



Consumer credit licence-holders: Population sizing & segmentation research

Key Findings

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A research study for the  **FSA**

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Abbreviations

AR	Appointed representative
BIS	Department for Business, Innovation & Skills
CBA	Cost-benefit analysis
CC	Consumer credit
CCA	Consumer Credit Act
CP	Consultation paper
DEFT	Design effect statistic
DA	Directly authorised
FCA	Financial Conduct Authority
FRN	Firm registration number
FSA	Financial Services Authority
HMT	Her Majesty's Treasury
NAO	National Audit Office
OFT	The Office of Fair Trading

Glossary²

Active	A consumer credit licence-holder was designated as active if they had used their licence in the previous 12 months <i>and</i> stated either that they expected to do so in the next 12 months or that they did not know whether they would do so.
Active population	The estimated number of standard consumer credit licence-holders estimated to have used their licence in the previous 12 months and either expected to do so in the next 12 months or were unsure whether they would do so.
Appointed Representative (AR)	An FSA designation: the appointed representative firm acts as an agent for the Principal firm. The Principal must be a firm that is directly authorised by the FSA. The Principal must accept full responsibility, including ensuring that the AR complies with FSA requirements. There must be a written contract between the Principal and the AR documenting this arrangement.
Cell	Shorthand for: weighting cell.
CF30	The designation applied by the FSA to Approved Persons carrying out regulated activities that fall under the Customer Function. CF30 covers a number of different activities, including: advising on investments; advising on corporate finance business; advising on pension transfers; dealing or arranging deals in investments; advising in relation to Lloyd's syndicates; and acting in the capacity of an investment manager.
Consumer Credit Act 2006 (CCA06)	The Consumer Credit Act 2006 reforms came into effect in April 2008.
Consumer Credit Act (CCA) 1974	An Act to establish for the protection of consumers a system, administered by the Office of Fair Trading, of licensing and other control of traders concerned with the provision of credit, or the supply of goods on hire or hire-purchase, and their transactions.

² Main segmentations and segmentation categories of the active population are explained in Chapter 4.

Consumer credit activity	The main questionnaire (reproduced in the appendices to the Technical Report) asked participants to identify for which of a detailed list of 30 (including 'other') consumer credit activities they had used their consumer credit licence. These were specified in more detail than the categories for which consumer credit licences are issued.
Consumer credit licence	A standard licence issued by the OFT under the Consumer Credit Act.
Consumer credit licence-holder	An organisation holding a licence issued under the Consumer Credit Act. Before the implementation in April 2008 of the Consumer Credit Act 2006 reforms, licences were issued for a five-year period; now they are issued for an indefinite period, but subject to the payment of a five-yearly 'maintenance' payment.
Consumer credit licence category	Consumer credit licences are issued for one or more specified categories of consumer credit activity. There are nine main categories, three of which are further divided so that there are 13 sub-categories in total.
Consumer Direct business activity	The OFT database of licence-holders contains information about the main business activity of some, but not all, licence-holders. The categorisation used is that developed by Consumer Direct, which provides three levels of designation: ultimate business type, broad business type and business type.
Directly Authorised (DA)	An FSA designation: a firm that is authorised and regulated by the FSA.
Group consumer credit licence-holder	In addition to standard licences for individual organisations, the OFT also operates a regime of group licences. Group licences are issued to professional and other altruistic organisations, which are then responsible for regulating the consumer credit activities of their members. Examples include the Law Society of England and Wales and the National Association of Citizens Advice Bureaux. Group licences were out of scope for this research.
Legal formation	The OFT records in its database of consumer credit licence-holders their legal formation. These are sole trader, partnerships, body corporates and other. The legal formation 'other' includes charities, trades unions and other miscellaneous organisation types.
OFT database	The OFT provided the FSA with a database of all consumer credit licence-holders as at 2 April 2012 which was used as the starting point for the research. The database included contact

	and other information for the licensed organisations.
OFT total population	The population of 81,284 consumer credit licence-holders contained in the OFT database as at 2 April 2012.
Pre and Post CCA06	The OFT licensing regime and arrangements changed as a result of the Consumer Credit Act 2006 reforms. The changes came into effect for all new licence applications or renewals from April 2008 onwards. Before the change (which, inter alia, introduced an indefinite licence with a periodic 'maintenance' payment) licences had been issued for a five-year period. Consequently, not all pre-2008 licences had been renewed by the time of the survey; those that had not done so were classified as Pre CCA06, while those that had been renewed, as well as new applications from 2008 onwards, were classified as Post CCA06.
Primary business type	The survey screener and main questionnaires (reproduced in the appendices to the Technical Report) asked participants to identify which of a detailed list of 42 (including two categories of 'other': Other – Financial services/ consumer credit, and Other – non-financial services/ consumer credit) primary business types best described their organisation. These types were generally more detailed than those in the OFT database based on the Consumer Direct business activity classifications.
Secondary credit broker	Secondary credit broker is the term used to describe non-specialist intermediaries, i.e. those who defined themselves in the survey as selling goods and/ or services on credit that are financed by a third party. See Section 4.2.2 for further information.
Standard consumer credit licence-holder	An organisation recorded in the OFT database as holding a consumer credit licence.
Weighting cell	All sampled organisations were identified to one of eight weighting cells. These were the four legal formation groupings each divided between Pre and Post CCA06 status.

Reporting conventions

In tables, the following conventions are used when displaying results:

- Non-italic Denotes a statistically significant difference against all excluding that subgroup.
- *Italic* Denotes a result that is not statistically significantly different from all excluding that subgroup.
- [] Percentages based on 20 or more and fewer than 50 observations.³
- * A result of less than 0.5%.
- 0 No observations.
- - Category not applicable.

All results in tables were tested to a confidence interval (CI) of 95%. Thus, if a result in a table is shown as statistically significant, there is just a 5% chance that the difference could have happened by chance.

In tables and report text, percentages derived from the survey analysis or associated calculations are usually rounded upwards or downwards to the nearest whole number. Where a percentage, calculated to one decimal place, is x.5% the convention is to round upwards, e.g. 56.5% is shown as 57%. Totals in tables, therefore, may not add to 100%.

Findings are generally rebased to exclude respondents who refused to answer a question or said 'don't know'. The base information below tables that present survey findings gives the percentage (weighted to the total population of active licence-holders) of those who refused or were not able to give an answer.

The subgroups for which findings are provided in this report are included in the next section, ***Subgroup bases used in the report***. This provides for each subgroup a description or label, together with the number of interviews completed with participants representing that subgroup, the estimated number of active licence-holders in that subgroup, and the proportion of all active licence-holders represented by that subgroup.

³ No findings are included in this report, if the unweighted base (i.e. the number of interviews) was less than 20.

Subgroup bases used in the report

Unweighted base, i.e. number of organisations interviewed	Description of subgroup	Estimated size of the active population of organisations in the subgroup	Percentage of the total active population of organisations represented by the subgroup
1,392	All active licence-holders	47,607	100%
335	Pre CCA06	11,497	24%
1,057	Post CCA06	36,110	76%
615	FSA ALL ⁴	21,225	45%
777	OFT only ⁵	26,382	55%
317	FSA DA	10,840	23%
281	FSA AR	9,768	21%
693	Primarily financial services/ consumer credit related	24,059	51%
699	Primarily non-financial services/ non-consumer credit related	23,548	49%
505	Primarily financial services/ consumer credit related (FSA)	17,285	36%

⁴ This group is slightly larger than the sum of FSA DA and FSA AR detailed below due to the inclusion as well of a small number of CF30s (see Glossary and Section 4.3).

⁵ A small proportion of survey respondents (7%) were unable to confirm whether or not they were also regulated by the FSA. These have been included in the OFT only sub-base.

188	Primarily financial services/ consumer credit related (OFT only)	6,773	14%
371	Lenders	12,734	27%
1,032	Intermediaries	36,392	76%
153	Advisers	4,849	10%
[47]	Debt collectors	1,645	3%
91	Specialist lenders ⁶	2,744	6%
293	Non-specialist lenders	10,517	22%
680	Specialist intermediaries ⁷	23,892	50%
406	Secondary credit brokers (i.e. non-specialist intermediaries)	14,535	31%
323	Sole traders	11,755	25%
283	Partnerships	3,919	8%
634	Corporates	30,669	64%
152	Legal formation: Other	1,264	3%

⁶ Some organisations, by the nature of the activities they undertake, are included in both specialist and non-specialist groups.

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1,029	Small ⁸	34,799	84% ⁹
163	Medium	5,530	13%
[25]	Large	836	2%
[36]	Large/ very large	1,308	3%
626	Sellers or retailers of goods and/ or services	21,129	44%
432	Sellers or retailers of goods	15,957	34%
194	Sellers or retailers of services	5,172	11%
134	Insurance brokers	4,893	10%
[42]	Credit brokers or intermediaries	1,667	4%
113	Mortgage brokers	3,875	8%
188	IFAs	6,589	14%
149	Most important business activity is consumer credit	5,127	11%
66	Hold and use licence category F (debt collecting)	2,386	5%
87	London (principal place of business)	2,932	6%

⁸ Size is defined in terms of turnover from consumer credit related activity. See Section 4.4.

⁹ Percentages shown for each of the size segments are proportions of all those able to provide an estimate of their consumer credit turnover (87% of participants) and not proportions of the total survey population.

80	East Midlands (principal place of business)	3,015	6%
118	West Midlands (principal place of business)	3,951	8%
60	Wales (principal place of business)	1,935	4%

Summary

This report is intentionally a factual summary of the research findings, leaving interpretation largely to the reader.

Nonetheless, we highlight here our key findings and main observations regarding the size and segmentation of the population of consumer credit licence-holders:

- The population of licence-holders was found to be highly diverse and fragmented. It comprised a few highly populated segments and many that contained very few organisations. This presented a major research challenge. A large-scale random survey was needed to size accurately the overall population but, by being random, it could not yield sufficient results for statistical accuracy for the small segments. Consequently, the overall results we report are robust, but findings for small segments must be considered as indicative only.¹⁰
- The nature of the existing regulatory regime meant that our starting information (the OFT database) could not provide an accurate picture of the size and make-up of the universe of active licence-holders:¹¹ hence the need for this research.
- Although the OFT database recorded 81,284 licence-holders,¹² we knew that a proportion of these would either no longer be in existence, or would not be using their licence.
- Based on the research, we estimate that 64,636 (80%) of all licence-holders were still trading/ in existence.
- Out of these 'trading' organisations, the great majority, 61,301, indicated they wished to retain their licence.¹³
- Not all of these were currently active users of their consumer credit licence, however. Some (an estimated 4,238) were organisations that intended to use their licence in the next 12 months but had not done so in the past year (a proportion of whom had only received a licence recently). A further estimated 9,457 did not expect to use their licence in the next 12 months but wanted to retain it anyway. This group largely comprised people wanting a licence '*on a contingency basis*'.
- The remaining organisations, an estimated 47,607, were the 'active' licence-holders.
- Therefore, our estimates are that, of the official database of licence-holders provided for the research, 75% (61,301) wanted to retain their licence, and 59% (47,607) met the FSA's definition of 'active' users.

¹⁰ The information made available to the FSA on small segments was augmented by supplementary non-random interviewing. The results of these interviews are not covered in this report.

¹¹ In this report active licence-holders are defined as those who have used their licence in the preceding 12 months and expected to do so in the next 12 months or, in a handful of cases, were unsure whether they would do so.

¹² Strictly 81,286, but two records lacked key information and have been excluded from all calculations.

¹³ This is based on the status quo. The research did not investigate possible reactions to a change in the regulator or the regulatory regime.

- The active licence-holders were primarily corporates (64%) but a quarter (25%) comprised sole traders. Almost half (45%) were also regulated by the FSA for non-consumer credit activities.
- The active population divided almost equally between organisations whose business was primarily financial services/ consumer credit related (51%) and those that were primarily non-financial/ non-consumer credit related organisations (49%). The largest single group was '*sellers/ retailers of goods and/ or services*' which accounted for 34% of all active licence-holders.
- The great majority of licence-holders were not specialists in consumer credit. Only a fifth (22%) indicated that consumer credit was their most important business activity, while a further 45% said their most important activity was '*something supplemented or supported by consumer credit*'.¹⁴
- The research also revealed the extent to which licence-holders were, or were not, using the categories for which they held licences.¹⁵ Overall, just under three-quarters (73%) of licence categories held were actually being used. The proportions varied by category, ranging from 92% of credit brokerage licences held being used to 41% of those for debt adjusting.
- The category that was most widely used was category C, credit brokerage (34,586); the least widely used was category G, debt administration (1,697).
- The specific consumer credit activities most frequently undertaken by licence-holders were '*selling goods/ services on credit that is financed by a third party*' (14,535, 31%) and '*general credit/ loan brokerage, other than 1st charge mortgages*' (11,553, 24%).
- The majority of active licence-holders offered intermediary services (77%) while around a quarter (27%) were involved in lending or hiring. Those providing advice services made up one in ten of the population (10%). Debt collecting only involved 3% of active licence-holders, and other activities (debt administration, credit repair, credit information, and credit reference services) each involved even fewer.¹⁶
- The consumer credit universe was dominated numerically by small organisations. Measured by turnover, then four in ten (40%) had *total turnover* of no more than £250,000 per annum, while 84% had *consumer credit turnover* of no more than that amount and almost two-thirds (64%) of no more than £50,000. Measured by staff numbers, almost half (49%) had fewer than five employees, and a similar proportion (47%) had one or fewer full-time equivalent staff involved specifically in the activities covered by their consumer credit licence.
- At the other end of the size scale, 4% had total annual turnover and 1% total annual consumer credit related turnover greater than £50 million. Similarly, 6%

¹⁴ The question that produced this finding was only introduced part way through the survey, and it was answered by only half of the participants in the survey. Consequently, results are presented as weighted percentages of those answering. See Section 6.1.

¹⁵ There are nine main different categories of consumer credit licence available. Organisations will hold a licence covering one or more of these.

¹⁶ The percentages sum to more than 100%, as some licence-holders were involved in more than one type of activity.

employed more than 100 staff in total, and the same proportion had 20 or more full-time equivalents involved in their consumer credit activities.

- Although there were relatively few large/ very large licence-holders, they were typically responsible for a high proportion of total activity; this was reflected in the wide disparities in customer numbers. Among lenders/ hirers, almost two-thirds (63%) had 100 or fewer clients with loans/ credit outstanding compared with 4% with over 10,000 clients. Although the median range was 10 to 100 active clients, the overall mean of active client numbers was 30,600.
- Similarly, among intermediaries, three-quarters (74%) had 100 or fewer clients in the year, while 6% had more than 1,000, and the mean was 1,600. The same pattern emerged among advisers; two-thirds (64%) had advised up to 100 debtors in the year, while only 5% had advised more than 1,000 – yet the mean total was 2,300.
- Perhaps surprisingly, only one in seven lenders/ hirers (14%) had received business from brokers in the past year. On the other side of the fence, more than two-thirds of intermediaries (71%) said they had used specific lenders 'regularly'. The average number of regular lenders used ranged from 2.4 for those '*selling goods and/ or services*' to 5.3 for those describing their activity as '*loan finding services*' and '*loan introduction services*'.
- Reflecting the generally small size of active licence-holder organisations, they typically had limited total assets on their balance sheets. Slightly over one-third (37%) had assets of no more than £50,000, compared with 7% having in excess of £5 million.
- Only around one in ten (11%) were holding clients cash and/ or assets in connection with their consumer credit activities. More than four-fifths of these (87%) were holding clients' assets in a separate account.
- Over three-quarters of active licence-holders had PII, which typically covered some or all of their consumer credit activities. As a result, the proportions of all those involved in individual consumer credit activities who were covered by PII for that activity ranged from around half (47%) for hire purchase to over nine in ten (91%) for credit information services.
- Again reflecting the small nature of most active licence-holders, responsibility for consumer credit activities was typically in the hands of few individuals. In two-thirds of licence-holders (67%) a single individual was responsible, while for a further quarter (28%) it lay with between two and four people.

1 Research background and objectives

This chapter describes the background to and objectives set for this study, which was conducted in 2012 by Critical Research Limited with assistance from RS Consulting Limited.¹⁷

In describing the objectives for the research, it also clarifies what the research was not intended to cover or deliver.

1.1 Background – transfer of responsibility for regulation of consumer credit

At present, the regulation of retail financial services is split between the FSA (regulating a wide range of firms including those that provide investments, banking, payment services, pensions, mortgages and insurance) and the OFT (which, among other things, regulates consumer credit organisations providing, for example, unauthorised overdrafts, personal loans, payday loans and debt collection services).

The Financial Services Bill was introduced to Parliament on 26 January 2012. The Bill includes provisions enabling a full transfer of consumer credit regulation to the Financial Conduct Authority (FCA), one of the successor regulators to the FSA as of April 2013. The Government announced that it intends to exercise these powers, if and when it has identified a model of FCA regulation that is proportionate for the different segments of the consumer credit market.¹⁸ The exercise of these powers is subject to impact assessment and the approval of both Houses of Parliament.¹⁹

Consumer credit is regulated by the OFT under the Consumer Credit Act (CCA) 1974, while other financial services are regulated by the FSA primarily under the Financial Services and Markets Act 2000 (FSMA). As well as operating under different legal structures, the two regulatory regimes differ in other ways, not least in how regulated organisations are authorised and supervised.

Due to the historic approach to consumer credit licensing and the reliance on the renewals cycle for licensees to update their details, consumer credit licensees often fail to update their information when they cease trading or stop using their licence for other reasons. Consequently, the OFT's management and contact information on consumer credit licence-holders is not comprehensive or up-to-date.

¹⁷ A separate Technical Report is published alongside this report.

¹⁸ http://www.hm-treasury.gov.uk/fin_financial_services_bill.htm; http://www.hm-treasury.gov.uk/consult_consumer_credit.htm. The Government had previously consulted on the transfer of responsibility for the regulation of consumer credit to the FSA. The consultation paper, issued in December 2010 (http://www.hm-treasury.gov.uk/consult_consumer_credit.htm), provides further background on the objectives for such reform, the current regulation of consumer credit and the FSA's general regulatory approach.

¹⁹ This research has provided data that will be used by BIS in its impact assessment.

To assist the design of a proportionate regime for the regulation of consumer credit, the FSA has commissioned this research, as one input into its better understanding of the market.

1.1.1 *OFT consumer credit licence categories*

It was already clear at the start of the research that the consumer credit market is a highly diverse one, ranging from so-called mainstream products, such as credit and store cards, to high-cost forms of credit such as payday lending and home collected credit.

The diverse nature of the market is indicated by the range of categories for which a licence can be issued. Consumer credit licences can be issued for one or more different categories. These are detailed in the OFT guidance *Do you need a credit licence?*²⁰ The main categories are shown in Table 1.1.

Table 1.1 OFT consumer credit licence categories

Category	Description
A	Consumer credit business
B	Consumer hire business
C	Credit brokerage
D	Debt adjusting
E	Debt counselling
F	Debt collecting
G	Debt administration
H	Credit information services
I	Credit reference agency

Two of the categories, D and E, are each further divided between commercial and non-commercial provision, while category H is divided into three groups: credit information including credit repair, credit information excluding credit repair, and non-commercial credit information. Therefore, while there are nine main categories, these are divided into subcategories.

Since some consumer credit licence-holders operate on a non-commercial basis, in this report we refer to the licence-holders collectively as organisations, although the majority of them are firms.

²⁰ http://www.of.gov.uk/shared_of/business_leaflets/credit_licences/oft147.pdf.

1.1.2 Changes to OFT licensing as a result of the Consumer Credit Act 2006 reforms

The OFT licensing regime and arrangements changed as a result of the Consumer Credit Act 2006 (CCA06) reforms. The changes came into effect for all new licence applications or renewals from April 2008 onwards.

Before the implementation of the change, licence-holders were able to apply for an 'all categories' licence to cover all the different consumer credit activities, even if they did not intend to be involved in them all. Since the CCA06 reforms were implemented, new licence-holders and those renewing their licence have been required to specify the categories for which a licence is required and to answer supplementary questions about the use of some of these categories.

Another change introduced by CCA06 concerned the licence period. Whereas licences had been issued for a five-year period, CCA06 introduced an indefinite licence, although with a periodic maintenance payment that was again five-yearly.

In this report we differentiate the licence-holders that, on the five-year cycle, had not yet renewed their licence by the time of the research (using the term Pre CCA06 for them) from those that had renewed or had taken out a licence for the first time since April 2008 (Post CCA06).

The distinction is important. As the Post CCA06 application/ renewal process is more rigorous, it was believed that there were likely to be significant differences in the proportions of Pre and Post licence-holders who were not using their licence for all of the categories for which it was held. The FSA wanted better information about the licence categories used, to help it design an FCA regime for consumer credit.

1.2 Research objectives

The FSA commissioned this research to help it understand the size of the consumer credit market and its segmentation, i.e. its various subdivisions. It is one input, to help it both design a proportionate and tailored regime for consumer credit regulation, under the FCA, with different features for different organisations, and plan operationally for the transfer of the regulation from the OFT to the FCA.

The main objectives of the research were to:

- Estimate how many consumer credit organisations listed in the OFT database were still trading.²¹
- Estimate how many of those trading organisations were 'active', which the FSA defined for the purposes of this research as having used their consumer credit licence in the past 12 months and expecting to do so in the next 12 months.
- Estimate how many organisations anticipated retaining their consumer credit licence, regardless of whether they were 'active'.

²¹ Under the OFT licensing regime it is not unusual for some organisations to have infrequent contact with, or from, the regulator. Consequently, it was inevitable that some of the organisations listed as licence-holders in the database would have ceased trading in the period since they last had contact with the OFT.

- Provide a segmentation of the 'active' population covering a number of dimensions including primary business type, consumer credit activities and size.
- Provide some limited business model profiling of active consumer credit organisations, by way of survey questions.

Although of these five objectives the first four were more important than the fifth, the greater part of this report does profile the active population. A separate Technical Report, accompanying this report of key findings, details the methodology used to meet the first three objectives and highlights the key sizing and segmentation information to emerge.

1.2.1 Use of the research results for other publications

The results of the research were made available to the FSA in August 2012. FSA staff were able to quiz the data set, and to use findings to inform their thinking and as an input to the cost-benefit analysis (CBA) that will be published as an annex to its consultation paper (CP), *High-level proposals for an FCA regime for consumer credit (including second charge mortgages)*, in early 2013.

Results were also made available to HMT, and to BIS for its regulatory impact assessment on the reform of consumer credit regulation, also due to be published in early 2013, and to the National Audit Office (NAO) for its value for money assessment of the OFT's regulation of consumer credit, due to be published in December 2012.

This report does not seek specifically to include in it any research analysis or research-based assumptions that will be found in these other publications. Where the research may have been used to help develop ideas or concepts mentioned in them, the reader of this report should not expect to find them explained here.

This report was written in November 2012, but is being published at the same time as the FSA's CP.

1.2.2 Coverage of the research

The research was conducted among standard consumer credit licence-holders. In addition to standard licences, the OFT also issues group licences to a small number of professional bodies and other altruistic organisations which are then responsible for regulating the consumer credit activities of their members. Examples include the Law Society of England and Wales, and the National Association of Citizens Advice Bureaux. **Group licences were not in scope for this research.**

In surveying licence-holders, Critical Research mentioned both the OFT and the FSA as sponsors of the research and the Government's intention to transfer responsibility for consumer credit regulation to the FCA. Other than in introducing the research and seeking respondents' participation, no reference was made in the survey itself to any potential changes to the regulatory regime. Consequently, all questions were asked, including that about the likely wish to retain a licence, without any assumption that the regime would be anything other than it is at the moment. The research was intended to provide 'as is' estimates of the number of organisations currently active and of the number wishing to retain their licence, at the time of the survey. **The research was not intended to project estimates of the size of the consumer credit market by the time of the proposed transfer to the FCA in April 2014**, by taking into account any market exits resulting from a change in regulator or regulatory regime.

2 Research design and methodology

This chapter summarises briefly the design of the research programme and the methodologies it employed. It also comments on the strengths and limitations of the research.

The research design can be considered to be in two halves, firstly the research needed to size the consumer credit market, and then the survey conducted among active users of the consumer credit licence.

Full details of the research design can be found in the Technical Report that accompanies this report of key findings. The Technical Report also contains copies of the screener and main interview questionnaires in its Appendices A and B.

2.1 The OFT database

The starting point for the research was the OFT-provided database of 81,284 consumer credit licence-holders, as at 2 April 2012.²² Serving as the basis for all sizing calculations, it contained information on each licence-holder's legal formation; identified each as Pre or Post CCA06, also giving the date of the initial licence and of any latest renewal or maintenance payment; and the licence categories included in the licence.²³

Table 2.1 shows the OFT total population split by the eight 'cells' used in the research for sampling, and for sizing and survey weighting purposes. The cells were created from information known for all licence-holders, namely legal formation using four classifications (sole traders, partnerships, corporates and other), and whether they were Pre or Post CCA06.

²² In fact, the database contained 81,286 records. However, two of these lacked information on the organisations' legal formation. As this information was used, together with the classification as Pre or Post CCA06, to form the weighting cells for the study, it was decided to exclude the two records with missing details.

²³ The information on licence categories was incomplete, and, the OFT advised us, not entirely up to date. Consequently, licence-holders were asked which licence categories they held, and which they used.

Table 2.1 The OFT total population, i.e. the consumer credit standard licence-holder population as provided in the OFT database at 2 April 2012

Legal formation²⁴	Pre CCA06	Post CCA06	Total
A Sole traders	8,928	16,623	25,551
B Partnerships	2,305	4,249	6,554
C & E Bodies corporates inside or outside UK	14,946	32,299	47,245
D Other: charities, trades unions, others	835	1,099	1,934
Total	27,014	54,270	81,284

2.2 Drawing a random sample

Many organisations in the OFT database lacked contact details, such that this was likely to jeopardise the ability to draw a random sample.

A first step to lessen this problem was to identify organisations in the OFT database also regulated by the FSA and to augment any contact information held for those organisations by the OFT with information drawn from FSA records. This step was conducted by Critical Research, with assistance from the FSA.

A random sample of 7,362 organisations was then drawn from the augmented database, segmented across the eight cells to enable all sizing and survey results to be weighted and grossed up to the total universe.

There was still a sizeable proportion of organisations that had been sampled that lacked contact information. These organisations were then subject to further processes to enhance contact details, in particular to fulfil the requirement for a telephone number. Where a telephone number was lacking, an automated telephone number look-up process was conducted. Further, various internet searches were then employed, and the organisations were checked against Riskdisk, a database owned by Experian that forms a near complete and up-to-date source of trading and recently wound-up organisations.

As well as supplying some contact information, Riskdisk was used to confirm that some organisations were trading or were not trading.

²⁴ The labels A-E for legal formation are those used by the OFT. Henceforth in this report, except in Section 4.5, we describe the four legal formation categories as: sole traders, partnerships, corporates and other.

2.3 Sizing the trading population of consumer credit licence-holders

As the OFT has little or no contact with the vast majority of licence-holders between licence renewals, and as organisations that cease trading typically do not notify the OFT to surrender their licence, it was anticipated that the OFT database would include some organisations that were no longer in existence. Further, it was anticipated that greater proportions of all Pre CCA06 organisations (than Post CCA06) and of all sole traders (than organisations of other legal formation) would no longer be trading.

It was essential to be able to size the trading population, and then the active population within it, so that survey results would be grossed up accurately.

As detailed in Chapter 5 of the Technical Report, the 7,362 sampled organisations (drawn from the eight cells described in Section 2.1) were classified as trading or not trading. The classifications were based either on identifying an organisation definitively as trading or not trading, or by assigning a calculated probability that they were trading based on the information available for their specific cell.

Three methods were used for definitive identification. These were:

- Identification on Riskdisk of organisations that had not had telephone numbers as trading or not trading.
- Confirmation as trading by organisations, when they were telephoned – they went on to complete an interview, or refused to do so.
- Confirmation that the organisation was not trading, when the telephone number was called – the number had been taken over by another organisation.

Three methods were used to calculate the probability of trading for those organisations for which a definitive identification was not possible:

- Corporate organisations looked for but not found on Riskdisk were assumed not to be trading.
- Since the focus of Riskdisk is corporate organisations, it was anticipated that some of the sole traders not found on Riskdisk would be trading. Consequently, more detailed internet searches were conducted for a small test sample of the sole traders looked for but not found on Riskdisk, split into Pre CCA06 sole traders and Post CCA06 sole traders. The proportions identified through this test process as, in fact, trading were assumed to be the same for those sole traders not found on Riskdisk and not subject to these more detailed searches.
- Organisations that had a telephone number were not checked on Riskdisk since they could be contacted by Critical Research. Critical did not speak to some of these organisations, however, for one of three reasons: either the telephone number was wrong or unobtainable; the number was engaged or not answered after being called ten times, or the number was not called as sufficient interviews had been completed. In all of these cases, a probability of trading was allocated to each organisation. In the case of the first group (those with incorrect or unobtainable telephone numbers) it was assumed that the same proportion of these organisations were trading as the average for the total sample, by cell, of those put through Riskdisk because they lacked a telephone number. For the other two groups (engaged/ not answered, or not called) it was assumed that the same proportion of these was trading as the overall average for the total sample, by cell, excluding these organisations.

Through these methods, of the 7,362 sampled organisations, 4,782 and 734, respectively, were classified definitively as trading and as not trading, while a probability of trading was calculated for the remaining 1,846 organisations. On a cell

by cell basis, these results were then grossed up, to estimate how many of the 81,284 licence-holders were trading. The results are presented in Chapter 3.

2.4 Sizing the active population of consumer credit licence-holders

Two population estimates were then required from within the estimated total trading population: an estimate of the number of active users of consumer credit licences and an estimate of how many organisations not currently making use of their licence were nevertheless likely to wish to continue to remain licensed. The sum of these two estimates would provide an indication of the number of currently trading consumer credit licence-holders who were likely to want to retain their licence.

As detailed in Chapter 6 of the Technical Report, three questions from the telephone screener interview were used to allocate the 2,082 screened organisations to one of the following six categories:

- **Active** (organisations that had used their consumer credit licence in the previous 12 months and expected to do so in the next 12 months, or did not know whether they would do so).
- **Past** (organisations that had used their licence in the previous 12 months but did not expect to do so in the next 12 months). These were further split into:
 - ◆ **Past Retain** (those past organisations stating that they intend to keep their licence).
 - ◆ **Past Not Retain** (those past organisations that stated they do not intend to keep their licence).
- **Future** (organisations that had not used their licence in the previous 12 months but expect to do so in the next 12 months).
- **Inactive** (organisations that had not used their licence in the past 12 months and did not expect to do so in the next 12 months, or did not know whether they would do so). These were further split into:
 - ◆ **Inactive Retain** (those non-active organisations stating that they intend to keep their licence).
 - ◆ **Inactive Not Retain** (those non-active organisations that stated they do not intend to keep their licence).

The allocation algorithms are shown in Table 2.2. They rely on these three screening questions, to allocate each organisation to one of the six categories:

- S3 Could you please confirm whether your organisation has made use of your licence in the **past 12 months** by undertaking one or more of the activities it covers?
- S4 And do you expect to be using your licence in the **next 12 months** by undertaking one or more of the activities it covers?
- S5 Even though you do not intend to use your consumer credit licence in the next 12 months do you intend to keep it?

Table 2.2 Allocation algorithms: segmenting the trading population into active, future, past and inactive categories

Category	Q S3	Q S4	Q S5
Active	Yes	Yes or don't know ²⁵	N/A
Future	No	Yes	N/A
Past - retain licence	Yes	No	Yes
Inactive - retain licence	No	No or don't know	Yes
Past - do not retain licence	Yes	No	No
Inactive - do not retain licence	No	No or don't know	No

The results are presented in Chapter 3 of this report, detailing the estimated number of organisations, by cell, wishing to retain their licence and, among these, the number of active licence-holders.

2.5 Surveying and segmenting the active population of consumer credit licence-holders

The research materials, the screener and main interview questionnaire, were designed by the FSA, with input from Critical Research and its partner RS Consulting. Following pilots that investigated the use of an online methodology, the decision was taken to conduct both the screener and the main interview by telephone, with the option for online completion of the main interview to be made available.

Interviewees included owners and senior directors/ partners of smaller organisations, and among larger organisations financial and other directors and, in particular among FSA regulated firms, compliance officers. The telephone methodology was recommended in particular for smaller, non FSA regulated firms that – as the pilot demonstrated – were less used to being asked to participate in research. Experienced interviewers were able to reassure respondents of the *bona fide* nature of the research, and to guide them through the interview, allowing them time to seek information where it was not to hand. The OFT advertised the research on its website, to demonstrate its validity; the research is also indebted to trade associations' encouragement to their members to participate in it.

The main interview, or survey, was conducted from late May to mid-July 2012, with 1,392 interviews completed (from among the 2,082 organisations screened), 1,298 by telephone and 103 online; the average length of the telephone interviews was 17 minutes. All surveyed organisations had been classified in the screener as active

²⁵ A very small number of participants in the screener interview (8 out of 2,082) had used their licence in the last 12 months, but were unsure if they would do so in the next 12 months. They were included in the active population, representing just 0.5% of it.

users of their licence. The interviews included all eight cells in the population, with no cell represented by fewer than 50 interviews.

Key findings from the research among active licence-holders are provided in Chapters 4 to 11 of this report. These rely on a majority of the questions in the main interview.²⁶

2.6 Strengths and limitations of the research

The research is a robust, large-scale study that has benefitted from a partnership between the FSA and Critical Research, and from the presence on the team of a qualified statistician, Derek Farr.

The research was conducted to a necessarily tight timeline. Critical Research received the OFT database at the start of April, and all the work to design and implement the research (not least the questionnaire design and piloting, the programming, the interviewing, and then the weighting of survey results and analysis of findings) had been completed by early August, a substantial endeavour in just over four months. Inevitably, given this timeline, it is possible, with hindsight, to identify some weaknesses in the research, as well as recognising some planned limitations.

2.6.1 Strengths of the research

The research has produced the best available information, as at November 2012, held by the FSA or by the OFT on the size of the trading and active populations of consumer credit licence-holders.

A main strength of the **sizing research** is the logic in estimating first the trading population of consumer credit licence-holders from among the OFT total population, and then estimating the part of the trading population that is active. These estimates have given the FSA a better guide to the maximum number of organisations the FCA might need to regulate, than having to assume that number might be anything up to 81,286, being the full total of organisations on the OFT database. It has also been possible to gross up the survey results to the right population, i.e. to the active population rather than the OFT total population.

The rigour of the processes followed in creating these estimates is set out in the Technical Report. Importantly, the design effect for the screening interviews (which were used to estimate the size of the active population) was 1.1,²⁷ and the confidence

²⁶ Where findings from the main interview are not included in this report, this is due largely to unreliability: too few respondents were routed to the question, so that the unweighted base is too small to provide reliable quantitative results, or too many said 'don't know' where 'don't know' was not a valid response, such that respondents had probably not understood the question, rather than, necessarily, not knowing the answer to the intended question.

²⁷ The 'design effect' is the ratio of the variance of a statistic with a complex sample design to the variance of that statistic within a Simple Random Sample of the same size. A design effect therefore represents the combined effect of a number of components such as stratification, clustering, unequal selection probabilities and weighting adjustment for non-response and non-coverage. As stated, the overall Design Effect (DEFT) for the screening interview programme and hence population estimates (sample size of 2,082) was estimated to be 1.1. Consequently,

interval (at the 95% level) for the estimated size of the active population is only +/- 2.4%.

One strength of the sizing research, as detailed in Section 6.2 of the Technical Report, was the ability to confirm that the organisations screened were representative of all the randomly sampled organisations, removing any fears that organisations that could not be contacted, or who refused to participate, might be less likely, for example, to be using their licence. So, it was safe to extrapolate findings from the screened organisations in the sample to those that did not complete the screening interview.

The **survey** was conducted (mainly by telephone) with a large number of organisations (1,392), using a questionnaire that went through two rounds of piloting. Highly experienced interviewers took respondents through a relatively lengthy and complex questionnaire, allaying concerns that organisations unaccustomed to market research of this type would not be able to complete a large part of the survey.

One particularly complex issue that could not easily be checked or confirmed by interviewers was whether some organisations would not be able to give an accurate answer to the questions *Is your organisation currently directly authorised by the Financial Services Authority* and *Is your organisation currently an appointed representative of an FSA directly authorised firm*. Consequently, respondents claiming that their organisation was directly authorised (DA) or an appointed representative (AR) were asked to provide its FSA firm registration number (FRN). The FSA was then able to check the FRNs against its databases of FSA DA and FSA AR firms, resulting in the need to amend the responses of around one in five respondents. The checks Critical Research and the FSA undertook showed that many non FSA regulated organisations had provided their OFT consumer credit licence number, while some few had provided an FRN that had been cancelled by the FSA. Among FSA-regulated firms errors included claiming to be a DA rather than an AR, and vice versa. Consequently, the time-consuming checks completed enabled the survey research findings to compare accurately differences in findings by regulatory status (FSA DA, FSA AR, OFT only).²⁸

2.6.2 Limitations of the research

Given the diverse make-up of the consumer credit market, the research did not set out to size robustly all segments of the market. While an attempt was made to cover all types of organisations in the survey, some segments of the market, typically ones that are 'scarce', are represented by very few interviews. For example, among primary business types, only two interviews were conducted with logbook lenders and with price comparison websites. No interviews at all were achieved with two primary business types: cheque cashing companies and credit reference agencies. Consequently, while the research is confident in its estimates of the size of 'larger'

the results from those interviews had Confidence Intervals (CIs) equivalent to those from a truly Simple Random Sample of 1,733.

²⁸ Critical Research checked all numbers provided by survey participants against the OFT database (which contained consumer credit licence numbers) and against FSA DA and AR databases (which contained FRNs). Where Critical could not reconcile numbers to these databases, they referred checking to the FSA. Simon Clark completed around 250 more detailed checks.

populations, such as all active licence-holders and all licence-holders that are FSA regulated, **it cannot be relied on as, and was not intended to be, a good source for sizing the active populations of 'scarcer' business types, such as logbook lenders and payday loan companies.**²⁹

A sizing-related weakness of the research is that time (and budget) did not allow all sampled organisations to be checked on Riskdisk. With hindsight, this additional robustness would have been welcome.

Although the survey questionnaire was piloted, the bulk of the piloting was completed online (with call-backs) rather than by telephone, again as a result of the tight timeline. A more intensive telephone pilot would have helped to improve a small number of questions, which do not appear to have been understood and answered well.³⁰ The answers to these questions are not included among the findings in this report.

²⁹ The highly skewed nature of the population (with several types of business scarce, compared with many others) meant that a randomly drawn sample (which was required for accurate overall sizing) would not produce robust numbers of interviews for every primary business activity. The FSA needed some better understanding of all business types, however. Therefore, Critical Research, in addition to the completing the 1,392 interviews among the randomly drawn sample, also conducted another 156 non-random interviews, so that it could provide the FSA with at least some information about every primary business type. The sample for the non-random interviews is described in Section 3.2.4 of the Technical Report. This report includes no findings based on the non-random interviews.

³⁰ This refers largely to the compliance monitoring questions in Section E of the main questionnaire.

3 The populations of consumer credit licence-holders

This chapter provides the findings of the sizing research: the estimated sizes of the trading population, the population intending to keep its licence (including some organisations that do not use it), and the population of active consumer credit licence-holders. Each population is segmented using the same eight-cell matrix (based on legal formation and Pre/Post CCA06) that is used in Table 2.1 to present the make-up of the 81,284 licence-holders in the OFT database.

This chapter does not describe the methods of calculating the sizes of these three populations. Please see the summary of these methods in Chapter 2 of this report, with full details available in the accompanying Technical Report.

This chapter comments on changes over the last few years in the size of the OFT database and on the caveats these changes imply for the accuracy of the estimated sub-populations of the database.

Key findings in this chapter are:

- The trading population was estimated to be 64,636. As expected, a significantly greater proportion of Post CCA06 than Pre CCA06 organisations was still trading. Similarly, also as expected, a smaller proportion of sole traders was trading than of the other legal formations.
- A total of 61,301 organisations were estimated to wish to retain their consumer credit licence.
- The active population was estimated to total 47,607 organisations.
- The number of licence-holders has been declining for a number of years. By 2 November 2012 it had fallen further from 81,286 at the time of the research to 74,886. Consequently, the population sizes estimated from the research will be an overstatement of the size of the current market, as at the time of writing this report in November 2012.

3.1 The trading population

The final outcome of calculations to estimate the trading population of consumer credit licence-holders was an estimate that 64,636 out of the 81,284 organisations on the OFT database (80%) were trading, as detailed in Table 3.1.

Table 3.1 Estimates of the number of trading organisations by cell, compared with the OFT total population

Legal formation	OFT total population	Proportion of sample identified or estimated as trading (row percentages)	Estimated trading population
Pre CCA06			
Sole traders	8,928	41	3,697
Partnerships	2,305	58	1,343
Corporates	14,946	74	11,053
Other	835	72	599
Pre CCA06 Total	27,014	62	16,692
Post CCA06			
Sole traders	16,623	81	13,510
Partnerships	4,249	89	3,761
Corporates	32,299	92	29,656
Other	1,099	93	1,018
Post CCA06 Total	54,270	88	47,945
Total	81,284	80	64,636³¹

Table 3.2 examines the findings in a different way, showing what proportion of each population (the OFT total population, and the estimated trading population) is accounted for by each of the four legal formations.

This analysis shows that while sole traders accounted for nearly a third (31%) of the OFT total population, they accounted for just over a quarter (27%) of the trading population.

³¹ Varies by one from the sum of the eight individual results due to rounding.

Table 3.2 Comparison, by legal formation and by Pre/ Post CCA06, of the OFT total population and the estimated trading population of consumer credit licence-holders

Legal formation	Pre CCA06	Post CCA06	Total	Proportion of Total (column percentages)
OFT total population				
Sole traders	8,928	16,623	25,551	31
Partnerships	2,305	4,249	6,554	8
Corporates	14,946	32,299	47,245	58
Other	835	1,099	1,934	2
Total	27,014	54,270	81,284	
Estimated trading population				
Sole traders	3,697	13,510	17,208	27
Partnerships	1,343	3,761	5,104	8
Corporates	11,053	29,656	40,709	63
Other	599	1,018	1,617	3
Total	16,692	47,945	64,636	

3.2 The population intending to keep its licence and the active population

The trading population was segmented into six categories, as shown in Table 3.3 and as defined in Section 2.4.

The population intending to keep its licence was estimated to be 61,301 organisations, made up from four of the six categories: predominantly by **the active population (47,607)**, but also by the future population (4,234), and by the populations labelled past – retain (886) and inactive – retain (8,571).³² The estimated number of trading licence-holders not intending to keep their licences was 3,335, made up of the population categories of past – not retain (490) and inactive – not retain (2,845).

³² Varies by one from the sum of the four individual results due to rounding.

Table 3.3 Allocation of the estimated trading population to different categories

Categories of the trading population	Pre CCA06				Post CCA06				Total
	Sole traders	Partnerships	Corporates	Other	Sole traders	Partnerships	Corporates	Other	
Active	2,374	895	7,751	477	9,381	3,023	22,918	788	47,607
Future	441	70	431	18	1,222	230	1,747	80	4,238
Past - retain licence	68	28	335	0	231	48	166	9	886
Inactive - retain licence	610	196	1,483	67	2,114	375	3,619	106	8,571
Past - do not retain licence	34	14	48	12	132	0	250	0	490
Inactive - do not retain licence	170	140	1,005	24	429	85	957	35	2,845

The licence-holders that intended to retain their licences but not use them in the next 12 months, whether they had used them in the previous 12 months (past) or not (inactive), were asked why they intended to keep them. The overwhelmingly frequent answer was *for contingency reasons*, without further explanation, while some respondents admitted to *not being sure whether they needed a licence or not*.

The future population deserves some comment. These are organisations that had not used their licence in the last 12 months, but they intended to use it in the next 12 months. They were not included in the main interview, which surveyed active licence-holders, since questions focused on behaviour and activity over the last year. Still, it is useful to note that combining the estimates of the active and future populations produces an estimate of 51,845 organisations that stated the intention, at the time of the survey, to use their licence over the next 12 months.

3.3 The active population

Focusing now on the active population, Table 3.4 shows what proportion of each population (the OFT total population, and the estimated active population) was accounted for by each of the four legal formations.

This analysis shows that while sole traders accounted for nearly a third (31%) of the OFT total population, they accounted for just under a quarter (25%) of the active population.

Table 3.4 Comparison, by legal formation and by Pre/ Post CCA06, of the OFT total population and the estimated active population of consumer credit licence-holders

Legal formation	Pre CCA06	Post CCA06	Total	Proportion of Total (column percentages)
OFT total population				
Sole traders	8,928	16,623	25,551	31%
Partnerships	2,305	4,249	6,554	8%
Corporates	14,946	32,299	47,245	58%
Other	835	1,099	1,934	2%
Total	27,014	54,270	81,284	
Estimated active population				
Sole traders	2,374	9,381	11,755	25%
Partnerships	895	3,023	3,918	8%
Corporates	7,751	22,918	30,669	64%
Other	477	788	1,265	3%
Total	11,497	36,110	47,607	

3.4 Summary of population estimates: from the OFT total population to the active population

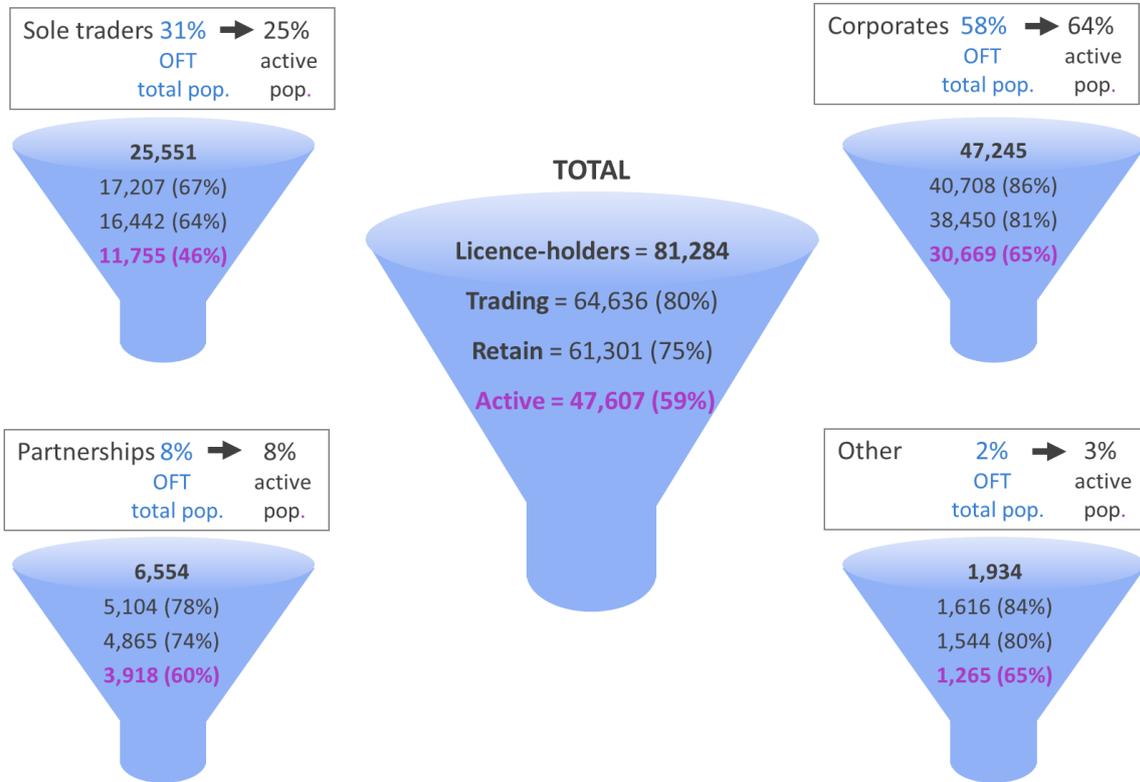
Figure 3.1 summarises the ‘funnels’ through which the OFT total population has gone, to arrive at the estimated active population. The central funnel is at total level, and the four corner funnels are for the four legal formations.

The central funnel shows that, respectively, the three populations that were trading, intended to retain their licence, and were active, represented 80%, 75% and 59% of the OFT total population of consumer credit licence-holders.

Similar results are seen for each of three formations: partnerships, corporates and other.

For sole traders, the picture is different, with, ultimately, the active population of sole traders being represented by less than half (46%) of the sole traders in the OFT total population. As mentioned in Section 3.3, sole traders made up 31% of the OFT total population, but 25% of the active population; this comparison and those for the other three legal formations are shown in the boxes above the funnels in Figure 3.1.

Figure 3.1 Summary of population estimates: from the OFT total population to the active population



3.5 The decline of the OFT total population

The number of consumer credit licence-holders on the OFT database has been declining over several years. Its size at the end of March 2009 was 113,735, but this number had dropped to 91,174 by the end of March 2011. As we know, its size on 2 April 2012 was 81,284.

In preparing the research findings for publication, we have been able to check the size of the population as at 2 November 2012 with the OFT: seven months on, the population has dropped from 81,286 to 74,886. This decline illustrates the obvious point that the estimated sizes for the trading and active populations of consumer credit licence-holder, at the date of writing this report in November 2012, are slight overestimates, and will be more so by publication in early 2013.

4 Segmenting the active population

This chapter segments the active population in several different ways.

The segmentations covered here for the first time are primary business types, consumer credit activity groups, regulatory status, and size as defined by consumer credit related turnover. All these segmentations are based on survey responses.

The chapter also includes, to be comprehensive, a legal formation segmentation, which is based on the OFT legal formation classifications and not on a survey question.³³

These segmentations are also key analysis variables, i.e. they are used to analyse other survey findings, as presented in later chapters of this report.

Key findings are:

- The active population divided almost equally between organisations whose primary business was financial/ consumer credit related (51%) and those that were primarily non-financial/ non-consumer credit organisations (49%). The largest single group of active licence-holders was '*sellers/ retailers of goods and/ or services*' which accounted for 34% of all active licence-holders.
- The most common single consumer credit activity was '*selling goods and/ or services on credit financed by a third party*' (31%) followed by '*general credit/ loan brokerage*' (24%).
- Just over three-quarters of active licence-holders (77%) were acting, at least in part, as intermediaries and around a quarter (27%) as lenders. One in ten (10%) were involved in providing consumer credit related advice.
- Almost half (45%) of active licence-holders were already regulated by the FSA.
- The great majority of active licence-holders (84%) had consumer credit turnover no greater than £250,000.
- Around two-thirds (64%) were corporates, and a quarter (25%) were sole traders.

4.1 Primary business types

Organisations were asked to identify themselves to one of 42 primary business types. These were divided into 35 primarily financial services/ consumer credit related businesses (including an 'other' category) and seven primarily non-financial services related/ non-consumer credit related businesses (also including an 'other' category).

The full list of primary business types is provided in Table 4.1.

³³ This information has already been presented in Section 3.4.

Table 4.1 Primary businesses types

Primary business types	
Question code	Primarily financial services/ consumer credit related
1	Accountant
2	Bailiff
3	Bank
4	Building Society
5	Cheque cashing company
6	Claims management company
7	Credit reference agency
8	Credit repair company
9	Credit union
10	Credit/ store card issuer
11	Debt adviser (charged for/ commercial)
12	Debt adviser (free/ non-commercial)
13	Debt collection agency (not a bailiff)
14	Debt management company
15	Debt purchaser (i.e. purchase debts from other companies)
16	Doorstep/ in the home retail finance broker
17	Hire purchase company
18	Home collected credit provider
19	Independent financial adviser (IFA)
20	Insolvency practitioner
21	Insurance broker
22	Insurance company
23	Loan administrator
24	Credit broker or intermediary
25	Logbook lender
26	Mortgage broker
27	Pawnbroker
28	Payday loan company
29	Price comparison website/ website aggregator
30	Retail finance (advice & referral) broker
31	Secured loans provider
32	Stockbroker
33	Unsecured loans provider
34	Vehicle repossession services company
35	Other (please specify)

Primary business types

Question code	Primarily non-financial services related/ non- consumer credit related
36	Car hire company
37	Other hire company
38	Seller or retailer of goods
39	Seller or retailer of services (non-financial)
40	Solicitor
41	Tool hire company
42	Other (please specify)

The top-level analysis groups are those primary business types that were **primarily financial services/ consumer credit related** and those which were **primarily non-financial services/ non-consumer credit related**.

Out of the 1,392 survey respondents, 693 fell into one of the primarily financial services related/ consumer credit related business types and 699 into one of the primarily non-financial services/ non-consumer credit related options.

Grossed up, these were estimated to represent **24,059 primarily financial services/ consumer credit related organisations** (51%) and **23,548 primarily non-financial services/ non-consumer credit organisations** (49%). So, there was a broadly even split.

For analysis purposes, the primarily financial services/ consumer credit group was also split by regulatory status, as described in Section 4.3.

As indicated in Section 2.6.2, many of the individual primary business types were very scarce. Consequently, for these, too few observations could be achieved in a random survey to be able to gross up the findings with any confidence to a specific population estimate. Consequently, in Table 4.2 population estimates are provided only for the five largest specific primary business types, namely those with an estimated active population in excess of 1,000 organisations.

Table 4.2 The five largest primary business types among active licence-holders

All active licence-holders (numbers; row percentages)					
Primarily financial services/ consumer credit related			Primarily non-financial services/ non-consumer credit related		
	Number	%		Number	%
IFAs	6,589	14	Sellers or retailers of goods	15,957	34
Mortgage brokers	3,875	8	Sellers or retailers of services (non-financial)	5,172	11
Credit brokers or intermediaries	1,667	4			
Total – all primary business types that are primarily financial services/ consumer credit related	24,059	51	Total – all primary business types that are primarily non-financial/ non-consumer credit related	23,548	49

A1 What is your organisation's primary business? Base: All active licence-holders (1,392)

4.2 Consumer credit activities and activity groups

Organisations were asked to identify for which of a detailed list of 30 consumer credit activities (including an 'other' category) they had used their consumer credit licence in the past 12 months. Unlike with primary business type, participants were able to select more than one activity if appropriate.

Different groups of consumer credit activities were identified for analysis purposes, in order to reflect the disparate nature of the active population.

4.2.1 Consumer credit activities

The 30 individual activities, i.e. the services or products offered, are listed in Table 4.3.

Table 4.3 Consumer credit activities

Question code	Consumer credit activities
1	Providing unsecured loans
2	Providing secured loans other than first charge mortgages
3	Credit or store cards
4	Loans as a pawnbroker
5	Logbook lending
6	Home collected credit
7	Selling goods/ services on credit that you finance yourself
8	Selling goods/ services on credit that is financed by a third party
9	Payday loans
10	Purchasing debt from other companies
11	Hire purchase
12	Car hire services
13	Tool/ other hire services
14	Advice about/ offer referral to third party credit (not linked to goods or services you are selling)
15	Advice about/ offer referral to third party doorstep/ in-the-home credit (not linked to goods or services you are selling)
16	General credit/ loan brokerage – other than 1 st charge mortgages
17	Loan finding services
18	Loan introduction services
19	Price comparison websites or aggregators
20	Debt advice services
21	Debt adjusting
22	Debt counselling
23	Debt collecting services
24	Vehicle repossession services
25	Bailiff collecting debts
26	Debt administration
27	Credit repair services
28	Credit information services
29	Credit reference services
30	Other (specify)

The most frequently mentioned activities, in each case estimated to be conducted by more than 2,500 organisations, are shown in Table 4.4.

Table 4.4 The most widely practised consumer credit activities

Consumer credit activities	All active licence-holders (numbers; row percentages)	
	Number	%
Selling goods/ services on credit that is financed by a third party	14,535	31
General credit/ loan brokerage (other than 1 st charge mortgages)	11,553	24
Advice about/ offer referral to third party credit (not linked to goods or services you are selling)	11,039	23
Selling goods/ services on credit that you finance yourself	7,861	17
Loan introduction services	4,572	10
Debt counselling	3,725	8
Debt advice services	3,150	7
Loan finding services	3,001	6

A6 Have you used your consumer credit licence in the past 12 months to provide any of the following? (ADD for A1 codes 3,4,9,19,21,26,30,31: If you offer any services connected to first charge mortgages, please exclude these as they do not fall under your consumer credit licence). Base: All active licence-holders (1,392)

These categorisations are not exact as they are based on participants' own self-designations but nevertheless provide a broad picture of the diverse nature of the consumer credit market.

4.2.2 Consumer credit activity groups

Analysis groups of consumer credit activities were designated to reflect the disparate nature of the active population. These were:

- Lenders/ hirers (henceforth 'lenders')
 - ♦ Specialist lenders
 - ♦ Non-specialist lenders/ hirers (henceforth 'non-specialist lenders')
- Intermediaries
 - ♦ Specialist intermediaries
 - ♦ Secondary credit brokers (i.e. non-specialist intermediaries)
- Advisers
- Debt collectors

The composition of these groups is shown in Table 4.5.

Table 4.5 Composition of the consumer credit activity groups

		Consumer credit activity groups			
Consumer credit activities	Lenders	Intermediaries	Advisers	Debt collectors	
1	Providing unsecured loans	S			
2	Providing secured loans other than first charge mortgages	S			
3	Credit or store cards	S			
4	Loans as a pawnbroker	S			
5	Logbook lending	S			
6	Home collected credit	S			
7	Selling goods/ services on credit that you finance yourself	NS			
8	Selling goods/ services on credit that is financed by a third party		SCB		
9	Payday loans	S			
10	Purchasing debt from other companies	S			
11	Hire purchase	NS			
12	Car hire services	NS	S		
13	Tool/ other hire services	NS	S		
14	Advice about/ offer referral to third party credit (not linked to goods or services you are selling)		S		
15	Advice about/ offer referral to third party doorstep/ in-the-home credit (not linked to goods or services you are selling)		S		
16	General credit/ loan brokerage – other than 1 st charge mortgages		S		
17	Loan finding services		S		
18	Loan introduction services		S		
19	Price comparison websites or aggregators		S		
20	Debt advice services			A	
21	Debt adjusting			A	
22	Debt counselling			A	
23	Debt collecting services				D
24	Vehicle repossession services				D
25	Bailiff collecting debts				D

S = Specialist; NS = Non-specialist; SCB = Secondary credit broker; A = Adviser; D = Debt collector

The total number of active licence-holders in each of the groups is given in Table 4.6.

Table 4.6 Active licence-holders, by the consumer credit activity groups

All active licence-holders belonging to the consumer credit activity groups (numbers; row percentages)		
Consumer credit activity groups	Number³⁴	%
Lenders	12,734	27
<i>Specialist lenders</i>	2,744	6
<i>Non-specialist lenders</i>	10,517	22
Intermediaries	36,392	76
<i>Specialist intermediaries</i>	23,892	50
<i>Secondary credit brokers - i.e. non-specialist intermediaries</i>	14,535	31
Advisers	4,849	10
Debt collectors	1,645	3

S7 What is your organisation's primary business? Base: All active licence-holders belonging to the consumer credit activity groups (1,386)

Analysis groups were not established for the remaining (small) activities, namely debt administration, credit repair services, credit information services, credit reference services and 'other', as random sample sizes were too small for detailed investigation.

4.3 Regulatory status

Organisations were also segmented according to whether or not they were regulated by the FSA in addition to by the OFT and, if so, how. Separate analysis groups were specified for organisations that were:

- FSA regulated at all (FSA ALL)
 - ◆ Directly authorised (FSA DA)
 - ◆ Appointed representatives (FSA AR)
- Not regulated by the FSA (OFT only)

The FSA ALL grouping contained a few licence-holders in addition to the sum of those in the FSA DA and FSA AR groups. These were a small number of individuals who

³⁴ The sum of organisations in subgroups exceeds the total for both lenders/hirers and intermediaries as a small number of licence-holders were undertaking both specialist and non-specialist activities. Similarly, the sum of organisations across all the main groups (lenders, intermediaries, advisers and debt collectors) exceeds 100% as some organisations were conducting activities in more than one group. Also, hire organisations were included in both the lenders and intermediaries groups.

had a consumer credit licence in their own right: they were not an FSA firm, but were employed by one and had approval from the FSA as a CF30.

Those organisations that were primarily financial services/ consumer credit organisations were also split into two analysis groups according to their regulatory status:

- Primarily financial services/ consumer credit related (FSA)³⁵
- Primarily financial services/ consumer credit related (OFT only)

The total number of active licence-holders in each of the groups is given in Table 4.7.

Table 4.7 Active licence-holders, by regulatory status groups

Regulatory status groups	All active licence-holders (numbers; row percentages)	
	Number	%
FSA ALL	21,225	45
FSA DA	10,840	23
FSA AR	9,768	21
OFT only	26,382	55
Primarily financial services/ consumer credit related - FSA	17,285	36
Primarily financial services/ consumer credit related - OFT only	6,773	14

A1 What is your organisation's primary business? B2 Is your organisation currently directly authorised by the FSA? B3 Is your organisation currently an appointed representative of an FSA directly authorised firm? Base: All active licence-holders (1,392)³⁶

4.4 Size by consumer credit related turnover

Organisations were asked to estimate their consumer credit related turnover for the past 12 months or for their last financial year. The size bands adopted for analysis purposes were:

- Small – up to £250,000
- Medium – over £250,000 and up to £5,000,000
- Large – over £5,000,000 and up to £50,000,000
- Very large – over £50,000,000

³⁵ This group includes all forms of FSA regulation, i.e. DA, AR and CF30.

³⁶ As explained in Section 2.6.1, survey responses on regulatory status were checked and, in part, amended by Critical Research and the FSA.

The total number of active organisations estimated to be in each category is shown in Table 4.8. This reveals that the great majority of active consumer credit licence-holders had turnover specifically from their consumer credit activities which was no greater than £250,000.

A total of 13% of organisations were unable to estimate their consumer credit turnover. These are excluded in analysis wherever size is used as a segmentation variable. Table 4.8 provides the results, however, both including and excluding organisations reporting 'don't know'.

Table 4.8 Active licence-holders, by consumer credit turnover groups

Consumer credit related turnover groups	Number	All active licence-holders (numbers; row percentages)	
		% including 'don't know'	% excluding 'don't know'
Small (up to £250k)	34,799	73	84
Medium (over £250k to £5m)	5,530	12	13
Large (over £5m to £50m)	836	2	2
Large & Very large (over £5m)	1,308	3	3
Don't know	5,970	13	

D3 Approximately how much in total in fees, commission, interest and any other forms of income did your organisation earn from [all] your consumer credit licensed activities in your last financial year (OR, in the past 12 months if that is easier to estimate)? Base: All active licence-holders (1,392), Base: All active licence-holders (1,228) excluding don't knows (13%)

4.5 Legal formation

Information on legal formation was taken from the OFT database, not survey responses. This lists five categories:

- A = Sole traders
- B = Partnerships
- C = Bodies corporate inside the UK
- D = Other (charities, trades unions and other miscellaneous organisations)
- E = Bodies corporate outside the UK

There were very few organisations in Group E: for analysis purposes these were combined with Group C to produce a single category for corporates.³⁷

³⁷ In the OFT total population of 81,284 licence-holders, there were 47,245 corporates, split between 46,682 in legal formation C and 563 in legal formation E.

The total number of active organisations by each legal formation group is shown in Table 4.9. This shows that almost two-thirds are corporates and around a quarter were sole traders.

Table 4.9 Active licence-holders, by legal formation groups

Legal formation groups	All active licence-holders (numbers; column percentages)	
	Number	%
A Sole traders	11,755	25
B Partnerships	3,919	8
C & E Bodies corporate inside or outside UK	30,669	64
D Other: charities, trades unions, others	1,264	3

Source: OFT database. Base: All active licence-holders (1,392)

5 The active population: OFT licence categories held and used

This chapter reports, for the active population of consumer credit licence-holders, the numbers and proportions that **held** each of the nine main OFT licence categories; the numbers and proportions that **used** each licence category; and the proportions of those holding each licence category that used it. All findings are based on survey responses,³⁸ not on information supplied in the OFT database.

Findings are reported at total level, and for the segmentations based on regulatory status, primary business type, organisation size (as defined by consumer credit turnover) and by legal formation. Due to the impact of the change in licensing arrangements under CCA06, overall findings (in Section 5.1.1 and 5.1.2) are also shown separately for Pre CCA06 and Post CCA06 organisations.³⁹

Key findings are:

- The most widely **held** OFT licence categories were credit brokerage (37,500) and consumer credit business (19,207). They were also the most widely **used**: credit brokerage (34,586) and consumer credit business (15,596).
- Overall, almost three-quarters (73%) of licence categories held were actually being used. This proportion was lower (65%), however, among Pre CCA06 organisations than among those that were Post CCA06 (76%), presumably reflecting the more stringent application process for the latter.
- Those regulated by the FSA were more likely to hold and have used licences covering credit brokerage, debt counselling and credit information services. Conversely, OFT-only licence-holders more frequently held and had used licences for consumer credit business, consumer hire business and debt collecting.
- Small licence-holders, measured by consumer credit turnover, were more likely to have held and used a licence for credit brokerage than were larger organisations. By contrast, the latter were more likely to hold and have used licences for consumer credit business, consumer hire business and debt collecting. A related result is that sole traders were also relatively more frequent users of licences for credit brokerage, while greater proportions of corporates had used licence categories for consumer credit and consumer hire business.

5.1 Overall and variations between Pre and Post CCA06 organisations

This section first covers licence categories held and then actually used by all active licence-holders. It also highlights variations between Pre and Post CCA06 organisations.

³⁸ Participants were given a detailed explanation of each category, where this was required.

³⁹ Also see Section 1.1.2 on Pre/ Post CCA06.

5.1.1 Licence categories held

The numbers of active consumer credit licence-holders holding a licence covering each of the main OFT licence categories are shown in Table 5.1. This also shows the proportions holding each licence category that were Pre or Post CCA06. The results show that two categories C and A, credit brokerage and consumer credit business, were easily the most widely held across the population of active licence-holders.

The mean number of licence categories held was 2.1 at total level, and was higher among the Pre CCA06 active population, at 2.6, than among the Post CCA06 active population, at 2.0. This is as expected, since Pre CCA06 applicants and those organisations renewing their licence before April 2008 could more easily apply for categories that, in practice, they might not need. For example, Table 5.1 shows that although Pre CCA06 organisations accounted for only one-quarter (24%) of active licence-holders they held around half of the licences for credit reference agencies and debt collecting.

Table 5.1 OFT licence categories held: overall and by Pre/ Post CCA06

OFT licence categories	All active licence-holders (numbers; row percentages; mean number of licence categories)				
	Total	Pre CCA06		Post CCA06	
	No.	No.	%	No.	%
A Consumer credit business	19,207	5,127	27	14,079	73
B Consumer hire business	9,257	2,396	26	6,860	74
C Credit brokerage	37,500	8,826	24	28,674	76
D Debt adjusting	8,391	3,335	40	5,056	60
E Debt counselling	10,356	3,384	33	6,971	67
F Debt collecting	4,913	2,389	49	2,525	51
G Debt administration	2,788	825	30	1,964	70
H Credit information services	5,217	1,323	25	3,894	75
I Credit reference agencies	4,003	2,088	52	1,915	48
Total active population	47,607	11,497	24	36,110	76
Mean no. of categories held	2.1	2.6		2.0	

A4 For which of the following OFT licence categories do you hold a consumer credit licence? Base: All active licence-holders (1,392); Pre CCA06 (335), Post CCA06 (1,057)

The same data are presented in Table 5.2. However, this table shows the proportions of all Pre and of all Post CCA06 active licence-holders who had a licence covering each category. These findings highlight quite substantial differences between Pre CCA06 and Post CCA06 licence-holders.

Table 5.2 OFT licence categories held: proportion of Pre/ Post CCA06 holding each licence category

OFT licence categories	All active licence-holders (column percentages; mean number of licence categories)		
	Total	Pre CCA06	Post CCA06
A Consumer credit business	40	45	39
B Consumer hire business	19	21	19
C Credit brokerage	79	77	79
D Debt adjusting	18	29	14
E Debt counselling	22	29	19
F Debt collecting	10	21	7
G Debt administration	6	7	5
H Credit information services	11	12	11
I Credit reference agencies	8	18	5
Mean no. of categories held	2.1	2.6	2.0

A4 For which of the following OFT licence categories do you hold a consumer credit licence? Base: All active licence-holders (1,392); Pre CCA06 (335), Post CCA06 (1,057)

As noted, Pre CCA06 organisations held more licence categories on average. This particularly affected debt adjusting, debt counselling, debt collecting and credit reference agencies, each of whose prevalence was much lower among Post CCA06 licence-holders.

So, looking at Tables 5.1 and 5.2, and taking OFT licence category F, debt collecting, as an example: the active population holding this licence category was estimated to be 4,913, split almost evenly between Pre CCA06 (49%) and Post CCA06 (51%); however, 2,389 licence-holders holding category F represented 21% of the Pre CCA06 active licence-holders, while 2,525 organisations with the same category made up just 7% of the Post CCA06 active population.

5.1.2 Licence categories used

The most widely used licence categories were credit brokerage (34,586 claimed active users) and consumer credit business (15,596 claimed active users), as shown in Table 5.3. These two categories also, unsurprisingly, showed the greatest proportion of organisations that held such licences saying that they were actually using them, at 92% and 81%, as shown later in Table 5.5.

At the other end of the scale, the categories that active licence-holders claimed least frequently to be using were debt administration (1,697 claimed active users) and credit reference agencies (1,954 claimed active users).

The figures will not be a completely accurate reflection of actual activity in the market, as a proportion of users were hesitant in replying and inaccurate regarding their understanding of which licence categories they needed for specific activities. As an extreme example, the number of organisations that genuinely need licence category I (credit reference agencies) is thought to be much lower than the estimated 1,954

users.⁴⁰ Nevertheless, the data provide a broad picture of the scale and spread of different consumer credit activities.⁴¹

The numbers and proportions of active licence-holders using a licence covering each of the nine main OFT licence categories are shown in Table 5.3. The average number of licences used is 1.6, compared with the average of 2.1 held.

Table 5.3 OFT licence categories used: overall and by Pre/ Post CCA06

OFT licence categories	All active licence-holders (numbers; row percentages; mean number of licence categories)				
	Total	Pre CCA06		Post CCA06	
	No.	No.	%	No.	%
A Consumer credit business	15,596	4,133	27	11,463	73
B Consumer hire business	5,660	1,173	21	4,487	79
C Credit brokerage	34,586	7,992	23	26,594	77
D Debt adjusting	3,459	1,094	32	2,364	68
E Debt counselling	5,456	1,330	24	4,126	76
F Debt collecting	2,386	1,077	45	1,309	55
G Debt administration	1,697	472	28	1,226	72
H Credit information services	3,043	941	31	2,103	69
I Credit reference agencies	1,954	1,064	54	891	46
Total active population	47,607	11,497	24	36,110	76
Mean no. of categories used	1.6	1.7		1.5	

A5 And which of these have you actively used in the past 12 months? Base: All active licence-holders (1,392); Pre CCA06 (335), Post CCA06 (1,057)

Table 5.4 reveals fewer differences between Pre CCA06 and Post CCA06 active licence-holders than was the case for licences held. The only statistically significant differences were the greater proportions of Pre CCA06 licence-holders stating that they used a licence for debt collecting and for acting as a credit reference agency.

⁴⁰ There are only eight true credit reference agencies. For reasons relating to the breadth of the regulated activity as currently defined, a large number of organisations have, however, been granted a Category I licence.

⁴¹ It is also important to note that a fairly substantial amount of consumer credit activity – debt collection and debt advice – takes place under cover of group licences.

Table 5.4 OFT licence categories used: proportion of Pre/ Post CCA06 using each licence category

OFT licence categories	All active licence-holders (column percentages; mean number of licence categories)		
	Total	Pre CCA06	Post CCA 06
A Consumer credit business	33	36	32
B Consumer hire business	12	10	12
C Credit brokerage	73	70	74
D Debt adjusting	7	10	7
E Debt counselling	12	12	11
F Debt collecting	5	9	4
G Debt administration	4	4	3
H Credit information services	6	8	6
I Credit reference agencies	4	9	3
Mean no. of categories used	1.6	1.7	1.5

A5 And which of these have you actively used in the past 12 months? Base: All active licence-holders (1,392); Pre CCA06 (335), Post CCA06 (1,057)

Combining the data in Table 5.3 (categories used) with those in Table 5.1 (categories held) provides information on the proportion of licence categories held that were actually being used. The results are shown in Table 5.5.

The table shows that approximately three-quarters (73%) of licence categories held overall were being used but only around two-thirds (65%) of those held by Pre CCA06 organisations.

Credit brokerage and consumer credit business were the two categories most likely to be used if they were held, by 92% and 81% respectively of the licence-holders that held them. At the opposite end of the scale, debt adjusting, debt counselling, debt collecting, and acting as a credit reference agency were the licence categories held that were least likely actually to be used.

Post CCA06 licence-holders were using a significantly greater proportion of the licences they held in three categories: consumer hire business, debt adjusting and debt counselling. There were no categories in which the same was true for Pre CCA06 licence-holders.

Table 5.5 Proportion of OFT licence categories held being used: overall and by Pre/Post CCA06

All active licence-holders (column percentages)			
OFT licence categories	Total	Pre CCA06	Post CCA06
A Consumer credit business	81	81	81
B Consumer hire business	61	49	65
C Credit brokerage	92	91	93
D Debt adjusting	41	33	47
E Debt counselling	53	39	59
F Debt collecting	49	45	52
G Debt administration	61	57	62
H Credit information services	58	71	54
I Credit reference agencies	49	51	47
Mean % of categories held that are used	73	65	76

A4 For which of the following OFT licence categories do you hold a consumer credit licence? A5 And which of these have you actively used in the past 12 months? Base: All active licence-holders (1,392); Pre CCA06 (335), Post CCA06 (1,057)

5.2 Variations by regulatory status

This section reviews variations in the propensity to hold and use licence categories between organisations that were also regulated by the FSA and those that were not.

5.2.1 Licence categories held

Organisations regulated by both the FSA and the OFT (i.e. the segment called FSA ALL) were more likely to hold licences covering credit brokerage, debt counselling and credit information services. Conversely, OFT-only organisations more frequently held licences for consumer credit business, consumer hire business and debt collecting.

Some differences also emerged between organisations that were currently either FSA DA (directly authorised) or FSA AR (appointed representatives). FSA DAs were relatively more likely to hold a consumer credit business licence, while ARs relatively more frequently had licences for consumer hire activities and debt counselling.

These findings are shown in Table 5.6.

Table 5.6 OFT licence categories held: by regulatory status groups

OFT licence categories	All active licence-holders (numbers; row percentages; mean number of licence categories)									
	Total		FSA DA		FSA AR		FSA ALL		OFT only	
	No.	%	No.	%	No.	%	No.	%	No.	%
A Consumer credit business	19,207	3,650	19	2,320	12	6,043	31	13,164	69	
B Consumer hire business	9,257	961	10	1,436	16	2,397	26	6,859	74	
C Credit brokerage	37,500	9,842	26	8,797	23	19,221	51	18,279	49	
D Debt adjusting	8,391	1,731	21	2,164	26	3,966	47	4,425	53	
E Debt counselling	10,356	2,206	21	3,539	34	6,071	59	4,285	41	
F Debt collecting	4,913	654	13	585	12	1,239	25	3,674	75	
G Debt administration	2,788	852	31	363	13	1,251	45	1,537	55	
H Credit information services	5,217	1,636	31	1,643	31	3,423	66	1,794	34	
I Credit reference agencies	4,003	999	25	1,224	31	2,223	56	1,780	44	
Total active population	47,607	10,840	23	9,768	21	21,225	45	26,382	55	
Mean no. of categories held	2.1	2.1		2.3		2.2		2.1		

A4 For which of the following OFT licence categories do you hold a consumer credit licence? Base: All active licence-holders (1,392); FSA DA (317), FSA AR (281), FSA ALL (615), OFT only (777)

When analysed as a proportion of all organisations of each regulatory status group, the results are as shown in Table 5.7.

Table 5.7 OFT licence categories held: proportion of regulatory status groups holding each licence category

OFT licence categories	All active licence-holders (column percentages; mean number of licence categories)				
	Total	FSA DA	FSA AR	FSA ALL	OFT only
A Consumer credit business	40	34	24	29	50
B Consumer hire business	19	9	15	11	26
C Credit brokerage	79	91	90	91	69
D Debt adjusting	18	16	22	19	17
E Debt counselling	22	20	36	29	16
F Debt collecting	10	6	6	6	14
G Debt administration	6	8	4	6	6
H Credit information services	11	15	17	16	7
I Credit reference agencies	8	9	13	11	7
Mean no. of categories held	2.1	2.1	2.3	2.2	2.1

A4 For which of the following OFT licence categories do you hold a consumer credit licence? Base: All active licence-holders (1,392); FSA DA (317), FSA AR (281), FSA ALL (615), OFT only (777)

5.2.2 Licence categories used

The numbers and proportions of active licence-holders using a licence covering different categories from each of regulatory status groups are shown in Table 5.8. The difference in the average number of categories used between FSA (1.6) and OFT-only (1.5) organisations is statistically significant.

Table 5.8 OFT licence categories used: by regulatory status groups

All active licence-holders (numbers; row percentages; mean number of licence categories)										
OFT licence categories	Total		FSA DA		FSA AR		FSA ALL		OFT only	
	No.	No.	%	No.	%	No.	%	No.	%	
A Consumer credit business	15,596	2,758	18	1,844	12	4,637	30	10,959	70	
B Consumer hire business	5,660	475	8	659	12	1,134	20	4,526	80	
C Credit brokerage	34,586	9,645	28	8,343	24	18,533	54	16,052	46	
D Debt adjusting	3,459	929	27	671	19	1,637	47	1,822	53	
E Debt counselling	5,456	1,282	23	1,757	32	3,257	60	2,199	40	
F Debt collecting	2,386	196	8	145	6	341	14	2,045	86	
G Debt administration	1,697	549	32	183	11	732	43	965	57	
H Credit information services	3,043	1,055	35	937	31	2,064	68	979	32	
I Credit reference agencies	1,954	614	31	756	39	1,370	70	584	30	
Total active population	47,607	10,840	23	9,768	21	21,225	45	26,382	55	
Mean no. of categories used	1.6	1.6		1.6		1.6		1.5		

A5 And which of these have you actively used in the past 12 months? Base: All active licence-holders (1,392); FSA DA (317), FSA AR (281), FSA ALL (615), OFT only (777)

As shown in Table 5.9, organisations regulated by the FSA as well as by the OFT (i.e. the segment called FSA ALL) were more likely to use licences covering credit brokerage, debt counselling, credit information services and acting as a credit reference agency. Conversely, OFT-only organisations used licences more frequently for consumer credit business, consumer hire business and debt collecting. For example, 2% of FSA regulated organisations used a debt collecting licence, compared with 8% of OFT-only organisations.

Comparing FSA DA and AR organisations in the active population, the former were more likely to be using a licence for consumer credit business and the latter for debt counselling.

Table 5.9 OFT licence categories used: proportion of regulatory status groups using each licence category

OFT licence categories	All active licence-holders (column percentages; mean number of licence categories)				
	Total	FSA DA	FSA AR	FSA ALL	OFT only
A Consumer credit business	33	25	19	22	42
B Consumer hire business	12	4	7	5	17
C Credit brokerage	73	89	85	87	61
D Debt adjusting	7	9	7	8	7
E Debt counselling	12	12	18	15	8
F Debt collecting	5	2	2	2	8
G Debt administration	4	5	2	3	4
H Credit information services	6	10	10	10	4
I Credit reference agencies	4	6	8	7	2
Mean no. of categories used	1.6	1.6	1.6	1.6	1.5

A5 And which of these have you actively used in the past 12 months? Base: All active licence-holders (1,392); FSA DA (317), FSA AR (281), FSA ALL (615), OFT only (777)

Data on the proportions of licence categories held that were actually used are shown in Table 5.10 and have been calculated by comparing the data in Table 5.6 on licences held with those in Table 5.8 on licences used.

Notable differences are that FSA regulated organisations record a low level of usage of licences for consumer hire business where they hold one but above average usage of licences held covering credit brokerage.

Table 5.10 Proportion of OFT licence categories held being used: by regulatory status groups

OFT licence categories	All active licence-holders (column percentages)				
	Total	FSA DA	FSA AR	FSA ALL	OFT only
A Consumer credit business	81	76	80	77	83
B Consumer hire business	61	49	46	47	66
C Credit brokerage	92	98	95	96	88
D Debt adjusting	41	54	31	41	41
E Debt counselling	53	58	50	54	51
F Debt collecting	49	30	25	28	56
G Debt administration	61	64	50	59	63
H Credit information services	58	64	57	60	55
I Credit reference agencies	49	61	62	62	33
Mean % of categories held that are used	73	78	69	74	72

A4 For which of the following OFT licence categories do you hold a consumer credit licence? A5 And which of these have you actively used in the past 12 months? Base: All active licence-holders (1,392); FSA DA (317), FSA AR (281), FSA ALL (615), OFT only (777)

5.3 Variations by primary business type

This section covers differences in the licences held and used between organisations that were primarily financial services/ consumer credit related, or were not. The category of organisations that were primarily financial services/ consumer services related has also been segmented between those that were also regulated by the FSA and those that were not and differences between those are also explored.

5.3.1 Licences held

Turning to differences between businesses that were primarily financial services/ consumer credit related or not, the former typically held more licence categories overall, with a mean of 2.3 compared with 2.0. Primarily financial services organisations were significantly more likely to hold each licence category other than ones for consumer credit business and consumer hire business; those two categories were more widely held by non-financial services organisations.

The category of organisations that were primarily financial services/ consumer credit related that were regulated by the FSA typically held fewer licence categories, with a mean of 2.2, than those that were not, with a mean of 2.5. However, they were much more likely to hold a licence for credit brokerage, debt counselling and credit information services.

These findings are shown in Table 5.11.

Table 5.11 OFT licence categories held: by primary business type groups

All active licence-holders (numbers; row percentages; mean number of licence categories)									
OFT licence categories	Total	Primarily financial FSA		Primarily financial OFT only		Primarily financial ALL		Primarily non-financial	
		No.	%	No.	%	No.	%	No.	%
A Consumer credit business	19,207	4,372	23	3,442	18	7,814	41	11,392	59
B Consumer hire business	9,257	1,354	15	1,433	15	2,787	30	6,469	70
C Credit brokerage	37,500	16,023	43	3,527	9	19,550	52	17,950	48
D Debt adjusting	8,391	3,256	39	2,043	24	5,299	63	3,092	37
E Debt counselling	10,356	5,381	52	2,292	22	7,673	74	2,683	26
F Debt collecting	4,913	1,021	21	2,146	44	3,167	64	1,747	36
G Debt administration	2,788	1,225	44	881	32	2,106	76	682	24
H Credit information services	5,217	2,903	56	582	11	3,485	67	1,733	33
I Credit reference agencies	4,003	1,816	45	711	18	2,528	63	1,475	37
Total active population	47,607	17,285	36	6,773	14	24,059	51	23,548	49
Mean no. of categories held	2.1	2.2		2.5		2.3		2.0	

A4 For which of the following OFT licence categories do you hold a consumer credit licence? Base: All active licence-holders (1,392); Primarily financial services/ consumer credit related FSA (505), Primarily financial services/ consumer credit related OFT only (188), Primarily financial services/ consumer credit related (693), Primarily non-financial services/ non-consumer credit related (699)

Table 5.12 highlights that primarily financial services/ consumer credit related organisations more frequently held each licence category, other than consumer credit business and consumer hire business which were more extensively held by primarily non-financial/ non-consumer credit related organisations. Taking category A, Consumer credit business, as an example, a third (33%) of organisations that are primarily financial/ consumer credit related held this, while almost a half (48%) of primarily non-financial/ non-consumer credit related organisations did so.

Those which were primarily financial and FSA-regulated were far more likely to hold a licence for credit brokerage, while more organisations that were primarily financial but non FSA had licences for consumer credit business, debt adjusting and debt collection.

Table 5.12 OFT licence categories held: proportion of primary business type groups holding each licence category

All active licence-holders (column percentages; mean number of licence categories)					
OFT licence categories	Total	Primarily financial FSA	Primarily financial OFT only	Primarily financial ALL	Primarily non-financial
A Consumer credit business	40	25	51	33	48
B Consumer hire business	19	8	21	12	28
C Credit brokerage	79	93	52	81	76
D Debt adjusting	18	19	30	22	13
E Debt counselling	22	31	34	32	11
F Debt collecting	10	6	32	13	7
G Debt administration	6	7	13	9	3
H Credit information services	11	17	9	15	7
I Credit reference agencies	8	11	11	11	6
Mean no. of categories held	2.1	2.2	2.5	2.3	2.0

A4 For which of the following OFT licence categories do you hold a consumer credit licence? Base: All active licence-holders (1,392); Primarily financial services/ consumer credit related FSA (505), Primarily financial services/ consumer credit related OFT only (188), Primarily financial services/ consumer credit related (693), Primarily non-financial services/ non-consumer credit related (699)

5.3.2 Licence categories used

The numbers and proportions of active licence-holders using different licence categories by each of primary business type groups are presented in Tables 5.13 to 5.15, which show that among primarily financial services/ consumer credit regulated organisations those that were not FSA regulated used on average 1.8 licence categories compared with 1.6 for FSA regulated organisations.

Primarily financial services/ consumer credit related organisations dominated the use of licences for the less used overall categories of licence: debt adjusting, debt counselling, debt collecting, debt administration and credit information services, both in terms of absolute numbers (Table 5.13) and proportions (Table 5.14). Against this, a greater proportion of primarily non-financial/ non-consumer credit related licence-

holders were using their licence for consumer credit business and consumer hire business.

Table 5.13 OFT licence categories used: by primary business type groups

All active licence-holders (numbers; row percentages; mean number of licence categories)									
OFT licence categories	Total	Primarily financial FSA		Primarily financial OFT only		Primarily financial ALL		Primarily non-financial	
		No.	No.	%	No.	%	No.	%	No.
A Consumer credit business	15,596	3,087	20	3,002	19	6,088	39	9,508	61
B Consumer hire business	5,660	464	8	796	14	1,260	22	4,400	78
C Credit brokerage	34,586	15,420	45	2,710	8	18,130	52	16,455	48
D Debt adjusting	3,459	1,226	35	1,217	35	2,443	71	1,015	29
E Debt counselling	5,456	3,054	56	1,629	30	4,683	86	773	14
F Debt collecting	2,386	231	10	1,591	67	1,822	76	564	24
G Debt administration	1,697	732	43	743	44	1,475	87	222	13
H Credit information services	3,043	1,705	56	340	11	2,045	67	998	33
I Credit reference agencies	1,954	1,084	55	226	12	1,310	67	644	33
Total active population	47,607	17,285	36	6,773	14	24,059	51	23,548	49
Mean no. of categories used	1.6	1.6		1.8		1.6		1.5	

A5 And which of these have you actively used in the past 12 months? Base: All active licence-holders (1,392); primarily financial services/ consumer credit related FSA (505), primarily financial services/ consumer credit related OFT only (188), primarily financial services/ consumer credit related (693), primarily non-financial services/ non-consumer credit related (699)

Table 5.14 OFT licence categories used: proportion of primary business type groups holding each licence category

All active licence-holders (column percentages; mean number of licence categories)					
OFT licence categories	Total	Primarily financial FSA	Primarily financial OFT only	Primarily financial ALL	Primarily non-financial
A Consumer credit business	33	18	44	25	40
B Consumer hire business	12	3	12	5	19
C Credit brokerage	73	89	40	75	70
D Debt adjusting	7	7	18	10	4
E Debt counselling	12	18	24	20	3
F Debt collecting	5	1	24	8	2
G Debt administration	4	4	11	6	1
H Credit information services	6	10	5	9	4
I Credit reference agencies	4	6	3	5	3
Mean no. of categories held	1.6	1.6	1.8	1.6	1.5

A4 For which of the following OFT licence categories do you hold a consumer credit licence? A5 And which of these have you actively used in the past 12 months? Base: All active licence-holders (1,392); primarily financial services/ consumer credit related FSA (505), primarily financial services/ consumer credit related OFT only (188), primarily financial services/ consumer credit related (693), primarily non-financial services/ non-consumer credit related (699)

The proportions of licence categories held that were actually being used have been calculated and presented in Table 5.15, by combining the data in Table 5.11 on licences held with those in Table 5.13 on licences used. Primarily non-financial organisations were more likely to be using a held licence for consumer hire business, while primarily financial organisations were more likely to be making use of licence categories that they held for debt counselling and debt collecting.

Comparing the segments within primarily financial organisations, those that were FSA regulated were more likely to be using licences held for credit brokerage. Those that were regulated only by the OFT were more likely to be using licences held in the case of each of debt adjusting, debt counselling and debt collecting.

Table 5.15 Proportion of OFT licence categories held being used: by primary business type groups

All active licence-holders (column percentages)					
OFT licence categories	Total	Primarily financial FSA	Primarily financial OFT only	Primarily financial ALL	Primarily non- financial
A Consumer credit business	81	71	87	78	83
B Consumer hire business	61	34	56	45	68
C Credit brokerage	92	96	77	93	92
D Debt adjusting	41	38	60	46	33
E Debt counselling	53	57	71	61	29
F Debt collecting	49	23	74	58	32
G Debt administration	61	60	84	70	33
H Credit information services	58	59	58	59	58
I Credit reference agencies	49	60	32	52	44
Mean % of categories held that are used	73	72	72	72	73

A4 For which of the following OFT licence categories do you hold a consumer credit licence? A5 And which of these have you actively used in the past 12 months? Base: All active licence-holders (1,392); primarily financial services/ consumer credit related FSA (505), primarily financial services/ consumer credit related OFT only (188), primarily financial services/ consumer credit related (693), primarily non-financial services/ non consumer credit related (699)

5.4 Variations by organisation size⁴²

This section reports on variations in licence categories held and used between active licence-holders of different sizes, measured by their consumer credit turnover. Small sample sizes mean it is not possible to report separately on the very large group (consumer credit turnover greater than £50 million). Consequently, results are shown for:

- Small (up to £250,000)
- Medium (over £50,000 to £5 million)
- Large (over £5 million to £50 million)
- Large & Very Large (over £5 million)

⁴² Results in this section are based only on those survey participants (87%) able to estimate their turnover from consumer credit activities and have been rebased accordingly. See Table 4.8.

5.4.1 Licence categories held

Findings on the numbers and proportions of holders of different licence categories by organisation size, as defined by consumer credit related turnover, are shown in Tables 5.16 and 5.17.

The larger the organisation, the higher the average number of licence categories held, from 2.1 for small organisations in the active population to 2.3 for medium organisations and 2.4 for large/ very large organisations.⁴³

⁴³ The difference between small and medium organisations is statistically significant; that for large and large/ very large organisations is not, due to small sample sizes.

Table 5.16 OFT licence categories held: by organisation size groups⁴⁴

All active licence-holders (numbers; row percentages; mean number of licence categories)									
OFT licence categories	Total⁴⁵	Small		Medium		Large		Large & Very large	
	No.	No.	%	No.	%	No.	%	No.	%
A Consumer credit business	16,711	13,066	78	2,950	18	[363]	[2]	[695]	[4]
B Consumer hire business	8,069	6,229	77	1,488	18	[251]	[3]	[352]	[4]
C Credit brokerage	32,747	27,893	85	3,988	12	[607]	[2]	[866]	[3]
D Debt adjusting	7,228	6,036	84	883	12	[198]	[3]	[309]	[4]
E Debt counselling	8,829	7,679	87	831	9	[143]	[2]	[319]	[4]
F Debt collecting	4,274	3,078	72	858	20	[154]	[4]	[338]	[8]
G Debt administration	2,406	1,759	73	547	23	[90]	[4]	[100]	[4]
H Credit information services	4,523	3,757	83	608	13	[148]	[3]	[158]	[3]
I Credit reference agencies	3,642	3,113	85	519	14	[0]	[0]	[10]	[*]
Total active population	47,607	34,799	84	5,530	13	836	2	1,308	3
Mean no. of categories held	2.1	2.1		2.3		[2.3]		[2.4]	

A4 For which of the following OFT licence categories do you hold a consumer credit licence? Base: All active licence-holders (1,392); small (1,029), medium (163), large (25), large/very large (36)

⁴⁴ Excludes those unable to provide an estimate of consumer credit turnover.

⁴⁵ Totals do not match those for the whole sample due to the exclusion of respondents unable to estimate their consumer credit turnover.

Table 5.17 shows, for each of the size groupings, the proportion of organisations that held each licence category. Looking only at the differences between small and medium organisations this shows a greater proportion of the latter having licences for consumer credit business and consumer hire business.

Table 5.17 OFT licence categories held: proportion of organisation size groups holding each licence category ⁴⁶

All active licence-holders (column percentages; mean number of licence categories)					
OFT licence categories	Total	Small	Medium	Large	Large & Very large
A Consumer credit business	40	38	53	[43]	[53]
B Consumer hire business	19	18	27	[30]	[27]
C Credit brokerage	79	80	72	[73]	[66]
D Debt adjusting	18	17	16	[24]	[24]
E Debt counselling	22	22	15	[17]	[24]
F Debt collecting	10	9	16	[18]	[26]
G Debt administration	6	5	10	[11]	[8]
H Credit information services	11	11	11	[18]	[12]
I Credit reference agencies	8	9	9	[0]	[1]
Mean no. of categories held	2.1	2.1	2.3	[2.3]	[2.4]

A4 For which of the following OFT licence categories do you hold a consumer credit licence? Base: All active licence-holders (1,392); small (1,029), medium (163), large (25), large/ very large (36)

5.4.2 Licence categories used

Data on the number of users of different licence categories by organisation size, as defined by consumer credit turnover, are shown in Tables 5.18 to 5.20.

Similar to findings for licences held, the larger the organisation the higher the average number of licence categories used, from 1.5 for small organisations to 1.7 for medium organisations and 1.9 for large/ very large organisations combined.⁴⁷

⁴⁶ Excludes those unable to provide an estimate of consumer credit turnover.

⁴⁷ As for licence categories held (Section 5.4.1) the difference between small and medium organisations is statistically significant, but not that for large and large/ very large organisations.

Table 5.18 OFT licence categories used: by organisation size groups ⁴⁸

All active licence-holders (numbers; row percentages; mean number of licence categories)										
OFT licence categories	Total⁴⁹		Small		Medium		Large		Large & Very large	
	No.	No.	%	No.	%	No.	%	No.	%	
A Consumer credit business	13,525	10,309	66	2,577	17	[307]	[2]	[639]	[5]	
B Consumer hire business	5,008	3,727	66	1,022	18	[204]	[4]	[259]	[5]	
C Credit brokerage	30,144	25,896	75	3,475	10	[514]	[1]	[773]	[3]	
D Debt adjusting	2,827	2,357	68	314	9	[92]	[3]	[156]	[6]	
E Debt counselling	4,429	4,000	73	300	5	[55]	[1]	[129]	[3]	
F Debt collecting	2,074	1,142	48	594	25	[154]	[6]	[338]	[16]	
G Debt administration	1,422	933	55	424	25	[55]	[3]	[65]	[5]	
H Credit information services	2,594	2,172	71	311	10	[101]	[3]	[111]	[4]	
I Credit reference agencies	1,783	1,486	76	287	15	[0]	[0]	[10]	[1]	
Total active population	47,607	34,799	73	5,530	12	836	2	1,308	[3]	
Mean no. of categories used	1.6	1.5		1.7		[1.8]		[1.9]		

A5 And which of these have you actively used in the past 12 months? Base: All active licence-holders (1,392); small (1,029), medium (163), large (25), large/ very large (36)

⁴⁸ Excludes those unable to provide an estimate of consumer credit turnover.

⁴⁹ Totals do not match those for the whole sample due to the exclusion of respondents unable to estimate their consumer credit turnover.

The same data are presented in Table 5.19 showing, for each of the size groupings, the proportion of organisations in that group that used each licence category. Medium organisations were more likely to use their licence for consumer credit business, consumer hire business and debt collecting; in contrast, small organisations were more likely to be using a licence for credit brokerage.

Table 5.19 OFT licence categories used: proportion of organisation size groups holding each licence category⁵⁰

All active licence-holders (column percentages; mean number of licence categories)					
OFT licence categories	Total	Small	Medium	Large	Large & Very large
A Consumer credit business	33	30	47	[37]	[49]
B Consumer hire business	12	11	19	[24]	[20]
C Credit brokerage	73	74	63	[62]	[59]
D Debt adjusting	7	7	6	[11]	[12]
E Debt counselling	12	12	5	[7]	[10]
F Debt collecting	5	3	11	[18]	[26]
G Debt administration	4	3	8	[7]	[5]
H Credit information services	6	6	6	[12]	[9]
I Credit reference agencies	4	4	5	[0]	[1]
Mean no. of categories used	1.6	1.5	1.7	[1.8]	[1.9]

A5 And which of these have you actively used in the past 12 months? Base: All active licence-holders (1,392); small (1,029), medium (163), large (25), large/ very large (36)

Combining the data in Table 5.18 (licences used) with the information shown in Table 5.16 (licences held) allows the proportion of licence categories held that were being used to be calculated, as shown in Table 5.20.

Compared with the approximately three-quarters (73%) of licence categories held overall that were being used, 79% of those held by large/ very large organisations were being used.⁵¹

⁵⁰ Excludes those unable to provide an estimate of consumer credit turnover.

⁵¹ This result is not statistically significant due to small sample sizes.

Table 5.20 Proportion of OFT licence categories held being used: by organisation size groups ⁵²

All active licence-holders (column percentages)					
OFT licence categories	Total	Small	Medium	Large	Large & Very large
A Consumer credit business	81	79	87	[85]	[92]
B Consumer hire business	61	60	69	[81]	[74]
C Credit brokerage	92	93	87	[85]	[89]
D Debt adjusting	41	39	36	[46]	[51]
E Debt counselling	53	52	36	[38]	[41]
F Debt collecting	49	37	69	[100]	[100]
G Debt administration	61	53	78	[61]	[65]
H Credit information services	58	58	51	[69]	[71]
I Credit reference agencies	49	48	55	[0]	[100]
Mean % of categories held that are used	73	72	73	[76]	[79]

A4 For which of the following OFT licence categories do you hold a consumer credit licence? A5 And which of these have you actively used in the past 12 months? Base: All active licence-holders (1,392); small (1,029), medium (163), large (25), large/ very large (36)

5.5 Variations by legal formation

This section summarises data in the same format as in preceding sections to show differences between organisations by the nature of their legal formation.

5.5.1 Licences held

Findings on the numbers and proportions of holders of different licence categories by organisation legal formation are shown in Tables 5.21 and 5.22.

The estimated numbers of organisations that held each licence category by legal formation are given in Table 5.21. The average number of licence categories held is slightly higher for sole traders at 2.2, compared with 2.1 at total level.

Table 5.21 also shows how the holders of each licence category break down between the different legal formations. This reveals that corporates were over-represented in consumer credit business and consumer hire business (both 71%) given that they make up two-thirds (64%) the total population.

⁵² Excludes those unable to provide an estimate of consumer credit turnover.

Table 5.21 OFT licence categories held: by legal formation groups

All active licence-holders (numbers; row percentages; mean number of licence categories)											
OFT licence categories	Total		Sole traders			Partnerships		Corporates		Other	
	No.	No.	%	No.	%	No.	%	No.	%	No.	%
A Consumer credit business	19,207	3,555	19	1,425	7	13,597	71	629	3		
B Consumer hire business	9,257	1,812	20	714	8	6,606	71	125	1		
C Credit brokerage	37,500	10,083	27	3,197	9	23,585	63	636	2		
D Debt adjusting	8,391	2,429	29	474	6	5,229	62	259	3		
E Debt counselling	10,356	3,565	34	711	7	5,732	55	348	3		
F Debt collecting	4,913	1,156	24	354	7	3,285	67	119	2		
G Debt administration	2,788	727	26	136	5	1,860	67	66	2		
H Credit information services	5,217	1,604	31	325	6	3,128	60	161	3		
I Credit reference agencies	4,003	1,085	27	232	6	2,600	65	87	2		
Total active population	47,607	11,755	25	3,919	8	30,669	64	1,264	3		
Mean no. of categories held	2.1	2.2		1.9		2.1		1.9			

A4 For which of the following OFT licence categories do you hold a consumer credit licence? Base: All active licence-holders (1,392); sole traders (323), partnerships (283), corporates (634), legal formation: other (152)

When analysed as a proportion of all organisations of each legal formation, the results are as shown in Table 5.22. Sole traders showed an above average propensity to hold licences for credit brokerage and corporates for consumer credit business and consumer hire business.

Table 5.22 OFT licence categories held: proportion of legal formation groups holding each licence category

All active licence-holders (column percentages; mean number of licence categories)					
OFT licence categories	Total	Sole traders	Partnerships	Corporates	Other
A Consumer credit business	40	30	36	44	50
B Consumer hire business	19	15	18	22	10
C Credit brokerage	79	86	82	77	50
D Debt adjusting	18	21	12	17	20
E Debt counselling	22	30	18	19	28
F Debt collecting	10	10	9	11	9
G Debt administration	6	6	4	6	5
H Credit information services	11	14	8	10	13
I Credit reference agencies	8	9	6	9	7
Mean no. of categories held	2.1	2.2	1.9	2.1	1.9

A4 For which of the following OFT licence categories do you hold a consumer credit licence? Base: All active licence-holders (1,392); sole traders (323), partnerships (283), corporates (634), legal formation: other (152)

5.5.2 Licences used

Findings are presented in Tables 5.23 to 5.25.

The estimated numbers of organisations and proportions of users of each licence category by legal formation are given in Table 5.23, while the percentage of each legal formation group who were users is shown in Table 5.24. This shows that sole traders were more likely to be using a credit brokerage licence, while corporates were more likely to be using consumer credit business and consumer hire business licence categories.

Table 5.23 OFT licence categories used: by legal formation groups

All active licence-holders (numbers; row percentages; mean number of licence categories)										
OFT licence categories	Total		Sole traders		Partnerships		Corporates		Other	
	No.	No.	%	No.	%	No.	%	No.	%	
A Consumer credit business	15,596	2,359	15	1,063	7	11,568	74	606	4	
B Consumer hire business	5,660	798	14	285	5	4,505	80	72	1	
C Credit brokerage	34,586	9,355	27	2,880	8	21,788	63	562	2	
D Debt adjusting	3,459	766	22	168	5	2,367	68	158	5	
E Debt counselling	5,456	1,972	36	362	7	2,840	52	282	5	
F Debt collecting	2,386	473	20	176	7	1,678	70	59	2	
G Debt administration	1,697	364	21	83	5	1,222	72	29	2	
H Credit information services	3,043	765	25	256	8	1,932	63	91	3	
I Credit reference agencies	1,954	435	22	131	7	1,336	68	53	3	
Total active population	47,607	11,755	25	3,918	8	30,669	64	1,265	3	
Mean no. of categories used	1.6	1.5		1.4		1.6		1.5		

A5 And which of these have you actively used in the past 12 months? Base: All active licence-holders (1,392); sole traders (323), partnerships (283), corporates (634), legal formation: other (152)

Table 5.24 OFT licence categories used: proportion of legal formation groups holding each licence category

All active licence-holders (column percentages; mean number of licence categories)					
OFT licence categories	Total	Sole traders	Partnerships	Corporates	Other
A Consumer credit business	33	20	27	38	48
B Consumer hire business	12	7	7	15	6
C Credit brokerage	73	80	74	71	45
D Debt adjusting	7	7	4	8	13
E Debt counselling	12	17	9	9	22
F Debt collecting	5	4	5	6	5
G Debt administration	4	3	2	4	2
H Credit information services	6	7	7	6	7
I Credit reference agencies	4	4	3	4	4
Mean no. of categories used	1.6	1.5	1.4	1.6	1.5

A5 And which of these have you actively used in the past 12 months? Base: All active licence-holders (1,392); sole traders (323), partnerships (283), corporates (634), legal formation: other (152)

The data in Table 5.25 draw on data from Table 5.21 on licence categories held and from Table 5.24 on licence categories used, to calculate the proportion of categories held that are actually used.

Compared with the approximately three-quarters (73%) of licence categories held overall that are being used, two-thirds (66%) of those held by sole traders and three-quarters (75%) of those held by corporates were being used.

Table 5.25 Proportion of OFT licence categories held being used: by legal formation groups

All active licence-holders (column percentages)					
OFT licence categories	Total	Sole traders	Partnerships	Corporates	Other
A Consumer credit business	81	66	75	85	96
B Consumer hire business	61	44	40	68	58
C Credit brokerage	92	93	90	92	89
D Debt adjusting	41	32	35	45	61
E Debt counselling	53	55	51	50	81
F Debt collecting	49	41	50	51	50
G Debt administration	61	50	61	66	44
H Credit information services	58	48	79	62	57
I Credit reference agencies	49	40	56	51	61
Mean % of categories held that are used	73	66	71	75	79

A4 For which of the following OFT licence categories do you hold a consumer credit licence? A5 And which of these have you actively used in the past 12 months? Base: All active licence-holders (1,392); sole traders (323), partnerships (283), corporates (634), legal formation: other (152)

6 The active population: business size and structure

This chapter reports, for the active population of consumer credit licence-holders, survey findings on business size and structure.

Findings on size cover organisations' self-reported '*most important business activity*' as well as information about employee numbers and turnover. These are reported at total level and by consumer credit activity.

Findings related to company parentage, and to market coverage in the UK, provide further information on business structure.

Key findings are:

- A consumer credit activity was the most important business activity for only around one in five active licence-holders (22%). For a further 45% their most important activity was one that was supplemented or supported by something covered by their consumer credit licence.
- Almost half (49%) of active licence-holders employed fewer than five staff in total, and a similar proportion (47%) had a single full-time equivalent or less working on their consumer credit activities.
- Four in ten (40%) active licence-holders had total turnover of no more than £250,000 per annum, while two-thirds (64%) had consumer credit turnover of no more than £50,000 per annum. On average, less than a third (31%) of total turnover was derived from consumer credit activity, with only one in seven (14%) relying on consumer credit activity for all of their turnover.
- Three broadly equal groups emerged in terms of market coverage: 32% had fully nationwide businesses, 36% covered one or more regions but were not fully national and 32% covered a single city, town or local area.

6.1 Most important business activity

Participants were asked to identify if their most important business activity was '*some form of consumer credit activity*' or '*an activity that is supplemented or supported by some form of consumer credit activity*' or neither of those. This question format was only introduced part way through the survey and so only answered by 706 out of 1,392 participants in the survey. Consequently, results relating to this issue are presented as weighted percentages of those answering but are not grossed up to the total population.

The question revealed that a consumer credit activity was the most important one for only around one in five (22%) organisations. For a further 45%, the main activity was one supplemented or supported by something covered by their consumer credit licence. In the case of the remaining one third (33%) of organisations, their most important activity was not related at all to consumer credit.

Interesting differences emerged between those organisations that were already regulated by the FSA and those that were not. FSA-regulated organisations were more likely (41%) to state that their main activity was unrelated to consumer credit than were their OFT only counterparts (28%). The organisations that were most likely to state that their most important business activity was some form of consumer credit activity were debt collectors (77%) and advisers (58%) and also the group that was 'primarily financial services' but not regulated by the FSA (73%).

Selected results are shown in Table 6.1.

Table 6.1 Most important business activity

All active licence-holders asked (column percentages)							
Most important business activity:	Total	FSA ALL	OFT only	Primarily financial	Primarily financial	Advisers	Debt collectors
				FSA	OFT only		
Some form of consumer credit activity	22	18	24	21	73	58	[77]
An activity that is supplemented or supported by some form of credit activity	45	41	48	35	9	15	[10]
Neither of these	33	41	28	44	18	27	[12]

B5a Is your most important business activity itself? Base: All active licence-holders asked new version of question (701) excluding don't knows (1%); FSA ALL (303), OFT only (398), primarily financial services/ consumer credit related FSA (242), primarily financial services/ consumer credit related OFT only (96), advisers (65), debt collectors (24)

6.2 Number of employees

6.2.1 Total number of employees

Almost half (49%) of active consumer credit licence-holders employed fewer than five staff in total, with single employee operations alone accounting for 17% of active licence-holders; more than three-quarters (79%) of active licence-holders had fewer than 20 employees.

Despite this, due to the presence of a few very large employers (just over 1% of organisations employ in excess of 1,000 staff), the mean number of employees per active licence-holder was 125.

Segments with an above average representation of small organisations, defined as having fewer than five employees, included primarily financial services/ consumer credit related (59%), specialist intermediaries (57%) and advisers (57%). Those groups with a lower representation of small operations included primarily non-financial/ non-consumer credit related (38%), lenders (39%) and secondary credit brokers (38%).

Selected results are shown in Table 6.2.

Table 6.2 Total number of employees

All active licence-holders (column percentages)							
Number of employees	Total	Primarily financial	Primarily non-financial	Lenders	Specialist intermediaries	Secondary credit brokers	Advisers
Fewer than 5 employees	49	59	38	39	57	38	57
5 to 100 employees	45	36	55	50	38	57	35
More than 100 employees	6	5	8	11	4	6	8

B8 In total, approximately how many staff (including yourself) does your organisation employ in the UK? Base: All active licence-holders (1,388) excluding don't knows (less than 1%); primarily financial services/ consumer credit related (690), primarily non-financial services/ non-consumer credit related (698), lenders (369), specialist intermediaries (679), secondary credit brokers – i.e. non-specialist intermediaries (405), advisers (153)

6.2.2 Employees involved in consumer credit activities

Participants were also asked to estimate what proportion of their employees' time was involved in consumer credit activities using calculations based on full-time equivalents.⁵³

Almost half (47%) of active licence-holders had a single full-time equivalent or less employed on their consumer credit activities. The same proportion (47%) had between more than one and fewer than 20 full-time equivalents working on their consumer credit activities, leaving only 6% with 20 or more.

The mean number of full-time equivalent employees involved in consumer credit activities was 8.5.

Not surprisingly, given the findings in Section 6.2.1, the largest organisations (i.e. those with 20 or more full-time equivalents) were found more frequently among debt collectors (30%), advisers (11%) and lenders (10% overall, 17% among specialist lenders and 10% among non-specialists).

At the other end of the scale, those organisations with one or fewer full-time equivalents were more prevalent among secondary credit brokers (51%) and, unsurprisingly, among those with turnover of up to £250,000 from consumer credit activities (55%).

Full results for these highlighted segments are in Table 6.3.

⁵³ In other words, for example, if three employees were committed full time to consumer credit activities and one spent a tenth of his time on them, the total estimate would be 3.1 full-time equivalent staff involved in consumer credit activities.

Table 6.3 Total number of full-time equivalent employees involved in consumer credit activities

All active licence-holders (column percentages)						
Number of full-time equivalent employees	Total	Lenders	Secondary credit brokers	Advisers	Debt collectors	Small⁵⁴
1 or fewer full-time equivalent	47	37	51	47	[25]	55
More than 1 to fewer than 20 full-time equivalents	47	53	44	43	[45]	43
20+ full-time equivalents	6	10	5	11	[30]	2

B10 Next please think about the number of staff who are involved in dealing with the things specifically covered by your consumer credit licence and how much time they spend just on that. What we are looking for is an estimate of how much staff time in total is taken up by consumer credit activities. Base: All active licence-holders (1,355) excluding don't knows (2%); lenders (360), specialist intermediaries (668), secondary credit brokers – i.e. non-specialist intermediaries (393), advisers (148), debt collectors (45), small (1,010)

6.3 Turnover

6.3.1 Total turnover

Participants were asked to estimate their organisation's total turnover in the past 12 months or last financial year. This revealed that active consumer credit licence-holders cover a substantial range in terms of organisation size as measured by total turnover. .

Thus, two-fifths (40%) of active licence-holders had a total turnover no greater than £250,000 per annum. Organisations that were primarily financial services/ consumer credit related had a much greater proportion (59%) of small organisations, by this definition, than those that were primarily non-financial/ non-consumer credit related (19%).

There were wide variations by type of consumer credit activity; lenders and those involved in debt collection had an above average proportion of very large organisations, those defined here as having annual total turnover of £50m or more, while more than two-thirds (69%) of advisers fell into the category of total turnover not exceeding £250,000 a year.

Results are summarised in Table 6.4.

⁵⁴ Small organisations are those with annual turnover from consumer credit activities of up to £250,000.

Table 6.4 Total turnover

Total turnover	All active licence-holders (column percentages)						
	Total	Primarily financial	Primarily non-financial	Lenders	Intermediaries	Advisers	Debt collectors
Up to £250k	40	59	19	29	38	69	[38]
Over £250k to £5m	46	31	61	51	49	16	[32]
Over £5m to £50m	11	7	15	13	10	11	[17]
Over £50m	4	3	5	7	3	4	[13]

D1 What was your organisation's total turnover/ revenue in your last financial year (OR in the past 12 months if that is easier to estimate) from all activities including any activities unrelated to consumer credit? D2 Can you estimate into which range your total turnover/ revenue in your last financial year (OR in the past 12 months if that is easier to estimate) falls? Base: All active licence-holders (1,249) excluding don't knows (11%); primarily financial services/ consumer credit related (624), primarily non-financial services/ non-consumer credit related (625), lenders (335), intermediaries (926), advisers (130), debt collectors (40)

6.3.2 Turnover specifically from consumer credit activities

Participants were asked to estimate their total turnover specifically from consumer credit activities in the past 12 months or in their last financial year.

Strikingly, around six out of seven (84%) active consumer credit organisations had turnover from consumer credit activities in the range up to £250,000; more specifically, almost two-thirds (64%) estimated their consumer credit turnover to fall into the 'up to £50,000' range, while only 1% had a turnover greater than £50 million per annum.

Debt collectors (13%) and specialist lenders (7%) had the highest proportions of very large organisations, defined as consumer credit related turnover of over £50m.

Conversely, advisers (68%) and specialist intermediaries (67%) had above average proportions with turnover in the smallest range.

Table 6.5 Consumer credit related turnover, by consumer credit activity groups

All active licence-holders (row percentages)					
Segment	Up to £50k⁵⁵	Over £50k to £250k	Over £250k to £5m	Over £5m to £50m	Over £50m
Total	64	20	13	2	1
Lenders	57	19	18	3	2
<i>Specialist lenders</i>	41	27	22	3	7
<i>Non-specialist lenders</i>	59	17	19	3	1
Intermediaries	64	21	12	2	1
<i>Specialist intermediaries</i>	67	19	11	2	1
<i>Secondary credit brokers – i.e. non-specialist intermediaries</i>	58	25	15	1	1
Advisers	68	21	8	2	1
Debt collectors	[32]	[15]	[30]	[11]	[13]

D3 Approximately how much in total in fees, commission, interest and any other forms of income did your organisation earn from [all] your consumer credit licensed activities in your last financial year (OR, in the past 12 months if that is easier to estimate)? D5 Can you roughly estimate into which of the following ranges your total fees, commission, interest and any other forms of income from consumer credit licensed activities fell in your last financial year (OR, in the past 12 months if that is easier to estimate) D6 Approximately what percentage of your organisation's total turnover/ income/ revenue is from consumer credit licensed activity? Base: All active licence-holders (1,228) excluding don't knows (12%); lenders (326), specialist lenders (79), non-specialist lenders (258), intermediaries (911), specialist intermediaries (605), secondary credit brokers – i.e. non-specialist intermediaries (355), advisers (127), debt collectors (41)

Looking at the results by legal formation (in Table 6.6), more than four in five sole traders (81%) fell into the smallest category. Even among corporates, more than half (57%) reported consumer credit related turnover of only 'up to £50k'.

⁵⁵ Generally in the report, organisations have been defined as 'Small' if their consumer credit turnover fell into the range 'up to £250,000'. Here, however, we draw attention to the substantial proportion that fall in the lower end of that range, namely 'up to £50,000'.

Table 6.6 Consumer credit related turnover, by legal formation

All active licence-holders (row percentages)					
Legal formation	Up to £50k	Over £50k to £250k	Over £250k to £5m	Over £5m to £50m	Over £50m
Total	64	20	13	2	1
Sole traders	81	15	4	1	0
Partnerships	66	20	13	1	0
Corporates	57	22	17	2	2
Others	52	21	20	5	2

D3 Approximately how much in total in fees, commission, interest and any other forms of income did your organisation earn from [all] your consumer credit licensed activities in your last financial year (OR, in the past 12 months if that is easier to estimate)? D5 Can you roughly estimate into which of the following ranges your total fees, commission, interest and any other forms of income from consumer credit licensed activities fell in your last financial year (OR, in the past 12 months if that is easier to estimate) D6 Approximately what percentage of your organisation's total turnover/ income/ revenue is from consumer credit licensed activity? Base: All active licence-holders (1,228) excluding don't knows (12%); sole traders (289), partnerships (250), corporates (547), legal formation: others (142)

6.3.3 Proportion of turnover from consumer credit activities

Among organisations for which we could estimate both total turnover and turnover specifically from consumer credit activities, on average less than a third of total turnover (31%) was derived from consumer credit activities, and only approximately one in seven organisations (14%) received all of their turnover from consumer credit.

The mean proportion of total turnover derived from consumer credit varied considerably depending on the consumer credit activity: from 18% for secondary credit brokers and primarily non-financial organisations, to 65% from those primarily financial organisations that are not regulated by the FSA.⁵⁶

⁵⁶ The greatest proportion, 77%, was recorded by the group 'debt collectors'. However, due to a small sample size this figure is not statistically significant.

Table 6.7 Proportion of total turnover derived from consumer credit activities, by segments

All active licence-holders (row percentages)						
Segment	Up to 25%	26 – 50%	51– 75%	76 – 99%	100%	Mean
Total	68	9	5	4	14	31
<i>Primarily financial services/ consumer credit related – FSA</i>	66	11	4	4	15	33
<i>Primarily financial services/ consumer credit related – OFT only</i>	29	10	9	11	40	65
Primarily financial services/ consumer credit related	56	11	6	6	22	42
Primarily non-financial services/ non-consumer credit related	82	7	4	2	5	18
Lenders	58	14	5	4	19	37
<i>Specialist lenders</i>	34	18	6	8	34	55
<i>Non-specialist lenders</i>	64	14	4	3	15	32
Intermediaries	73	9	4	4	11	27
<i>Specialist intermediaries</i>	66	10	5	4	14	32
<i>Secondary credit brokers – i.e. non-specialist intermediaries</i>	84	5	2	2	6	18
Advisers	49	9	10	6	27	48
Debt collectors	[23]	[8]	[2]	[8]	[60]	[77]

D1 What was your organisation's total turnover/ revenue in your last financial year (OR in the past 12 months if that is easier to estimate) from all activities including any activities unrelated to consumer credit? D2 Can you estimate into which range your total turnover/ revenue in your last financial year (OR in the past 12 months if that is easier to estimate) falls? D3 Approximately how much in total in fees, commission, interest and any other forms of income did your organisation earn from [all] your consumer credit licensed activities in your last financial year (OR, in the past 12 months if that is easier to estimate)? D5 Can you roughly estimate into which of the following ranges your total fees, commission, interest and any other forms of income from consumer credit licensed activities fell in your last financial year (OR, in the past 12 months if that is easier to estimate) D6 Approximately what percentage of your organisation's total turnover/income/ revenue is from consumer credit licensed activity? Base: All active licence-holders (990) excluding don't knows (7%); primarily financial services/ consumer credit related FSA (395), primarily financial services/ consumer credit related OFT only (135), primarily financial services/ consumer credit related (530), primarily non-financial services/ non-consumer credit related (460), lenders (257), specialist lenders (75), non-specialist lenders (192), intermediaries (760), specialist intermediaries (513), secondary credit brokers – i.e. non-specialist intermediaries (291), advisers (84), debt collectors (39)

6.4 Company registration and parentage

6.4.1 Country of registration

Over 98% of participants stated that their organisation was a 'UK registered entity' and a further 1% did not know. Less than 1% said definitively that their organisation was not a UK organisation.

6.4.2 Parent company

Around one in seven active licence-holders (16%) had a parent company. This did not vary significantly between the different activity groups. Organisations that were already FSA regulated were more likely (20%), however, to be a subsidiary than those who were not (12%).

Among those active licence-holders who were subsidiaries, around three-quarters (76%) stated that their financial position appeared as part of their parent company's consolidated balance sheet. Against this, 15% said that it did not and a tenth (9%) did not know.

Again, among those entities who were subsidiaries, around one-third (34%) indicated that as well as a parent company they also had an ultimate parent company.

The great majority of parent companies (81%) were UK registered, while among the small number of 'ultimate parent companies' roughly half (47%) were also UK registered.

6.5 Market coverage in the UK

Participants were asked what best described their market coverage in the UK for consumer credit activities.

Three broadly equal groups emerged: those that were fully national (32%), those covering one or more regions but not fully national (36%) and those working only in a single city, town or local area (32%).

Organisations that were more likely to operate fully nationally were those that were primarily financial (35%), especially primarily financial – OFT only (46%) and those to whom consumer credit activities were their most important activity (48%).

Organisations with their principal place of business in three areas were also more likely to be fully national operations: London (49%), the East Midlands (46%) and the West Midlands (46%).

Groups that were more likely to be active only locally (in a single city, town or area) included those who were primarily non-financial (37%). Interestingly, however, they also included lenders (37%), in particular specialist lenders (46%). Sole traders, partnerships and others, in terms of legal formation, were all more likely than average to be working only in a local area.

Examples of organisation types that had an above average propensity to operate either fully nationally or only in a local area are given in Tables 6.8 and 6.9.

Table 6.8 Segments with above average national coverage

All active licence-holders (row percentages)	
Segment	Proportion trading on fully national basis
Total	32
London	49
Most important activity is consumer credit	48
Primarily financial services/ consumer credit related – OFT only	46
West Midlands	46
East Midlands	46
Medium (consumer credit related turnover)	43
Corporates	37
Primarily financial services/ consumer credit related	35

G4 Which of the following best describes your market coverage in the UK for consumer credit activities? Base: All active licence-holders (1,376) excluding don't knows (1%); London (87), most important business activity is consumer credit (149), primarily financial services/ consumer credit related OFT only (185), West Midlands (117), East Midlands (79), medium (163), corporates (627), primarily financial services/ consumer credit related (686)

Table 6.9 Segments with above average local only coverage

All active licence-holders (row percentages)	
Segment	Proportion trading on local only basis
Total	32
Sellers/ retailers of services	51
Wales	47
Specialist lenders	46
Legal formation: Other	44
Sole traders	43
Partnerships	40
Primarily non-financial services/ non-consumer credit related	37
Lenders	37
Small (consumer credit related turnover)	36

G4 Which of the following best describes your market coverage in the UK for consumer credit activities? Base: All active licence-holders (1,376) excluding don't knows (1%); sellers or retailers of services (192); Wales (59), specialist lenders (90), legal formation: other (151), sole traders (320), partnerships (278), lenders (367); small (1,018)

7 The active population: customer relationships

This chapter reports, for the active population of consumer credit licence-holders, survey findings on customer relationships.

Different questions were asked of respondent organisations depending on whether they were a lender, intermediary or adviser.

Key findings are:⁵⁷

- Almost two-thirds (63%) of licence-holders actively involved with lending had 100 or fewer clients with loans/ credit outstanding at the end of their last financial year, while only 10% had more than 1,000 clients. Similarly, over half of lenders (53%) had a maximum of £50,000 of loans/ credit outstanding.
- The great majority of intermediaries (74%) indicated that they had dealt with fewer than 100 clients in their last financial year, while only one in 20 (6%) had dealt with more than 1,000 clients in the period.
- Almost two-thirds of advisers (64%) had no more than 100 clients over their last financial year, although a small number of organisations were handling large numbers of clients.

7.1 Lenders

7.1.1 Number of individuals with loans/ credit outstanding currently/ at year end

Those involved in lending activities were asked how many individuals had outstanding loans/ credit from them at the end of the lender's last financial year, or currently, if that was easier to estimate.

Participants were asked separately, as appropriate, about client numbers for each of the following consumer credit activities:

- Providing unsecured loans
 - Providing secured loans (other than first charge mortgages)
 - Credit or store cards
 - Loans as a pawnbroker
 - Home collected credit
 - Selling goods and/ or services on credit you finance yourself
 - Payday loans
 - Purchasing debt from other companies
 - Hire purchase
 - Care hire services
 - Tool/ other hire services
-

⁵⁷ For all the findings reported in this chapter survey participants were asked to provide data for their last financial year or for the end of their last financial year. They were also given the option, if easier for them, to provide the data for the last 12 months (instead of for the last financial year) or currently (instead of for the end of the last financial year).

This section presents results on the aggregate total across all such relevant activities.⁵⁸ Results for each individual activity are not presented in this report, as base sizes are too low.

Overall, almost two-thirds (63%) of active licence-holders involved with lending indicated that they had 100 or fewer clients with loans/ credit outstanding currently/ at their last year end, and only 10% had more than 1,000 clients in this category.

The distribution of client numbers was very wide. Consequently, while medians for most reported segments were in the range 10 – 100, nevertheless the overall mean was 30,600.

Detailed results for selected segments are shown in Table 7.1.

⁵⁸ These aggregate results may slightly overstate the true total of individual clients. Any client purchasing more than one lending product/ service from the same lender could be double-counted in the calculation of the aggregate total. However, this is expected to be a small effect.

Table 7.1 Number of clients with loans/ credit outstanding currently/ at year end for lending activities

All active licence-holders involved in lending activities (row percentages)						
Segment	Up to 100 clients	101 – 1,000 clients	1,001 to 10,000 clients	Over 10,000 clients	Median range	Mean
Total	63	27	6	4	10 – 100	30,600
<i>Primarily financial services/ consumer credit related – FSA</i>	63	21	8	9	10 – 100	3,800
<i>Primarily financial services/ consumer credit related – OFT only</i>	37	36	18	9	101 – 500	142,000
Primarily financial services/ consumer credit related	47	30	14	9	101 – 500	85,400
Primarily non-financial services/ non-consumer credit related	72	25	2	1	10 – 100	400
<i>Specialist lenders</i>	32	35	22	11	101 – 500	145,300
<i>Non-specialist lenders</i>	68	25	3	3	10 – 100	1,600
Sole traders	84	13	4	0	10 – 100	200
Partnerships	68	29	2	2	10 – 100	1,000
Corporates	59	29	7	5	10 – 100	42,400
Legal formation:	40	50	10	0	101 - 500	500
Other						

C6 Approximately how many individuals had loans/ credit outstanding from you [only show if have more than one activity in codes 1 to 12: in each of the following areas] at the end of your last financial year (OR, have currently, if that is easier to estimate)? Base: All active licence-holders involved in lending activities (337) excluding don't knows (10%); primarily financial services/ consumer credit related - FSA (53), primarily financial services/ consumer credit related –

OFT only (64), primarily financial services/ consumer credit related (117), primarily non-financial services/ non-consumer credit related (220), specialist lenders (78), non-specialist lenders (265), sole traders (56), partnerships (58), corporates (173), legal formation: Other (50)

7.1.2 Total value of loans/ credit outstanding currently at year end

As with client numbers, participants were asked to estimate the value of outstanding loans/ credit currently or at their most recent year end – separately for each lending activity. Only the aggregate results are presented, however.⁵⁹

Over half of lenders (53%) had only up to £50,000 of loans/ credit outstanding, while only 3% had loans/ credit outstanding exceeding £50 million. Details are in Table 7.2.

⁵⁹ Again, the aggregate may represent a slight over-statement as any client for more than one type of loan/ credit with the same lender could have been ‘double-counted’. However, this is not expected to have had a substantive impact on the estimates.

Table 7.2 Value of loans/ credit outstanding currently/ at year end for lending activities

All active licence-holders involved in lending activities (row percentages)						
Segment	Up to £50k	Over £50K to £1m	Over £1m to £50m	Over £50m	Median range	Mean
Total	53	34	11	3	Up to £50k	£36.9m
<i>Primarily financial services/ consumer credit related – FSA</i>	[41]	[33]	[19]	[7]	Over £50 – 100k	£7.9m
<i>Primarily financial services/ consumer credit related – OFT only</i>	30	53	7	10	Over £100 – 250k	£173.4m
Primarily financial services/ consumer credit related	35	45	12	9	Over £100 – 250k	£108.8m
Primarily non-financial services/ non-consumer credit related	62	28	10	0	Up to £50k	£1.2m
<i>Specialist lenders</i>	35	46	9	10	Over £100 – 250k	£181.8m
<i>Non-specialist lenders</i>	55	31	12	2	Up to £50k	£3.7m
Sole traders	74	22	4	0	Up to £50k	£870,000
Partnerships	70	30	0	0	Up to £50k	£80,000
Corporates	47	36	13	4	Over £50 – 100k	£50.0m
Legal formation: Other	45	39	14	2	Over £50 – 100k	£4.5m

C10 Approximately what is the total value of loans/credit that your organisation had outstanding [only show if have more than one activity in codes 1 to 12: in each of the following areas], if any, at the end of your last financial year (or have currently, if that is easier to estimate)? Base: All active licence-holders involved in lending activities (324) excluding don't knows (14%); primarily financial services/ consumer credit related – FSA (47), primarily financial services/ consumer credit related – OFT only (59), primarily financial services/ consumer credit related (106), primarily non-financial services/ non-consumer credit related (218), specialist lenders (71), non-specialist lenders (257), sole traders (50), partnerships (55), corporates (169), legal formation: other (50)

7.1.3 Number of clients to whom new loans made/ credit extended in past 12 months/ last financial year

Again, participants were asked separately for each of their relevant lending activities, to how many customers they had made new loans or extended credit in the period. Results are shown for the aggregate total across all types of lending and not for individual activities.

These results again reinforce the small scale of the activity of many licence-holders and, at the same time, the diversity in size. Overall, almost three-quarters (72%) of active licence-holders involved in lending indicated they had made new loans or had extended credit to 100 or fewer clients.

Table 7.3 Number of clients to whom new loans made/ credit extended in the past 12 months/ last financial year

All active licence-holders involved in lending activities (row percentages)					
Segment	Up to 100 clients	101 – 1,000 clients	Over 1,000 clients	Median range	Mean
Total	72	18	11	10 - 100	2,000
<i>Primarily financial services/ consumer credit related – FSA</i>	63	18	19	10 - 100	3,500
<i>Primarily financial services/ consumer credit related – OFT only</i>	50	26	25	10 - 100	2,700
Primarily financial services/ consumer credit related	55	23	22	10 - 100	3,000
Primarily non-financial services/ non-consumer credit related	81	15	4	10 - 100	1,500
<i>Specialist lenders</i>	43	31	26	Over 100 - 500	2,700
<i>Non-specialist lenders</i>	76	16	8	10 - 100	2,200
Sole traders	82	14	4	10 – 100	400
Partnerships	81	18	2	10 – 100	300
Corporates	70	18	13	10 – 100	2,400
Legal formation: Other	[52]	[35]	[14]	10 – 100	4,100

C12 To approximately how many customers did you make new loans/ extend credit [only show if have more than one activity in codes 1 to 12: in each of the following areas], if any, in your last financial year (OR in the past 12 months if that is easier to estimate)? Base: All active licence-holders involved in lending activities (327) excluding don't knows

(13%); primarily financial services/ consumer credit related – FSA (50), primarily financial services/ consumer credit related – OFT only (58), primarily financial services/ consumer credit related (108), primarily non-financial services/ non-consumer credit related (219), specialist lenders (70), non-specialist lenders (264), sole traders (56), partnerships (54), corporates (169), legal formation: other (48)

7.1.4 Value of new loans made/ credit extended in past 12 months/ last financial year

A majority of lenders (56%) had made new loans/ extended new credit to a value no greater than £50,000 in the 12 month period for which they were answering. Nonetheless, as a result of a minority of much bigger lenders, the mean amount of new facilities was £9.3 million.

Table 7.4 Value of new loans made/ credit extended in past 12 months/ last financial year for lending activities

All active licence-holders involved in lending activities (row percentages)						
Segment	Up to £50K	Over £50K to £1m	Over £1m to £50m	Over £50m	Median range	Mean
Total	56	36	7	1	Up to £50k	£9.3m
<i>Primarily financial services/ consumer credit related – FSA</i>	[45]	[43]	[12]	[0]	Over £50 – 100k	£1.3m
<i>Primarily financial services/ consumer credit related – OFT only</i>	45	40	11	5	Over £50 – 100k	£43.9m
Primarily financial services/ consumer credit related	45	41	11	3	Over £50 – 100k	£26.5m
Primarily non-financial services/ non-consumer credit related	62	33	6	0	Up to £50k	£215,000
<i>Specialist lenders</i>	43	43	12	3	Over £50 – 100k	£40.9m
<i>Non-specialist lenders</i>	56	35	8	1	Up to £50k	£2.0m
Sole traders	73	23	4	0	Up to £50k	£300,000
Partnerships	74	24	2	0	Up to £50k	£100,000
Corporates	51	40	8	1	Up to £50k	£12.9m
Legal formation: Other	50	36	15	0	Over £50 – 100k	£700,000

C14 Approximately what is the total value of new loans/credit that your organisation made [only show if have more than one activity in codes 1 to 12: in each of the following areas] during your last financial year (or in the past 12 months, if that is easier to estimate? Base: All active licence-holders involved in lending activities (310) excluding don't knows (18%); primarily financial services/ consumer credit related – FSA (47), primarily financial services/ consumer credit related – OFT only (55), primarily financial services/ consumer credit related (102), primarily non-financial services/ non-consumer credit related (208), specialist lenders (68), non-specialist lenders (247), sole traders (52), partnerships (53), corporates (155), legal formation: other (50)

7.2 Intermediaries

Intermediaries were asked for how many people had they arranged credit via a lender or how many people they had referred to a lender or otherwise advised about credit during their last financial year or in the past 12 months, if that were easier to estimate.

Responses were sought separately for the following detailed consumer credit activities:

- Selling goods/ services on credit that is financed by a third party
- Car hire services
- Tool/ other hire services
- Advice about/ offer referral to third party credit
- Advice about/ offer referral to third party doorstep/ in-the-home credit
- General credit/ loan brokerage – other than 1st charge mortgages
- Loan finding services
- Loan introduction services
- Price comparison websites or aggregators

Results are shown for the aggregate of all such activities undertaken by each active licence-holder and not separately for each individual activity.⁶⁰

The great majority (74%) of intermediaries indicated that they had dealt with fewer than 100 clients in the 12-month period, while only around one in 20 (6%) had dealt with more than 1,000 clients.

Interestingly, the profiles of specialist intermediaries and secondary credit brokers were quite similar in terms of the number of clients handled. Details are shown in Table 7.5.

⁶⁰ This may result in a slight overstatement of the number of customers; if the same individual had received two or more such services from the same organisation during the period then they would be double-counted in the aggregation process.

Table 7.5 Number of clients handled by intermediaries in past 12 months/ last financial year

All active licence-holders involved in intermediary activities (row percentages)					
Segment	Up to 100	101 to 1,000	Over 1,000	Median range	Mean
Total	74	20	6	10 – 100	1,600
<i>Specialist intermediaries</i>	71	23	6	10 – 100	1,900
<i>Secondary credit brokers – i.e. non-specialist intermediaries</i>	69	25	6	10 – 100	900
IFAs	85	15	0	10 – 100	70
Insurance brokers	33	48	19	Over 100 – 500	5,000
Credit brokers	[42]	[45]	[13]	Over 100 – 500	3,500
Mortgage brokers	84	15	1	10 – 100	70
Sellers or retailers of goods	79	18	4	10 – 100	300
Sellers or retailers of services	89	11	1	10 – 100	60

C16 Approximately how many people did you arrange credit for via a lender or refer to a lender or otherwise advise about credit [only show if have more than one activity in codes 7 or 11 to 18: in each of the following areas] during your last financial year (OR, in the past 12 months if that is easier to estimate). Base: All active licence-holders involved in intermediary activities (1,037) excluding don't knows (10%); specialist intermediaries (611), secondary credit brokers – i.e. non-specialist intermediaries (375), IFAs (139), insurance brokers (115), credit brokers (41), mortgage brokers (93), sellers or retailers of goods (390), sellers or retailers of services (155)

7.3 Advisers

Organisations involved in any advice activities were asked 'to approximately how many debtors did you provide advice about debt or debt-related services during your last financial year/ in the past 12 months'. The results shown aggregate the individual estimates given, as appropriate, for each of the following:⁶¹

- Debt advice services
- Debt adjusting
- Debt counselling

⁶¹ As stated previously, this aggregation may result in a slight over-statement of the number of unique clients, as a few may fall into more than one of these activities.

Overall, almost two-thirds of advisers (64%) had no more than 100 clients in the period, although the mean was much higher (2,300) due to a small number of advisers dealing with significantly greater numbers of clients.

Table 7.6 Number of debtors advised in past 12 months/ last financial year⁶²

All active licence-holders advising (row percentages)					
Segment	Up to 100	101 to 1,000	Over 1,000	Median range	Mean
Total	64	31	5	10 – 100	2,300
<i>Primary business type</i>					
IFA	[96]	[4]	[0]	1 - 9	20
<i>Activities undertaken</i>					
Debt advice	50	42	7	10 - 100	1,800
Debt adjustment	46	45	10	Over 100 - 500	4,600
Debt counselling	56	37	7	10 - 100	2,900

C18 To approximately how many debtors did you provide advice about debt or provide debt-related services [only show if have more than one activity in codes 19 to 21 or 25: in each of the following areas] during your last financial year (OR, in the past 12 months if that is easier to estimate). Base: All active licence-holders advising (138) excluding don't knows (10%); IFA (37), debt advice (95), debt adjustment (66), debt counselling (110)

⁶² With the exception of the greater proportion of organisations with more than 1,000 clients for debt adjustment, these subgroup results are not statistically significant and should, therefore, be considered as indicative only. The results at total level are robust.

8 The active population: lender/ broker relationships

This chapter reports, for the active population of consumer credit licence-holders, survey findings on the relationships between lenders and brokers.

Different questions were asked of respondent organisations depending on whether they were a lender or an intermediary.

Key findings are:

- Only 14% of lenders stated that they had received any business from brokers in the past year.
- More than two-thirds (71%) of intermediaries said that they used specific lenders regularly. The mean number of regular lenders used ranged between 2.4 for those 'selling goods and/ or services' to 5.3 for those involved in 'loan finding' or 'loan introduction' services.

8.1 Use of brokers by lenders

Only one in seven (14%) lenders stated that they received any business from brokers in their last financial year/ last 12 months. Interestingly, there was no significant difference between specialist lenders (11%) and non-specialists (15%).

8.2 Regular use of specific lenders by intermediaries

Intermediaries were asked whether they used any specific lenders 'regularly' to provide consumer credit to their customers.

More than two-thirds (71%) of intermediaries stated that they used specific lenders on a regular basis.

This varied significantly between specialist intermediaries (60%) and secondary credit brokers (89%). Variations between different primary business types were insurance brokers (91%), credit brokers (64%), mortgage brokers (41%) and IFAs (36%).

The number of regular lenders used was identified separately for each of the different lending activities.

8.2.1 Number of regular lenders used for 'advice or referral to third party credit'

The mean number of regular lenders used for advice or referral to a third party was just under four (3.9). Overall, just over a third (37%) of those organisations using regular lenders used only one compared with about one in five (21%) who used five or more on a regular basis.

There were significant variations between specialist financial organisations and those whose primary business activity was selling goods. Details are shown in Table 8.1.

Table 8.1 Number of regular lenders used in past 12 months/ last financial year for 'advice or referral to third party credit'

Segment	All active licence-holders using regular lenders for 'advice or referral to third party credit' (row percentages)			
	1	2-4	5+	Mean
Total	37	42	21	3.9
FSA ALL	30	40	30	5.6
OFT only	43	44	12	2.5
Primarily financial services/ consumer credit related	29	32	39	5.5
Primarily non-financial services/ non-consumer credit related	44	51	6	2.7
Sellers or retailers of goods	45	52	3	1.9

C4 How many lenders did you use regularly in your last financial year or in the past 12 months? If you used the same lender regularly for more than one activity, please include them in each total. Base: All active licence-holders using regular lenders for 'advice or referral to third party credit' (177) excluding don't knows (5%); FSA ALL (80), OFT only (97), primarily financial services/ consumer credit related (74), primarily non-financial services/ non-consumer credit related (103), sellers or retailers of goods (75)

8.2.2 Number of regular lenders used for 'general credit/ loan brokerage other than 1st charge mortgages'

The mean number of regular lenders used for this activity was 4.8, resulting from an almost even split between those using a single regular lender (33%), those using between two and four (37%) and those using more (31%).

Again, specialist financial organisations and those already regulated by the FSA tended to use more regular lenders, while non-specialists used fewer. Sole traders used more regular lenders on average than did corporates. Details are in Table 8.2.

Table 8.2 Number of regular lenders used in past 12 months/ last financial year for 'general credit/ loan brokerage other than 1st charge mortgages'

Segment	All active licence-holders using regular lenders (row percentages)			
	1	2 to 4	5+	Mean
Total	33	37	31	4.8
FSA ALL	28	33	39	6.3
OFT Only	39	41	19	2.8
Primarily financial services/ consumer credit related	23	35	42	6.1
Primarily non-financial services/ non-consumer credit related	50	40	10	2.4
Sole traders	[31]	[29]	[41]	6.0
Corporates	34	40	26	4.2
Sellers or retailers of goods and/ or services	51	40	9	2.4

C4 How many lenders did you use regularly in your last financial year or in the past 12 months? If you used the same lender regularly for more than one activity, please include them in each total. Base: All active licence-holders using regular lenders (162) excluding don't knows (3%); FSA ALL (92), OFT only (70), primarily financial services/ consumer credit related (98), primarily non-financial services/ non-consumer credit related (64), sole traders (49), corporates (77), sellers or retailers of goods and/ or services (59)

8.2.3 Number of regular lenders used for 'loan finding services' and 'loan introduction services'

On average, those offering 'loan finding' services used more than five (5.3) regular lenders. Almost one third (31%) used a single regular lender, compared with less than a third (28%) using between two and four and over two-fifths (41%) using five or more.

The sample size was too small (48) to identify any significant variations between different segments.

Turning to those describing their activity as 'loan introduction services', here the mean number of regular lenders used was 4.6. This reflected 30% who used a single regular lender, 44% using between two and four and a quarter (25%) using five or more.

Again, the sample size was too small (75) to identify any variations between different segments.

8.2.4 Number of regular lenders used for 'selling goods and/ or services'

For the activity 'selling goods and/ or services' fewer regular lenders are used than for the activities covered in Sections 8.2.1 to 8.2.3. Almost half (48%) of active licence-holders using regular lenders for this activity use a single lender regularly, and the mean number of regular lenders used is 2.4.

Table 8.3 shows that, on average, OFT-only organisations, primarily non-financial organisations, and sellers of goods and/ or services used the fewest regular lenders.

Table 8.3 Number of regular lenders used in past 12 months/ last financial year for 'selling goods and/ or services'

All active licence-holders using regular lenders for 'selling goods and/ or services' (row percentages)				
Segment	One	Two to Four	5+	Mean
Total	48	44	7	2.4
FSA ALL	42	46	12	3.2
OFT only	51	44	5	1.9
Primarily financial	47	34	20	3.5
Primarily non-financial	49	48	4	2.0
Sellers of goods and/ or services	49	48	3	2.0

C4 How many lenders did you use regularly in your last financial year or in the past 12 months? If you used the same lender regularly for more than one activity, please include them in each total. Base: All active licence-holders using regular lenders for 'selling goods and/ or services' (349) excluding don't knows (2%); FSA ALL (118), OFT only (231), primarily financial services/ consumer credit related (81), primarily non-financial services/ non-consumer credit related (268), sellers or retailers of goods and/ or services (252)

8.3 Most frequently used lenders

Organisations that used specific lenders regularly were asked to identify their top lender or up to their top three lenders.

The lenders most frequently identified as falling in the top three are shown in Table 8.4.

Table 8.4 Specific lenders mentioned most frequently as one of the intermediary's 'top three'

All active licence-holders using regular lenders (column percentages)			
Named lenders	Total	Groups mentioning more frequently	Groups mentioning less frequently⁶³
Close Brothers	29	Insurance brokers (58%) FSA DA (38%) Secondary credit brokers (33%)	FSA AR (17%)
Santander	12	FSA AR (21%)	Insurance brokers (1%)
Premium Credit	11	Insurance brokers (58%) FSA DA (37%) Primarily financial (27%)	FSA AR (4%) Primarily non-financial (2%) Sellers or retailers of goods (<1%)
Black Horse	10	FSA AR (22%)	FSA DA (4%)
Barclays	6	Primarily non-financial (9%) OFT only (8%) Corporates (8%)	FSA ALL (4%) Primarily financial (2%) Sole traders (2%)
Hitachi	6	Sellers or retailers of services (21%) OFT only (10%) Primarily non-financial (8%)	Primarily financial (2%) FSA ALL (1%)
Nationwide	6	Primarily financial (15%) Sole traders (14%) FSA ALL (12%) Specialist intermediaries (9%)	Corporates (3%) Secondary credit brokers (1%) Sellers or retailers of services (1%) OFT only (<1%) Primarily non-financial (<1%)

C5 Can you please give the names of your top 3 lenders? Base: All active licence-holders using regular lenders (664) excluding don't knows (5%)

⁶³ In this Table, figures of less than 1% are denoted by <1% and not by *, as this is felt easier to follow in this context.

9 The active population: balance sheet assets and capital resources

This chapter reports, for the active population of consumer credit licence-holders, survey findings on the size and make-up of their balance sheets.

Key findings are:

- Slightly over one-third (37%) of active licence-holders had total assets of no more than £50,000, with the median range being 'over £100,000 to £250,000'. Only 7% had assets in excess of £5 million.
- Around one-quarter (26%) had intangible assets, but close to half (46%) of these organisations had no more than £50,000 in intangibles.
- Depending on the type of legal formation, between 75% and 93% had some level of retained earnings and between 25% and 42% had some subordinated debt or loans.

9.1 Balance sheet assets

Information was gathered on the value of total assets, including intangible assets, the value specifically of intangible assets (if held), and the make-up of total capital resources recorded in the balance sheet.

Intangible assets were defined as follows: '*Intangible assets are non-physical resources and rights that have a value to the organisation because they give the organisation some kind of advantage in the market place. Examples of intangible assets are goodwill, copyrights, trademarks, patents and computer programs.*'

9.1.1 Value of total assets including intangible assets

Just more than one third (37%) of active licence-holders had total assets of no more than £50,000, with the median range being 'over £100,000 to £250,000'. Selected findings are included in Table 9.1.

Table 9.1 Value of total assets including intangibles

All active licence-holders (row percentages)						
Segment	Up to £50k	Over £50k to £500k	Over £500k to £5m	Over £5m	Median range	Mean
Total	37	38	18	7	Over £100 – 250k	£30.7m
FSA ALL	41	37	16	6	Over £50 – 100k	£15.7m
OFT only	33	39	20	8	Over £100 – 250k	£42.9m
<i>Primarily financial services/ consumer credit related – FSA</i>	48	38	11	4	Over £50 – 100k	£15.9m
<i>Primarily financial services/ consumer credit related – OFT only</i>	60	21	11	8	Up to £50k	£10.2m
Primarily financial services/ consumer credit related	51	33	11	5	Up to £50k	£14.3m
Primarily non-financial services/ non-consumer credit related	21	43	26	10	Over £250 – 500k	£47.7m
Lenders	24	38	24	14	Over £100 – 250k	£91.1m
<i>Specialist lenders</i>	25	38	22	15	Over £100 – 250k	£65.4m
<i>Non-specialist lenders</i>	23	37	26	14	Over £250 – 500k	£94.0m
Intermediaries	36	41	18	5	Over £100 – 250k	£5.1m
<i>Specialist intermediaries</i>	42	38	14	5	Over £50 – 100k	£5.6m
<i>Secondary credit brokers – i.e. non-specialist intermediaries</i>	26	43	26	5	Over £100 – 250k	£4.0m
Advisers	55	25	12	8	Up to £50k	£24.1m
Debt collectors	[37]	[23]	[19]	[21]	Over £100 – 250k	£20.7m
Sole traders	59	35	6	*	Up to £50k	£200,000
Partnerships	35	46	17	2	Over £100 – 250k	£1.0m
Corporates	29	39	23	9	Over £100 – 250k	£44.3m
Legal formation: Other	14	26	29	32	Over £1 – 2.5m	£70.0m

F1 What was the value of your total assets, including intangible assets if you have any, at the end of your last financial year? Base: All active licence-holders (1,071) excluding don't knows and refused (23%); FSA ALL (476), OFT only

(595), primarily financial services/ consumer credit related – FSA (394), primarily financial services/ consumer credit related – OFT only (143), primarily financial services/ consumer credit related (537), primarily non-financial services/ non-consumer credit related (534), lenders (298), specialist lenders (74), non-specialist lenders (233), intermediaries (788), specialist intermediaries (527), secondary credit brokers – i.e. non-specialist intermediaries (302), advisers (115), debt collectors (33), sole traders (251), partnerships (206), corporates (487), legal formation: other (127)

9.1.2 Value of intangible assets

Around a quarter (26%) of organisations indicated that they had intangible assets in their balance sheets.

Intangibles were most widely found among sellers of services (36%), organisations involved in general credit broking (34%), specialist intermediaries (31%) and corporates (30%).

The organisation types with the lowest prevalence of intangibles were sole traders (14%), advisers (18%) and non-specialist lenders (21%).

Among those with any intangible assets close to half (46%) had no more than £50,000, compared with one in 20 (5%) who held more than £5 million.

As shown in Table 9.2, organisations with intangible assets more likely to be holding no more than £50,000 were sole traders (71%) and specialist intermediaries (54%), while those least likely to be holding that little were non-specialist lenders (30%), lenders (33%) and corporates (35%).

Table 9.2 Value of intangible assets

All active licence-holders with intangible assets (row percentages)						
Segment	Up to £50k	Over £50k to £500k	Over £500k to £5m	Over £5m	Median range	Mean
Total	46	43	6	5	Over £50 – 100k	£42.6m
Sole traders	71	28	2	0	Up to £50k	£90,000
<i>Specialist intermediaries</i>	54	39	5	2	Up to £50k	£3.5m
Corporates	35	50	8	7	Over £100 – 250k	£66.9m
Lenders	33	47	12	9	Over £100 – 250k	£141.1m
<i>Non-specialist lenders</i>	30	53	13	5	Over £100 – 250k	£159.8m

F3b What was the value of your intangible assets at the end of your last financial year? Base: All active licence-holders with intangible assets (223) excluding don't knows (36%); sole traders (58), specialist intermediaries (126), corporates (102), lenders (59), non-specialist lenders (50)

9.2 Capital resources: make-up and scale

Different types of balance sheet capital (e.g. owners' interest and subordinated debt) are relevant to different legal formations. Consequently, results have been analysed separately by each legal formation.⁶⁴

Information on the scale of capital resources held by consumer credit organisations was sought. The results presented come from a sub-set of the sample and so are indicative only. The sub-set comprises those survey participants who were listed in the OFT database as the same type of legal formation as they indicated themselves to be in the survey *and* who were able to provide an estimate of the value of the specific form of capital that they held (i.e. they did not answer '*don't know*' when asked the value of the specific capital type).

The great majority of organisations did classify themselves in the same way as they were classified in the OFT database (sole traders, 84%; partnerships, 82%; corporates, 97%; other, 64%) and so we are able to analyse the value of their capital resources, where they provided this. Levels of refusal and of answering 'don't know' did mean, however, that for some types of capital there were too few responses to be analysed.⁶⁵ As elsewhere in the report, details of base sizes are provided in each of the relevant tables.

9.2.1 Capital make-up

Details of the proportions of different organisation types that had each form of capital present in their balance sheets are shown in Table 9.3. Depending on the type of legal formation, between 75% and 93% had some level of retained earnings and between 25% and 42% had some subordinated debt or loans.

⁶⁴ Results are presented separately for partnerships and limited liability partnerships, as the types of capital assets available to them differ slightly.

⁶⁵ Throughout the report, all results shown are based on a minimum of 20 survey responses.

Table 9.3 Proportion of organisations with different forms of balance sheet capital⁶⁶

All active licence-holders (column percentages)					
Type of capital	Sole traders	Partnerships	Limited liability partnerships	Corporates	Charities, trades unions & others
Ordinary share capital	-	-	-	90	19
Preference share capital	-	-	-	13	0
Share premium account	-	-	-	14	*
P&L account	78	84	[93]	89	75
Other reserves	35	50	[72]	44	73
Partners' capital	-	78	-	-	-
LLP members capital	-	-	[86]	-	-
Sole trader capital	67	-	-	-	-
Subordinated debt/ loans	25	42	[32]	25	25

F14 Which of the following capital resources did you have recorded in your balance sheet at the end of the last financial year? Base: All active licence-holders providing legal status information that matched with OFT database information (730) excluding don't knows (14%); sole traders (169), partnerships (116), limited liability partnerships (28), corporates (347), legal formation: other (70)

9.2.2 Size and types of capital resources: sole traders

Sole traders held four types of capital: profit and loss account, other reserves, sole trader capital and subordinated debt/ loans. The range of values of amounts held, in each case by sole traders holding that type of capital, is shown in Table 9.4. There were too few observations to report on subordinated debt/ loans.

⁶⁶ A – sign in this table indicates that these types of capital were 'not applicable' to that legal formation.

Table 9.4 Value of capital held by sole traders

All sole traders answering with each specific capital type (row percentages)					
Asset type	Up to £50k	Over £50k to £1m	Over £1m	Median range	Mean
P&L reserves	76	24	0	Up to £50k	£45,000
Other reserves	[81]	[19]	[0]	[Up to £50k]	[£45,000]
Sole trader capital	[73]	[27]	[0]	[Up to £50k]	[£70,000]
Subordinated debt/ loans	(Too few observations)				

F15 Could you please provide the value of your capital resources, as recorded at the end of your last financial year, in each of the following areas? If you do not have access to your accounts please provide a rough estimate. Base: All sole traders answering with each specific capital type: P&L reserves (55) excluding don't knows and refused (69%), other reserves (21) excluding don't knows and refused (73%), sole trader capital (48) excluding don't knows and refused (68%)

9.2.3 Size and types of capital resources: partnerships

Partnerships held four types of capital: profit and loss account, other reserves, partners' capital and subordinated debt/ loans. The range of values of amounts held, in each case by partnerships holding that type of capital, is shown in Table 9.5. There were too few observations to be able to report on other reserves and subordinated debt/ loans.

Table 9.5 Value of capital held by partnerships

All partnerships answering with each specific capital type (row percentages)					
Asset type	Up to £50k	Over £50K to £1m	Over £1m	Median range	Mean
P&L reserves	[53]	[42]	[5]	[Up to £50k]	[£190,000]
Other reserves	(Too few observations)				
Partners' capital	[37]	[57]	[6]	[Over £100 – 250k]	[£265,000]
Subordinated debt/ loans	(Too few observations)				

F15 Could you please provide the value of your capital resources, as recorded at the end of your last financial year, in each of the following areas? If you do not have access to your accounts please provide a rough estimate. Base: All partnerships answering with each specific capital type: P&L reserves (36) excluding don't knows and refused (73%), partners' capital (37) excluding don't knows and refused (68%)

9.2.4 Size and types of capital resources: limited liability partnerships

Limited liability partnerships also held four types of capital: profit and loss account, other reserves, limited liability partners' capital and subordinated debt/ loans. There were too few observations for each of these capital types to be able to report the results.

9.2.5 Size and types of capital resources: corporates

Corporates held six types of capital: ordinary share capital, preference share capital, share premium account, profit and loss account, other reserves and subordinated debt/ loans. The range of values of amounts held, in each case by corporates holding that type of capital, is shown in Table 9.6. There were too few observations to be able to report on preference share capital.

Table 9.6 Value of capital held by corporates

All corporates answering with each specific capital type (row percentages)					
Asset type	Up to £50k	Over £50k to £1m	Over £1m	Median range	Mean
Ordinary share capital	70	22	8	Up to £50k	£36.1m
Preference share capital	(Too few observations)				
Share premium account	[32]	[43]	[25]	[Over £100 – 250k]	[£41.3m]
P&L reserves	41	42	17	Over £5 – 100k	£1.6m
Other reserves	40	52	8	Over £50 – 100k	£39.9m
Subordinated debt/ loans	[50]	[37]	[14]	[Over £50 – 100k]	[£150.0m]

F15 Could you please provide the value of your capital resources, as recorded at the end of your last financial year, in each of the following areas? If you do not have access to your accounts please provide a rough estimate. Base: All corporates answering with each specific capital type: ordinary share capital (230) excluding don't knows and refused (50%); share premium account (32) excluding don't knows and refused (48%), P&L reserves (241) excluding don't knows and refused (80%), other reserves (81) excluding don't knows and refused (64%), subordinated debt/ loans (44) excluding don't knows and refused (70%)

9.2.6 Size and types of capital resources: other legal formations

Other legal formations held five types of capital: ordinary share capital, share premium account, profit and loss account, other reserves and subordinated debt/ loans. No organisation providing information held preference share capital - which was another option put to them. The range of values of amounts held, in each case by other legal formations holding that type of capital, is shown in Table 9.7. Insufficient responses were available to measure ordinary share capital, share premium accounts and subordinated debt/ loans.

Table 9.7 Value of capital held by other legal formations

All other legal formations answering with each specific capital type (row percentages)					
Asset type	Up to £50k	Over £50k to £1m	Over £1m	Median range	Mean
Ordinary share capital					
			(Too few observations)		
Share premium account					
			(Too few observations)		
P&L reserves	[26]	[42]	[32]	[Over £100k - £250k]	[£4.2m]
Other reserves	[12]	[43]	[45]	[Over £250k - £1m]	[£17.1m]
Subordinated debt/ loans					
			(Too few observations)		

F15 Could you please provide the value of your capital resources, as recorded at the end of your last financial year, in each of the following areas? If you do not have access to your accounts please provide a rough estimate. Base: All other legal formation answering with each specific capital type: P&L reserves (39) excluding don't knows and refused (37%), other reserves (46) excluding don't knows and refused (39%).

10 The active population: professional indemnity insurance and holding client cash and/ or assets

This chapter reports, for the active population of consumer credit licence-holders, whether or not they held professional indemnity insurance (PII) and whether they held client cash and/ or assets.

Key findings are:

- Just over three-quarters (77%) had professional indemnity insurance, especially those that were also FSA regulated. In most cases, where organisations had PII it covered them for their consumer credit activities.
- The distribution of the scale of PII cover fell broadly into thirds: 33% had cover of £1 million or below, 37% had cover in the range of over £1 million to £2.5 million, and 30% had cover in excess of £2.5 million.
- Only around one in ten (11%) held client cash and/ or assets in connection with their consumer credit activities. The greatest proportion holding cash and/ or assets was among advisers (45%).
- More than four fifths (87%) held client cash and/ or assets in a separate account.

10.1 Professional indemnity insurance

Information was sought on whether or not professional indemnity insurance was held at all and, if so, whether it covered consumer credit activities and what aggregate value of cover was held.

10.1.1 Holding professional indemnity insurance

Just over three-quarters (77%) of active licence-holders had professional indemnity cover for some or all of their activities. Cover was more prevalent among organisations that were already FSA regulated (94%) than those which were not (62%).

The proportions of organisations with PII are shown in Table 10.1.

Table 10.1 Holding Professional Indemnity Insurance (PII)

All active licence-holders (row percentages)	
Segment	Proportion with PII cover
Total	77
FSA DA	98
FSA AR	88
FSA ALL	94
OFT only	62
<i>Primarily financial services/ consumer credit related – FSA</i>	96
<i>Primarily financial services/ consumer credit related – OFT only</i>	55
Primarily financial services/ consumer credit related	85
Primarily non-financial services/ non-consumer credit related	68
Lenders	62
<i>Specialist lenders</i>	53
<i>Non-specialist lenders</i>	64
Intermediaries	78
<i>Specialist intermediaries</i>	79
<i>Secondary credit brokers – i.e. non-specialist intermediaries</i>	76
Advisers	85
Debt collectors	[86]
Sellers or retailers of goods and services	69
Sole traders	75
Partnerships	82
Corporates	76
Legal formation: Other	83

F5 Do you hold Professional Indemnity Insurance (PII)? Base: All active licence-holders (1,325) excluding don't knows (4%); FSA DA (312), FSA AR (279), FSA ALL (608), OFT only (717), primarily financial services/ consumer credit related – FSA (499), primarily financial services/ consumer credit related – OFT only (180), primarily financial services/ consumer credit related (679), primarily non-financial services/ non-consumer credit related (646), lenders (346), specialist lenders (84), non-specialist lenders (274), intermediaries (983), specialist intermediaries (659), secondary credit brokers – i.e. non-specialist intermediaries(377), advisers (150), debt collectors (46), sellers or retailers of goods and services (577), sole traders (317), partnerships (264), corporates (603), legal formation: other (141)

10.1.2 Extent of PII coverage

In most cases, where organisations had PII it covered them for their consumer credit activities. The proportions of those with PII cover undertaking a specific activity whose cover included that activity is shown in Table 10.2. This table only includes the activities conducted by enough organisations that had PII cover, to be able to provide meaningful results.

The results show that if organisations had PII cover, then, in a minimum of 81% of cases, it did cover their specific consumer credit activity.

Table 10.2 Proportion of organisations undertaking specific activities who had PII cover where their PII covered that activity

All active licence-holders with PII cover undertaking each activity (row percentages)	
Consumer credit activity	Proportion whose PII covered the specific activity
Credit information services	[95]
Debt counselling	92
Debt advice	88
Debt adjusting	88
Debt collecting	[86]
General credit/ loan brokerage	86
Advice about/ referral to third party credit (not linked to goods or services you are selling)	86
Selling goods/ services on credit	83
Credit reference services	[83]
Loan finding services	82
Loan introduction services	81
Debt administration	[81]
Hire purchase	[81]

F6 Which of the following activities does your PII cover. Base: Credit information services (36) excluding don't knows (16%), debt counselling (94) excluding don't knows (10%), debt advice (80) excluding don't knows (10%), debt adjusting (51) excluding don't knows (16%), debt collecting (35) excluding don't knows (12%), general credit/ loan brokerage (229) excluding don't knows (17%), advice about/ referral to third party credit (not linked to goods or services you are selling) (185) excluding don't knows (24%), selling goods/ services on credit (336) excluding don't knows (19%), credit reference services (25) excluding don't knows (11%), loan finding services (61) excluding don't knows (9%), loan introduction services (84) excluding don't knows (19%), debt administration (21) excluding don't knows (18%), hire purchase (29) excluding don't knows (8%)

Combining the information in Tables 10.1 and 10.2, it is possible to calculate what proportion of active licence-holders involved in each of the consumer credit activities reviewed had PII that covered that activity. This ranged from just under half (47%) for those offering hire purchase to nine in ten (91%) of those providing credit information services. Details are in Table 10.3.

Table 10.3 Proportion of all organisations undertaking specific activities who had PII cover for that activity

All active licence-holders undertaking each activity (row percentages)	
Consumer credit activity	Proportion covered by PII for the specific activity
Credit information services	[91]
Debt counselling	79
Credit reference services	[75]
Debt advice	74
Debt collecting	[73]
General credit/ loan brokerage	70
Debt adjusting	69
Loan finding services	67
Loan introduction services	66
Advice about/ referral to third party credit (not linked to goods or services you are selling)	63
Debt administration	[63]
Selling goods/ services on credit	58
Hire purchase	[47]

F6 Which of the following activities does your PII cover. Base: Credit information services (39) excluding don't knows (15%), debt counselling (108) excluding don't knows (9%), credit reference services (29) excluding don't knows (10%), debt advice (93) excluding don't knows (10%), debt collecting (41) excluding don't knows (11%), general credit/ loan brokerage (273) excluding don't knows (16%), debt adjusting (64) excluding don't knows (15%), loan finding services (74) excluding don't knows (7%), loan introduction services (103) excluding don't knows (17%), advice about/ referral to third party credit (not linked to goods or services you are selling) (247) excluding don't knows (21%), debt administration (27) excluding don't knows (14%), selling goods/ services on credit (475) excluding don't knows (20%), hire purchase (45) excluding don't knows (12%)

10.1.3 Aggregate value of PII cover

The distribution of the value of PII cover fell broadly into thirds: 33% had cover of £1 million or below, 37% had cover in the range of over £1 million to £2.5 million, and 30% had cover in excess of £2.5 million.

The overall mean level of cover was £4.6 million, and the median was in the range 'over £1 million to £2.5 million'.

Overall, PII arrangements did not vary dramatically between the different segments analysed. Further details are provided in Table 10.4.

Table 10.4 Value of PII cover

All active licence-holders with PII cover (row percentages)					
Segment	Up to £1m	Over £1m to £2.5m	Over £2.5m	Median range	Mean
Total	33	37	30	Over £1m to 2.5m	£4.6m
FSA ALL	22	48	29	Over £1m to 2.5m	£5.4m
OFT only	48	21	31	Over £1m to 2.5m	£3.2m
<i>Primarily financial services/ consumer credit related – FSA</i>	20	50	30	Over £1m to 2.5m	£5.7m
<i>Primarily financial services/ consumer credit related – OFT only</i>	49	22	30	Over £1m to 2.5m	£2.9m
Primarily financial services/ consumer credit related	25	45	30	Over £1m to 2.5m	£5.2m
Primarily non-financial services/ non-consumer credit related	44	25	31	Over £1m to 2.5m	£3.6m
Lenders	35	26	39	Over £1m to 2.5m	£5.2m
<i>Specialist lenders</i>	[36]	[9]	[55]	Over £2.5m to £5m	£5.7m
<i>Non-specialist lenders</i>	35	30	36	Over £1m to 2.5m	£5.1m
Intermediaries	31	40	29	Over £1m to 2.5m	£4.4m
<i>Specialist intermediaries</i>	31	44	24	Over £1m to 2.5m	£3.6m
<i>Secondary credit brokers – i.e. non-specialist intermediaries</i>	30	32	38	Over £1m to 2.5m	£5.6m
Advisers	34	42	23	Over £1m to 2.5m	£3.0m
Debt collectors	[28]	[22]	[50]	Over £1m to 2.5m	£3.9m
Sole traders	45	35	20	Over £1m to 2.5m	£3.7m
Partnerships	30	43	27	Over £1m to 2.5m	£5.0m
Corporates	29	38	33	Over £1m to 2.5m	£4.8m
Legal formation: Other	34	25	41	Over £1m to 2.5m	£5.4m

F8 Can you estimate into which of these ranges the value of your PII cover falls? All active licence-holders with PII cover (769) excluding don't knows (25%), FSA ALL (450), OFT only (319), primarily financial services/ consumer credit related – FSA (378), primarily financial services/ consumer credit related – OFT only (79), primarily financial services/ consumer credit related (457), primarily non-financial services/ non-consumer credit related (312), lenders (151), specialist lenders (30), non-specialist lenders (123), intermediaries (589), specialist intermediaries (404), secondary credit brokers – i.e. non-specialist intermediaries (212), advisers (94), debt collectors (32), sole traders (160), Partnerships (171), corporates (350), legal formation: others (88)

10.2 Holding client cash and/ or assets

Survey participants were asked whether they held client cash and/ or assets 'on their behalf specifically in relation to your consumer credit activities'. They were also asked, where relevant, to exclude 'consumer deposits'. Nonetheless, it is likely that, in some responses, client deposits were included, even though it is not possible to quantify that.

10.2.1 Proportion holding client cash and/ or assets at all

Only around one in ten (11%) of active licence-holders held client cash and/ or assets. Details are provided in Table 10.5.

Table 10.5 Proportion of organisations holding client cash and/ or assets on their behalf in connection with consumer credit activities

All active licence-holders (row percentages)	
Segment	Proportion holding client cash and/ or assets
Total	11
FSA ALL	14
OFT only	9
Primarily financial	16
Primarily non-financial	7
Lenders	11
Intermediaries	8
Advisers	22
Debt collectors	[45]

F10 Do you hold clients' assets and/ or cash on their behalf specifically in relation to your consumer credit activities? Base: All active licence-holders (1,377) excluding don't knows (1%); FSA ALL (609), OFT only (768), primarily financial services/ consumer credit related (685), primarily non-financial services/ non-consumer credit related (692), lenders (367), intermediaries (1,023), advisers (152), debt collectors (46)

Those holding client cash and/ or assets were also asked how those were held. More than four-fifths (87%) stated that they were held in a separate account, and a further 5% that they were held in a safe or securely on site. Fewer than one in ten (8%) indicated that client assets were 'held among other funds'.

10.2.2 Amount held in client cash and/ or assets

Among those organisations that held client cash and/ or assets in connection with their consumer credit activities, around a third (34%) typically held no more than £10,000, and a further third (36%) between more than £10,000 up to £100,000. One in ten (11%), however, of those holding client cash and/ or assets claimed typically to hold in excess of £1 million. Although survey participants were asked only to focus on cash/ assets held in relation to consumer credit, it seems likely that some have included cash and/ or assets held for other purposes. Therefore, these results are likely to be an overstatement in some instances. Consequently, means have not been reported as they may well be sufficiently inaccurate to be misleading. Results for key segments are shown in Table 10.6.

Table 10.6 Typical value of clients' cash and/ or assets held on an average day

All active licence-holders holding client cash/ assets (row percentages)					
Segment	Up to £10k	Over £10k to £100k	Over £100k to £1m	Over £1m	Median range
Total	34	36	20	11	Over £10 – 25k
FSA ALL	22	41	18	18	Over £50 – 100k
OFT only	[45]	[30]	[21]	[4]	Over £10 – 25k
Primarily financial services/ consumer credit related	30	38	20	13	Over £50 – 100k
Primarily non-financial services/ non-consumer credit related	[43]	[31]	[20]	[7]	Over £10 – 25k
Intermediaries	31	46	16	7	Over £25 – 50k

F11 On an average day, roughly what is the value of client cash and assets that you hold in total specifically in relation to your consumer credit activities? Base: All active licence-holders holding client cash/ assets (92) excluding don't knows and refused (39%); FSA ALL (51), OFT only (41), primarily financial services/ consumer credit related (64), primarily non-financial services/ non-consumer credit related (28), intermediaries (52)

10.2.3 Number of clients for whom cash and/ or assets held

Organisations that held clients' cash and/ or assets were asked for how many such clients they held these on a typical day.

Around a third (34%) typically held cash and/ or assets for fewer than ten clients, and a similar proportion (30%) for between 10 and 100 clients. Only 13% typically held cash and/ or assets for more than 500 clients. Details are in Table 10.7.

Table 10.7 Typical number of clients whose cash and/ or assets is held on an average day

All active licence-holders holding client cash and/ or assets (row percentages)					
Segment	Fewer than 10	10 to 100	101 to 500	More than 500	Median range
Total	34	30	23	13	10 - 100
FSA ALL	36	24	21	19	10 - 100
OFT only	[32]	[37]	[24]	[7]	10 - 100
Primarily financial services/ consumer credit related	23	39	23	15	10 - 100
Primarily non-financial services/ non-consumer credit related	[54]	[14]	[23]	[9]	1 - 9
Lenders	[30]	[22]	[25]	[23]	10 - 100
Intermediaries	44	26	24	6	10 - 100

F12 Again, on an average day, roughly for how many clients would you hold assets and/ or cash? Base: All active licence-holders holding client cash and/ or assets (115) excluding don't knows and refused (27%); FSA ALL (66), OFT only (49), primarily financial services/ consumer credit related (79), primarily non-financial services/ non-consumer credit related (36), lenders (36), intermediaries (61)

11 The active population: numbers of responsible persons

This chapter reports, for the active population of consumer credit licence-holders, survey findings regarding how many directors or equivalent senior staff they had who are responsible for UK consumer credit activities and also, where appropriate, the number of debt advisers employed.

Key findings are:

- A single individual held responsibility for consumer credit activities in around two-thirds of all active licence-holders (67%), while for a further quarter (27%) between two and four people were responsible.
- Among advisers, almost half (47%) stated that they did not employ any full-time advisers. The next most common response (40%) was that they employed '*from one full-time equivalent to less than four.*'

11.1 Number of responsible individuals with respect to consumer credit activities

Information was sought on how many chief executives, other directors, non-executive directors, and, if relevant, partners or LLP members, each organisation had who had responsibility for UK consumer credit activity. In the case of sole traders or other organisations with a single employee or a single employee involved in consumer credit activities, this question was not asked and an answer of 'one' was assumed.

In around two-thirds of all organisations (67%) a single individual held responsibility for consumer credit activities, while for a further quarter (28%) it was two to four people.⁶⁷ Only 5% of active licence-holders reported having more than five individuals with responsibility for consumer credit activities in the UK. The mean number of responsible individuals was 1.7 per organisation. Details of organisation types with significantly greater or lesser numbers of individuals responsible for their UK consumer credit activities are shown in Table 11.1.

⁶⁷ Note that 0.7% stated that there was no-one in the UK responsible for UK consumer credit activities.

Table 11.1 Proportions with a single individual responsible for UK consumer credit activities and mean number of responsible persons

Segment	All active licence-holders (row percentages)	
	Proportion with a single responsible individual	Mean number of responsible persons
Total	67	1.7
Lenders	58	1.9
<i>Specialist lenders</i>	51	2.5
<i>Non-specialist lenders</i>	59	1.8
Intermediaries	70	1.6
Small	75	1.4
Medium	35	2.7
Insurance brokers	50	2.0
Mortgage brokers	86	1.2
Consumer credit is most important activity	56	2.0
Hold and use licence category F (debt collecting)	45	2.5

B13. How many chief executives, other directors, non-executive directors, or partners, in total, does your organisation have, have responsibility for your UK consumer credit activity? Base: All active licence-holders with more than one CC employee (1,330) excluding don't knows and refused (3%); lenders (349), specialist lenders (83), non-specialist lenders (278), intermediaries (992), small (987), medium (158), insurance brokers (127), mortgage brokers (112), consumer credit is most important activity (145), hold and use licence category debt collecting (65)

11.2 Number of debt advisers (full-time equivalents) employed

Organisations involved in one or more of debt advice, debt adjusting and debt counselling were asked how many advisers, based on full-time equivalents, they employed. Consequently, their responses exclude the use of any volunteer advisers and self-employed contractors who are not employees.

Almost half of relevant organisations (47%) said they had no employees acting as advisers, presumably as they were using either volunteers or self-employed contractors. The next most common survey response was 'from one full-time equivalent to less than four', which was given by 40% of those replying. Only just over one in 20 relevant organisations (6%) had ten or more full-time equivalent advisers. The overall mean numbers of full-time equivalent advisers employed were: 3.3 including those who said they had none, and 6.5 excluding those with none.

Details are in Table 11.2.

Table 11.2 Number of full-time equivalent employed advisers

Number of advisers employed (full-time equivalent)	All active licence-holders involved in debt advice, debt adjusting or debt counselling (column percentages)	
	Total (including those with no employed advisers)	Total (excluding those with no employed advisers)
None	47	0
0.1 to 0.9	1	3
1.0 to 3.9	40	75
4.0 to 9.9	6	12
10.0 and above	6	11
Mean (including 0's)		3.3
Mean (excluding 0's)		6.5

B12 How many debt advisers (full time equivalent), if any, does your organisation employ in the UK? Base: All active licence-holders involved in debt advice, debt adjusting or debt counselling including those with no employed advisers (146), excluding those with no paid advisers (86) excluding don't knows (5%)