue credit, Sheffield**

*“I’m very unsatisfied because I was young and the consequences of having it over a long period of time was not explained. They said we could have a gold card when we did our wedding list, and there’s a nice room you can sit in and we’ll wrap all your gifts. At no point did I realise I’d be paying that off”*

**Female, store cards, Cambridge**

### ***Reasons for taking out/continuing to use catalogue credit and/or store cards***

Catalogue credit and store cards were typically used for a mix of larger household items, special occasion outfits, occasion purchases such as Christmas and birthdays, and purchases at specific stores.

The key motivating factors for customers to take out and continue to use these products were common to both store cards and catalogue credit:

#### ***Ability to spread the cost of bigger or unplanned purchases***

Many customers said that these credit lines opened up the possibility of being able to access more expensive products that would otherwise have remained beyond their budget. The ability to break costs down into manageable amounts that they were able to budget for were a key part of the appeal, tapping into the ‘buy now, pay later’ driver of instant gratification. Customers claimed this lack of ‘immediate impact’ on their finances also meant this form of credit felt less like spending ‘real money’. Even though most knew they were paying more for products in the longer term using catalogue credit or store cards, it meant they were at least able to fulfil their and their families’ needs easily, conveniently and quickly.

*“I bought my garden furniture on there and I did it buy now and pay in 9 months. As long as you’ve paid in 9 months there’s no interest so it’s better than finding the cash.”*

**Female, catalogue credit, London**

*“If it’s an electrical item or something we tend to just use the catalogue because we don’t have the money”*

**Male, catalogue credit, Manchester**

#### **Perception of catalogue credit and store cards being a better way of borrowing than credit cards**

Many customers thought both catalogue credit and store cards had lower interest rates than credit cards and were seen as less dangerous to use; they justified this by suggesting there was less temptation to use because they were usually for one store or one group of stores.

*“I always get my credit card in order as the priority. That’s the one that worries me. I don’t want a bank breathing down my neck. I think about these [catalogues and store cards] after that.”*

**Female, catalogue credit and store cards, London**

*“They give you a minimum payment amount that you have to pay each month and I just pay that. It is pretty much the same as a credit card, I guess. I think I prefer it because it doesn’t have the word ‘credit’ attached to it.”*

**Female, catalogue credit and store cards, London**

Other motivations for taking out and using catalogue credit or store cards differed depending on the product type. The key factors influencing decisions to take up each type of credit product are detailed below.

## Store cards

### Introductory offer

Take out of store cards was largely unplanned with the trigger being the introductory offer (e.g. 10% off purchases that day). If customers spent more, there was a significant enough saving to motivate take-up. Customers said that their focus at this point was largely on getting the items they were already planning on buying, for a lower price than they had expected. Many stated that they had given little thought to when they would pay off the money borrowed and whether they would pay it off in full or not.

### Seen as more mainstream

Customers considered store cards to be a more acceptable way of paying for items and often didn't see them as a way of 'borrowing'. Instead, they saw them as a way of postponing payment for an item.

*"Any loans can be a bit dark. They discuss the APR whereas with [catalogue provider] you don't see it like that. You don't see it as a loan. The interest isn't advertised. it's quite a normal thing to do"*

**Male, store cards, Manchester**

## Catalogues

### Easier to get accepted

For some, store cards and mainstream credit options were either believed to be or known to be inaccessible options based on a poor credit history, and part of the appeal of catalogues was that there was a perception amongst customers that they had a reputation for being less stringent on credit checks/credit history.

*"A High Street retailer wouldn't let me get the cooker over a number of months. But I could in my catalogues. They don't push the checks as much, and my history isn't as big a deal."*

**Female, catalogue credit, London**

*"Good thing about store cards is they do do a thorough check so they're not easy to get so certain people don't get into more debt."*

**Female, store card, Leeds**

*"When you apply online for credit like store cards or catalogues, you're nearly always accepted"*

**Female, catalogue credit and store cards, Leeds**

It was also suggested that using catalogues, and having a good record of repayment would improve their credit rating in the longer term. This was particularly important to those who were striving for access to more mainstream credit options.

*"I think if you're a good payer, catalogues are good for improving your credit score. That's why I like them. I don't have a good credit record, but this really helps me. But I have to keep up the payments, otherwise I'm back to square one."*

**Female, catalogue credit, London**

### Historical use/familiar credit line

A small number of catalogue customers said that these were a family tradition. Examples were provided of close friends or family having previously 'run' a catalogue and using them had always been part of their world. As such, when they had their own income they got involved and started purchasing, particularly if it meant friends or family getting commission payments.

### Ease of use

The convenience of shopping at home, products being delivered to their door, and free returns meant that use of catalogue credit was an easy option, especially online where their details were saved and the time taken from browsing to purchase was very short with very few steps.

*“It’s just so easy isn’t it. I get emails with offers and it’s like ‘ooh, I’ll have a look at the catalogue’, and I do it when I’m bored. I have the app on my phone so I think ‘I’ll order that.’ I did loads of my Christmas shopping on there for the kids. Because it’s all there with a click of the button. Done.”*

**Female, catalogue credit, London**

### Perception of greater range and cheaper products

Catalogues were seen as having a broad range of products and there was evidence of some people comparing the prices with other sites and retailers and finding products cheaper. This often didn’t take into consideration the cost of delivery (and installation where relevant) and the interest that would be incurred if not paid off in full at the end of the month or at the end of the BNPL scheme.

*“It’s got everything from garden furniture to the latest trainers. What’s not to like! I just go there now, I don’t really look around. I know what I’m getting there, and that I don’t have to pay for it straight away.”*

**Male, catalogue credit, Leeds**

### Marketing of trendier brands

Some catalogue brands were cited as being very aspirational and enticing, using well-known celebrities to endorse the brands. Some customers felt this could encourage younger customers, especially those who admitted they were less controlled with their spending, to browse and spend more than they could afford to pay back at the end of the month.

*“It’s a trendy brand, isn’t it. The catalogue is pretty young. They have designer stuff – some of the clothes, the trainers – they are pretty good on having the best stuff. And it’s so easy to buy, so yeah, it’s always tempting.”*

**Male, catalogue credit, London**

### Making repayments on catalogue credit and store cards

Overall, there was a broad spectrum of repayment behaviour. Typically, the behaviours were related to how controlled or compulsive customers’ spending was. There were some customers who adopted a consistent rigorous approach to repayments, who were paying off in full but this was a small proportion of the sample, due to the skew applied when recruiting participants for the research. The diagram below, Figure 10, sums up the range of behaviour observed by the sample of customers plotted against the repayment options that are available for both catalogue credit and store cards.

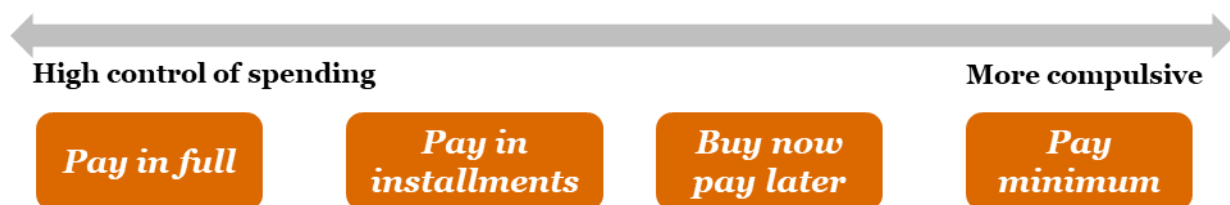


Figure 9: The typical range of repayment options provided by catalogue credit and store card providers and how these were favoured by customers according to the level of self-control over spending

### Pay in Full

A small number of participants claimed that, on occasion, they had paid for an item outright or paid the full balance of the account at the end of the month, both on store cards and catalogue accounts. This was observed

where customers had a strong desire to clear a debt and had an unexpected cushion of money to use to clear their borrowing, but was relatively scarce behaviour in this sample.

*"I often pay it off in full. Get it cleared. Now I'm working, I think I can. But it's not always been like that. I just don't like having a debt hanging over me. My husband hates the catalogues, he wants to stop me using them. But as long as I'm paying them off, he doesn't complain."*

**Female, catalogue credit, London**

### *Pay in Instalments*

A common method of payment for catalogue accounts was to simply break payments into a few monthly 'chunks', without incurring any interest payments. Customers widely stated this made making mid-price and larger scale product payments more manageable.

That said, there were examples of customers who had intended to pay in a few instalments but had not met the interest free payments in full.

*"I have a catalogue and I love it because you can pay in instalments now so if it's £100 you can pay £33 per month. You can still pay the minimum if you want or you can pay in instalments. If at the end of the month you've clicked to pay instalments but can't afford it you can just click pay minimum and pay £5."*

**Female, Catalogue credit, Leeds**

### *Buy now pay later*

A popular option for both store cards and catalogue customers, allowing them to purchase an item and have a longer period (e.g. 6-12 months) interest free to clear their balance.

Again, despite best intentions, there were examples of customers admitting being over-confident in their ability to steadily pay off these debts; believing they would be in the same or better situation when the balance needed to be paid.

*"When I initially buy the product, I have it in my mind that I'm going to pay it off within six months. But if something crops up and I can't, then I pay the minimum"*

**Female, catalogue credit and store card, Leeds**

*"If you spend over £100 you get 6 months interest free. If you spend £150 it's 9 months interest free. You're being encouraged to go for it to get the longest possible period to pay it back. So you do it, but then you have to be really on it to make sure you've paid off by the point interest kicks in. I just put £20 every week in there to make sure I'm on top of it."*

**Female, catalogue credit, London**

*"Yeah, I like the fact it's buy now, pay later. You can do that with catalogues. You don't have to pay there and then, so it's handy when you're short [of money]. I see it as a treat really. My money is taken up with bills and food and so this is a treat."*

**Female, catalogue credit, Chatham**

### *Pay minimum*

A common option, and choice, for both store card and catalogue account holders, allowing them to have the items they wanted and to spread the cost over a (sometimes very) long period.

Making the minimum repayment was often due to having insufficient money or lacking any incentive to pay back more. Many felt that as long as they were making the minimum repayments, they were not having a

negative impact on their credit score, and they were keeping their budgets more manageable. There were some examples of customers believing they were actually doing what was required by paying the minimum.

*“Why would I pay more than I need to?”*

**Female, store cards, Sheffield**

*“I pay the minimum payment they ask for. If they wanted more, they’d ask for more but they don’t, they just ask for a minimum payment”*

**Female, store cards, Sheffield**

*“I do this, pay back whatever they ask for a month, sometimes it’s £50 or whatever, and I always imagine that’s about £45 interest. Feels like it’ll go on forever, but it’s all I can do.”*

**Female, catalogue credit, Cambridgeshire**

### ***Understanding of catalogue credit and store cards***

Customers largely demonstrated their understanding of the basics of how store cards and catalogues worked and the consequences of not meeting (at least minimum) repayments. The majority in this sample expressed understanding that making minimum repayments would incur further interest payments (and total cost repaid).

*“I have at points paid just minimum amounts and I know this isn’t a good idea in the long run, but it’s just what I had to do at the time. I was skint. Now I just pay what I can, what feels manageable, but it’s usually more than the minimum. I get it’s in my interest to pay it off quickly.”*

**Male, catalogue credit, Chatham**

There were, however, examples of customers who were more confused about how catalogue credit and store cards operated. Across this element of the research we had customers who misconstrued elements of the repayment process. Examples included:

- Making minimum repayments on their store card but not believing they were paying any interest
- Not understanding the impact of not paying off the balance in full at the end of the interest free period
- Inability to follow where they were with their balance if only paying minimum amounts per month

*“I don’t pay interest on the things I have unless you can’t make a payment. Then I imagine they add the interest on?”*

**Female, catalogue credit, Sheffield**

*“It was £12 a week, but if you did buy now pay after it was £8 so I thought that’s a good deal. I got an email saying this is your final payment of what you will owe and it had gone up by £200. It turned out you’re charged extra interest for spreading the payments out. I contacted the catalogue and they said it was part of the buy now pay later so I asked if I could cancel it and they said no. I started paying £12 a week into the account to clear the balance within 6 months and I got a letter saying I didn’t need to pay until July. I phoned and explained that I knew what I was doing and she said that’s not how it works.”*

**Female, catalogue credit, Birmingham**

*“I usually pay more than the minimum, but it’s very confusing with catalogues. They put the minimum payment in, and it can go on forever as far as I can see? They used to say it was this much and that was it but now it’s not easy to know where you are. It’s put me off them a bit. I want to know 100% where I am with repayments.”*

**Female, catalogue credit, Manchester**

There were also examples of customers finding it difficult to compare the ‘deal’ on products across different catalogue credit providers; there were differences in cost of product with different providers, but their understanding was obfuscated by different providers having different delivery charges.

*“I was looking at an iPad on one catalogue site and it was cheaper than on another one. Exactly the same thing. . But then someone told me the other one doesn’t charge for delivery, so I’m now not sure which is the best deal for me to be honest.”*

**Female, catalogue credit, London**

### ***Post-sales – ongoing management of catalogue credit and store cards***

Catalogue credit and store card customers reported mixed experiences of treatment by their providers when they defaulted on repayments or struggled with repayments due to a change of circumstances. As highlighted below, there were examples of providers being flexible and perceived as empathetic with customers, especially when they had missed payments only once or infrequently. Conversely, others felt their treatment had been less sympathetic and any negative consequences more rigidly applied.

#### ***Case study: Martin, 34 – catalogue credit, Financially struggling, Manchester***

Martin was struggling to keep up with payments on his catalogue account and had missed two payments, incurring a £20 late payment fee. He was concerned about further damaging his credit score, so contacted the catalogue to set up a payment plan. The catalogue then carried out affordability checks and agree to freeze interest for a fixed period. Martin said that he believed because he had been proactive and contacted the catalogue directly, the credit agency were not informed and he felt the catalogue had provided an empathetic customer service.

*“They’re really good if you’re struggling. As long as you get in touch with them and take the initiative, they’re very good.”*

#### ***Case study: Anna, 45 – store card, Financially struggling, London***

Anna had contacted a High Street retailer to ask them to freeze her payments while she recovered from surgery and wasn’t working. At the end of the phone call the retailer had read the terms and conditions, including that this might affect her credit score. She said that this did not register until after completion of the call, and she phoned back to double check whether freezing payments would impact on her credit score. When she was told it would, she asked to unfreeze the payments. However, she was told the decision was not reversible, and her credit record would already include this request. Subsequently, she was contacted by her bank who informed her they were reducing her credit limit by half (from £1,000 to £500) on her credit card.

She also had a blip against her credit score which meant she was not accepted for credit at another High Street retailer about a month later, when her oven broke. This forced her to use high cost credit options in the short term to resolve the need to replace her oven.

*“I feel very let down, to be honest. She should have really explained properly that it would affect my credit score. If that had been explained at the beginning I’d have thought ‘okay, I’ll have to make ends meet, I’ll find a way’ but I really didn’t want this knock on effect on my credit score. I feel quite angry about how I’ve been treated.”*

In terms of ongoing contact with providers, the other key issue raised was increases in credit limits. Customers reported being notified about credit limit increases in two different ways:

- Informed it would happen unless they actively opted out (recalled more typically as how store cards operated); or
- Discovered the credit increase had already been implemented by the provider (more typical of the reported experience of catalogue customers)

On the whole, customers felt it was better practice to be informed of the intention to increase the credit limit in advance, providing them with the opportunity to opt out and avoid the temptation of having extra credit.

There were some concerns about the ease with which catalogues and some store cards increased credit limits without consulting them or seeking their permission. This was widely perceived to be a way of encouraging further spending, and some customers admitted they had not been able to resist this temptation.

*“The limit on my catalogue went up within 2 weeks of me having it. I think you should have to ask for it, not just get a call saying they’ve upped it. The third time, they didn’t even bother ringing me.”*

**Female, catalogue credit, London**

As shown in the case study below, there was evidence that credit limit increases had led to increased spending by more compulsive shoppers.

### **Case study: Gary, 28 – catalogue credit, Broadly coping, Sheffield**

Gary had wanted to buy a graphics card with a catalogue but only had a £270 limit. However, he logged into his account some time afterwards and saw his limit had increased to £1000. He therefore purchased the card on a buy now, pay later deal and is using his credit card to pay off the balance.

*“I spent maybe four months thinking ‘it’s just sat there at a good price!’ So one day just before Christmas I bought it, a present for myself.”*

In addition, some customers reported that once they had given their consent once, they experienced automatic future increases in their credit from some providers. It was reported that this had led to some difficulties in trying to reduce their limit when they had asked providers to do so.

*“They keep ringing and emailing me, and trying to up my limit. I keep saying no I want it frozen at £1,000. I haven’t got to £1,000 (spending) and I don’t intend to. I’m not having it any higher than that. But they keep ringing me and saying ‘we’re going to up it to £3,000, that okay?’ and I’m like ‘no, stop trying to do this! I don’t want that much!’ It’s really irritating.”*

**Female, catalogue credit and store card, London**

Overall, many customers felt that removing automatic increases in limits would prevent temptation and help them to control their spending.

*“I had one [catalogue] that was £2,500 and the other was £1,500. It kept on rising. It started at £250. Don’t you think that’s crazy? It looks good and it makes you think ‘ooh, I can spend that’ and it’s easy to if you’re not careful. It just happened. I don’t think it should. It should be something they discuss with you. I don’t think I’d have asked for it, and I don’t want it.”*

**Female, catalogue credit, Manchester**

### **Customer suggestions for reducing the risk of harm**

The research showed that most customers were generally happy with the way that catalogue credit and store cards work. However, there were a few suggestions made by customers (in Figure 12) for safeguards to be put in place to help customers avoid getting into financial difficulties. The most popular suggestion amongst

customers was to change the process around credit limit increases and eradicating automatic credit limit increases.

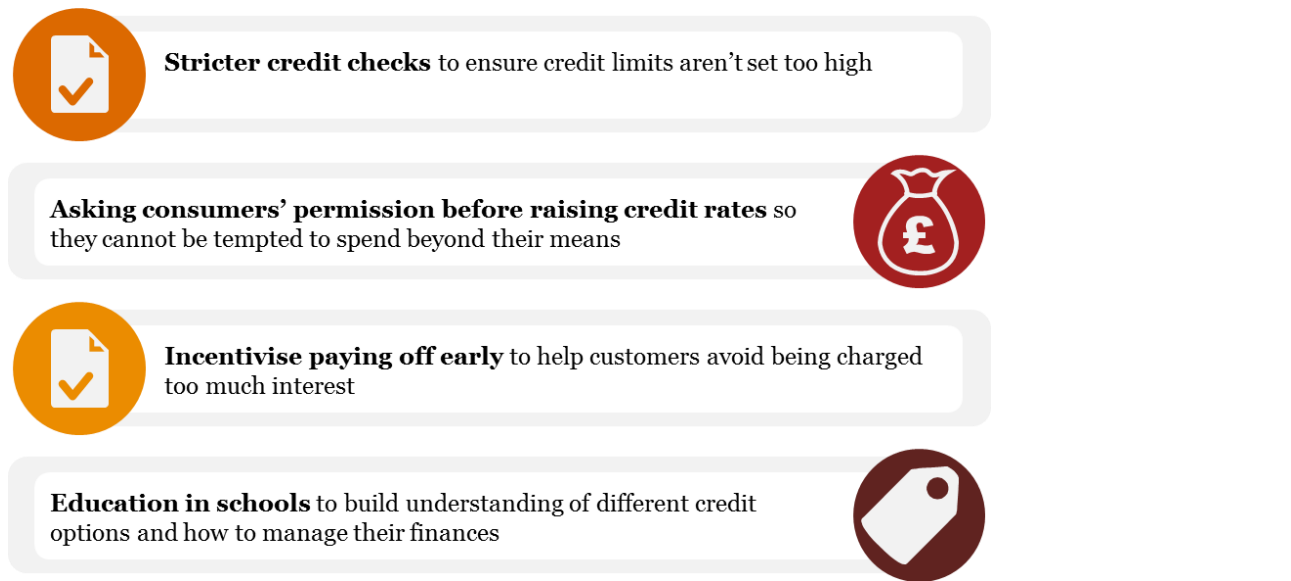


Figure 10: Consumer suggestions for improvements to catalogue credit and store cards

*"I don't think they ought to give you very much, especially to start with. I see it as free money to spend, which I know it isn't. It just feels like it. I think they need to be a bit stingy to start with, make sure you're not going to run riot."*

**Female, catalogue credit, Chatham**

*"Definitely stricter credit checks. Sometimes it's so easy to get it's unreal. You should only be allowed a certain amount of product per year or per month."*

**Female, catalogue credit, London**

*"If you ask me what the interest is on payments I haven't yet paid off, I wouldn't have a clue. I've bought more stuff since too. I don't know. I probably should."*

**Female, catalogue credit and store cards, London**

*"I think if you said you'll get 10% off your next purchase if you pay in the interest free period, or something, that would be a reason to get it sorted, and paid off, wouldn't it?"*

**Female, catalogue credit and store cards, Kent**

*"They just double or treble your limit. It's a bit mad, isn't it? I mean, you're asking for trouble aren't you?"*

**Female, catalogue credit, London**

*"I was happy with where it was [the limit], but it increased. It just jumped up. It's too easy, you lose touch with your spending."*

**Female, store card, Chatham**



*“If I pay off in 2-3 months, I shouldn’t pay as much as if I pay off in 6 months, all interest free. Surely that’s fair, isn’t it? I’m not sure it works like that at the moment though, so why would I do it quicker if I don’t need to?”*

**Female, catalogue credit, Kent**

*“They need to teach this stuff in schools. I left school and they just threw money at me. I just thought ‘great!’ but I only had a Saturday job and it wasn’t long before I had racked up £300 and I struggled to pay it off”*

**Male, catalogue credit, Sheffield**

## Future considerations

In addition to suggestions aimed at providers, some customers felt that there were ways to encourage possible change in their own behaviour that could help break more cyclical, habitual borrowing.

**'Awareness raising'** was central to customer suggestions about improving their own attitude to financial management, options/choices and spending habits.

### Raising awareness of 'other credit options'

The study revealed some isolated examples of customers using credit unions and other provider models to 'save' money – thus encouraging a change in behaviour and less reliance on high cost credit. These options were largely discovered through word of mouth recommendation, but positive experience of these options was seen as important in them reconsidering their choices for borrowing/credit.

*"I have just started using an online catalogue. My friend did it last year, and she said it was great at making her sort Christmas out without getting a big fat last minute loan. You basically put an amount away each month up until November when you get vouchers back and they put in an amount themselves. Something like £50 themselves. I'm trying to do £50 a month, which feels like loads, but I'm doing okay so far. They'll then give me it back as vouchers for Christmas presents and food, and all the stuff I'll need for Christmas. I like it so far! Feels like I'm saving, sort of."*

**Female, RTO, London**

*"It's not a credit thing, but in October they started layaway. You go into the store and you choose what you want and they store it away for you. You pay £5 and then make simple payments weekly between October and December, and you collect your goods on 15th December. I think it's a good thing, there should be more of that. It's not that lump sum in one go, and you're not just suddenly asking for a load of cash just before Christmas. You're stepping it up and making you save it up for three months. It's a good thing."*

**Female, catalogue credit, Chatham**

Customers frequently said they did not know what choices they had for borrowing, and were concerned about applying for mainstream credit for fear of being rejected. There was very little awareness of/signposting to platforms providing tailored product offers on actual credit ratings prior to applying for credit.

*"A friend mentioned the other day that you can get something online that tells you what you can get [credit options], but I've not looked. I'm nervous of anything that might make me have a worse credit score. But if it doesn't do that, it's got to be good. . I'd never seen anything about it though, they're not exactly shouting about it are they?"*

**Female, Home Collected Credit, London**

### Raising awareness of impact of borrowing

Both in the groups and one-to-one interviews, there was a lot of requests from customers about better education about consequences of borrowing from an early age. Many customers expressed regret that financial behaviour and choices made in their late teenage years were still impacting on their finances many years later.

There was also evidence of confusion or a lack of understanding about the difference in interest charges between catalogue credit, store cards and more mainstream credit options (e.g. credit cards). Some customers avoided mainstream credit or prioritised paying off mainstream credit in the belief that the APR/charges were higher than in the high cost credit sector. As such, customers wanted more to be done to raise awareness of difference in cost of mainstream and high cost credit options.



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