

Consumer credit enquiries

Market engagement

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Consumer credit enquiries & applications

1.0 Overview

Fair4All Finance is conducting soft market engagement with relevant service providers to better understand what data feeds are available regarding primarily enquiries for credit, applications for credit and outcomes of enquiries and applications for credit. We are also looking to better understand what other services are available such as data analysis, data presentations, co-branding partnership and associated costs.

The purpose of this engagement is to provide background to Fair4All Finance's requirements, to support the development of tender documentation and allow service providers an opportunity to contribute to designing an approach that meets Fair4All Finance's needs.

The assumptions and areas we are looking for feedback on as part of the market engagement include:

- What are the types of datasets that are available that meet Fair4All Finance's objectives?
- How can an agency support the analysis and interpretation of relevant datasets to support Fair4All Finance's strategic priorities?
- Is there a way to distinguish within the data what could be deemed as a 'serious' or 'speculative' query for credit?
- A deeper understanding of costs and partnerships available

Please see below for a full set of questions as part of this market engagement.

2.0 About Fair4All Finance

Fair4All Finance is a not for profit organisation founded in early 2019 to increase the wellbeing and resilience of the 17.5m people in financially vulnerable circumstances across the UK.

The current financial services system isn't working for everyone. Millions of people are excluded, unable to turn to safety nets others rely on like credit, savings, and insurance. We're here to transform the system so that everyone has access to the right products and services, whenever they need them. This will enable individuals to overcome shocks, enrich their lives and pursue opportunities.

Fair4All Finance has three main priority areas:

- Increase availability of affordable credit provision to meet customer needs
- Partner with banks and financial service providers to increase access to financial services
- Develop the market to consistently provide products and services that meet the need of all customers

3.0 Objectives

At an aggregate level, we know there is currently an ongoing high demand for credit but a reduction in supply, as well as significant changes in how loan decisioning is undertaken.

We know that customer enquiries for credit (whether that is direct to a lender or through a broker/aggregator site) that don't lead to a full application are not considered as part of any lenders 'accept' or 'decline' dataset. This can be misleading when trying to understand who and how many people are seeking credit. As the rejections before application stage (which we refer to throughout this paper as enquiries) are not widely reported on, this is distorting our understanding on the volume of people who are being denied credit, and their characteristics. We are aware of some very low acceptance rate percentages from some lenders, meaning potentially hundreds of thousands of enquiries are not being considered by lenders or making their way into acceptance/decline datasets that only look at application numbers.

Understanding the constant supply and demand pressures within the consumer credit market is critical to understanding the constant changes in customer needs and using this to inform our ongoing strategy development.

We believe having access to a high-quality datasets and analysis will help demonstrate historical and current trends in enquiries for credit, applications for credit and outcomes of enquiries and applications for credit.

We are looking to establish a long-term data partnership with an agency who can deliver this data information consistently, ideally on a quarterly basis, and work with us to better understand the characteristics of those seeking consumer credit, in particular people who would be classified as financially vulnerable.

We have developed a segmentation model that estimates there are 17.5 million people who are in financially vulnerable circumstances with a spectrum of those who are precarious to those who are fully excluded. We would also be keen to map any datasets to these segments to better understand the needs and trends. Please see appendix for further information related to our segmentation model.

Research questions

At a broad level we are trying to develop robust insights to the following questions:

- Who is seeking credit?
- Who is accessing credit?
- Who is being declined credit?
- Who is not being considered for credit?

4.0 Proposed needs

Considering our objectives, we believe we will need to see data across these two stages:

- **enquiry stage** (to an aggregator/broker website or direct to lender) and this is people making enquiries for consumer credit¹, in particular non-standard consumer credit, that are failing at enquiry stage
- **application stage** (offer rate stage for a aggregator/broker website or direct to lender) and this is people who are passing enquiry stage and being considered as applicants for any form of consumer credit, in particular non-standard consumer credit

We are particularly interested in non-standard products which includes any home collected credit loan, any short term instalment loans, payday loans (single payment), any high-cost-short-term credit loan, any credit union loan, any CDFI loan. These are more typically used by 'sub prime' or 'near prime' borrowers. We would also be interested in other product data that you may have access to eg BNPL, credit builder credit cards, 0% interest credit cards.

To ensure we can answer the research questions above, we would expect to see information related to the following categories: demographics (eg age, employment status, applicant gross or net income level, household income level, postcode, tenure), credit application information (eg loan amount sought), applicant characteristics (eg expenditure patterns).

We envision access to this data and associated analysis would be available to Fair4All Finance to span multiple years to support Fair4All Finance in its strategic aims and influence.

This data should allow us to get a better understanding of:

- **the total volume of applications made for all forms of standard and non-standard credit** in the UK

¹ We use the FCA's definition of consumer credit as defined in the Financial Lives 2022 Survey. This encompasses: any unsecured credit or loan, any retail finance, any store card, any credit card, any catalogue credit or shopping account credit, any retail instalment credit

market (we have anecdotal evidence around the volumes being processed by aggregator sites and their offer rates to lenders, our evidence suggests significant enquiries alongside a significant decrease in offer rates)

- **what are the characteristics of those making enquiries for forms of standard and non standard credit** including their location, income and employment status, tenure, household composition etc
- **what are the differences in characteristics** of those who go from enquiry to offer rate stage to application stage, including who is rejected at enquiry stage (pre application) and who is rejected at application stage
- **What additional information is held on those seeking credit** including loan purpose, expenditure on utility, housing costs, and other credit commitments within the context of the current cost of living crisis

Questions

The purpose of this market engagement is to better understand the data and information available that help answer our research questions, understand better the breadth and depth of available data, and the costs associated with access to data and any associated analysis, presentation and co-branding.

1. Based on the Fair4All Finance's research questions and outlined objectives, is enquiries and applications data the best way to achieve Fair4All Finance's needs?
2. Do you hold any other datasets in the customer journey that you believe would be useful to meet our needs?
3. Is there a way to distinguish within the data what could be deemed as a 'serious' or 'speculative' query for credit?
4. For the data you hold, as a percentage, how representative is it of all enquiry applications made in the UK in a particular time period? Please also tell us the data sources eg specific aggregator sites. Please detail how you would ensure the quality of the data needed
5. Please detail the different characteristics of those making enquiries for credit for the data you hold?
6. What formats are the datasets available in? Eg are they compatible with Excel and R?
7. Based on our objectives and needs, what are the average costs of datasets available and are there differences across different product types? Please provide a rate card for comparison as well as any details of discounts for not for profits?
8. How can you support the analysis and interpretation of relevant data to meet Fair4All Finance's strategic priorities? Please outline the capacity you have to support us with data analysis, producing short reports and presentations. Please also outline any associated costs with these services
9. We anticipate sharing trends and insights with key stakeholders. This would include the Fair4All Finance team and board to influence strategy development; community finance providers and mainstream financial services to communicate demand and need for affordable credit and suitable financial products; government, regulators and policy makers to showcase trends gaps and opportunities. Please outline whether you would be open to co-branding materials and the discount in commercial rates available for this
10. We anticipate establishing a multi-year data partnership with an organisation who can deliver this

data consistently. What are the key considerations, challenges, and risks in receiving access to data and associated analysis over multiple years?

Please note that this notice does not commit Fair4All Finance to any future competition or award. Participation in this soft market engagement will not prejudice suppliers participating in any future procurement.

The deadline for responding is **12pm 5 January 2024**. If you intend to respond, please let us know by 22 December 2023 via email so we have an indication of interest.

Please send responses to niall@fair4allfinance.org.uk

Appendix

Fair4All Finance estimates there are 17.5 million people who are in financially vulnerable circumstances with a spectrum of those who are precarious to those who are fully excluded.

This new segmentation can help financial services further understand different groups of people, identify which they are serving well today and where there is opportunity to service different customer groups.

To map datasets to these segments, we would need to use age, gender and full postcode at a minimum. Collecting information on tenure, dependents, house type would also be ideal.

To access further details on our segments, please complete this [form](#).