



**QUALITATIVE RESEARCH INTO CONSUMER UNDERSTANDING OF THE FORM
AND CONTENT OF CREDIT PRODUCT DOCUMENTS**

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BY: MORI FINANCIAL SERVICES AND FRONT LINE RESEARCH

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MORI FINANCIAL SERVICES
A DIVISION OF MARKET & OPINION RESEARCH INTERNATIONAL LTD

REG. OFFICE: 79-81 BOROUGH ROAD, LONDON, SE1 1FY
REGISTERED IN ENGLAND & WALES. REG.NO 948470

FRONT LINE

GRAFTON HOUSE
2-3 GOLDEN SQUARE · LONDON W1F 9HR
TEL: 44 (0)20-7287 3213 · FAX: 44 (0)20-7287 8356
email: frontline@piazadoro.co.uk

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SECTION ONE - INTRODUCTION

1.0 BACKGROUND

In December 2003 the Department of Trade and Industry (DTI) published the White Paper 'The Consumer Credit Market in the 21st Century'. This presented an analysis of the consumer credit market and outlined some proposed reforms to the Consumer Credit Act 1974 (CCA). Alongside the White Paper, the DTI recognised the need to test some changes prior to their introduction and MORI Financial Services were commissioned to conduct research with consumers to explore understanding of the form and content of credit product agreements.

2.0 RESEARCH OBJECTIVES

The research aimed to test consumer understanding of/reaction to the new form and content regulations proposed by the DTI as represented in mock documents by some real lenders. The project examined:

- Consumers understanding of pre-contractual and new credit agreement information in absolute terms
- How useful consumers find the pre contractual information
- Which parts of credit agreements consumers have difficulty understanding
- Which parts of credit agreements consumers understand but do not find helpful
- How consumers believe that credit agreements and pre contractual information can be improved (i.e. any other information that may be helpful)
- Any difference in consumer understanding of agreements and pre contractual information by extent of previous experience of credit products such as loans and credit cards.

3.0 METHODOLOGY AND SAMPLE

The research was conducted qualitatively and involved six extended group discussions (credit card holders) and six face-to-face depth interviews (4 depths with hire purchase customers and 2 depths with secured loan holders).

The sample structure of the credit card holders groups were as follows:

	Experience	Age	Social Grade	Credit Agreement
Group One	One card	Under 45	ABC1	Pre-placed
Group Two	One card	45+	ABC1	Not pre-placed
Group Three	One card	Under 45	C2DE	Not pre-placed
Group Four	One card	45+	C2DE	Pre-placed
Group Five	More than one card	Under 45	ABC1	Not pre-placed
Group Six	More than one card	45+	ABC1	Pre-placed

Respondents were recruited from the general public and 50% of the groups were given the new credit card agreements to read a few days prior to participating in the discussion. The remaining 50% were simply handed copies of the agreement and asked to read them through at the start of the discussion.

Each group comprised 8 respondents (4 men and 4 women) and each discussion lasted roughly two hours.

Fieldwork was conducted on 5th and 6th April 2004 in Altrincham, Sutton Coldfield and Bexleyheath.

The sample of holders of hire purchase agreements and secured loans was recruited from MFS leads. The sample involved 6 x 1 hour face-to-face depth interviews structured as follows:

Hire Purchase Agreement Holders	Age	Sex	Social Grade
Depth One	Under 45	Male	AB
Depth Two	Under 45	Female	AB
Depth Three	Over 45	Male	C1
Depth Four	Over 45	Male	C1

Secured Loan Agreement Holders	Age	Sex	Social Grade
Depth One	Over 45	Male	C1
Depth Two	Under 45	Male	C1

Fieldwork was conducted between 7th and 20th April 2004 in Altrincham, Sutton Coldfield and St Albans.

The moderators for the groups and depths were Alison Pugh (MFS) and Wendy Howard (Front Line).

Copies of the discussion guides for the groups and depths are included in the Appendix of this report.

SECTION TWO - SUMMARY

A. CREDIT CARD AGREEMENT

1. ATTITUDES TO CREDIT CARD AGREEMENTS

The majority of consumers in this sample said that they rarely read much of the agreement they were required to sign when taking out a credit card because:

- The print tends to be very small and the copy is dense. It looks difficult to read and consumers anticipate that it will be a long, boring and futile task because, even if they try to understand it, they are unlikely to find it intelligible
- Agreements tend to be full of jargon and legal expressions which make no sense to consumers
- People can't be bothered to devote the time they feel would be necessary to read the whole agreement and (try to) understand it
- Some people admit to being so much in need of a credit card that they would sign virtually anything
- Some sign unread agreements to save time and trouble all round because they know staff and other customers are busy.

2. KEY POINTS OF INTEREST FOR CONSUMERS

The first things that consumers check on a credit card agreement are:

- Credit limit
- APR

Many assume that most cards will be similar in other ways unless the provider emphasises that this is not the case. The type of assumptions made are that:

- There will be an interest-free period of 50+ days from the date of purchases if balances are paid in full and on time

- Purchases made using credit cards are 'safer' than those using cash or debit cards because legislation provided protection in the case of fraud, theft, loss, breakages (in most circumstances)
- Consumers will generally not be liable for purchases which resulted from loss/theft/misuse of card as long as they notified the provider as soon as they realised anything was amiss and as long as they had not colluded in the misuse in any way.

3. REACTIONS TO THE NEW DTI AGREEMENT

- Once consumers had been persuaded to read through the Agreement in detail for the purposes of this research they became aware that it was fairly easy to read and understand, although at first glance many still felt it looked boring and unintelligible and admitted that they would be likely to read only the bare minimum
- The layout of the new form, however, makes it much easier for consumers to identify the key points which they feel are important and to skim the rest. The majority liked the fact that:
 - Key information is boxed-in (and felt that even greater use should be made of this)
 - Sections are clearly headed
 - Some parts stand out because they are in bold type
- Most agreed that the Key Financial Information should ideally be re-ordered as outlined below because this would make the two key items Points 1 and 2, but also show the rest in a logical progression

KEY FINANCIAL INFORMATION

1. Credit limit
2. APR (extended to include explanation of the term, what is included in the APR and how it is calculated)
3. Interest rates
4. Charges (including Exchange rates)
5. Note about changes in APR calculation
6. Interest charging
7. TOTAL CHARGE FOR CREDIT (Purchases only)
8. Payments

9. Allocation of Payments

10. Default charges

- The only notable omission from the Agreement was felt to be mention of the way in which the APR is calculated since consumers are familiar with the term but are still unsure how the figure is derived
- Consumers had mixed views about the humorous wording of Statutory Wealth Warning. It attracts attention but irritates some because the tone is felt to be inappropriately flippant
- Consumers assume that they will receive more details about the PPI and CPP schemes in other literature because there is no explanation of these in this document

4. SUMMARY OF VIEWS ABOUT THE NEW AGREEMENT

Consumers were very positive about the new-style agreement relative to current documents.

Most felt that:

- The layout had been much improved by breaking the text up into boxed-in sections and putting clear headings above each section
- The English was as simple as could be expected
- The re-vamp had very much been undertaken with the consumer in mind
- Some re-ordering would improve things still further

However, even with this much-improved document, the chances of persuading the majority of credit card applicants to read the Agreement they are required to sign do not seem good. There is something about financial terminology, small print of any type and semi-familiar documentation which consumers in this research said has the effect of "making your eyes glaze over" or "making you lose the will to live". The impression which emerges from this research is that the DTI's new-style Agreement seems likely to reduce these negative reactions but not eradicate them completely.

B. SECURED LOAN AGREEMENT

1. REACTIONS TO THE NEW DTI AGREEMENT

Both respondents interviewed in the two depth interviews expressed very positive views about the layout, language and clarity of the new DTI Secured Loan Agreement and felt that minimal changes were required to make it ideal.

2. SUGGESTED CHANGES

The only changes suggested were:

- Inclusion of a telephone enquiry number which the applicant could use as back up
- Greater emphasis to be given to the fact that the home is the security for the loan – this is felt to be 'front page' information.

C. HIRE PURCHASE AGREEMENTS

1. REACTIONS TO THE NEW DTI LAYOUTS

Four consumers were involved in this sample and all were very positive about the new format of the Hire Purchase Agreements. They felt that it was very easy to identify the key items of interest (i.e. total amount of loan, APR and monthly payments).

The only criticism of the documents was the fact that they seemed to be giving equal emphasis to the Payment Protection Insurance throughout. This irritated some respondents because the product was described as being 'optional' yet the high profile given to it on the form implied that most customers would be expected to sign up for PPP.

The current format of the Agreement divides the pages vertically, listing information relating to the Hire Purchase Loan on the left and that relating to the PPP Loan on the right. This is clear and easy to understand but conveys the impression that the two types of loan will be 'standard' for most customers and are equally important. Suggestions made for improving the basic layout included:

- Separating the Hire Purchase section from the PPP section (i.e. making the latter into the second part of the document)

- Keeping the vertical divide throughout the pages but putting the Hire Purchase details in bold or boxed in a coloured area in order to stand out from the PPP information.

Utilisation of the split-page format for the HP and PPP loans has meant that some information is included twice (i.e. under both sections). This is true for:

- Your right to settle early
- Default charges
- This agreement is not cancellable.

This repetition was found irritating and confusing by some respondents. It was suggested that the second/third pages:

- Either needed to have a clear heading at the top of each section (i.e. Hire Purchase Loan and PPP Loan)
- Or have a vertical line dividing the pages.

If possible, it was also felt that (if the split-page format is retained) any sections which were common to both products should be moved to the end of the document and included only once in a full-width format to cover both the HP and PPP loans.

2. SUGGESTED CHANGES

The main revisions are felt to be required in dealing with the HP and PPP products as discussed above. Since the research sample only involved four consumers, it is not possible to recommend one type of revision over another. The impression emerged that either of the basic options discussed above would be satisfactory.

The only other issue which divided opinion equally throughout all three product samples (credit cards, secured loans and HP agreements) was whether the Statutory Wealth Warning headline made a positive contribution because it attracted attention or a negative one because it seemed to make light of a serious subject.

SECTION THREE - MAIN FINDINGS

A. NEW CREDIT CARD AGREEMENT

1. CREDIT CARD HOLDING WITHIN THE SAMPLE

The sample was designed to reflect the credit card market in terms of numbers of cards held and therefore included four groups of consumers holding only one credit card and two groups who were multiple cardholders. It was felt that multiple cardholders would have more experience of applying for cards and also (possibly) of comparing different credit card agreements than single cardholders.

Within this sample, it was evident that the majority of single cardholders had a credit card supplied by their current account provider. They had done this for simplicity's sake initially and not considered or not bothered to switch cards subsequently.

"I have got a Barclaycard. I think it was something that just came through the post and I signed up for it. The rate is quite high, but I just haven't bothered changing. It is laziness."

18-45, single cardholder, not pre-placed

"I have had my current account with Alliance & Leicester since I have been working and I use a card with that."

18-45, single cardholder, pre-placed

"It is just the card that I bank with."

18-45, single cardholder, pre-placed

"Abbey National. I have had that years and years."

45-65, single cardholder, pre-placed

"I got it because it is the bank I use. It is a Lloyds one."

45-65, single cardholder, pre-placed

On the whole, these single cardholders tended to be less heavy users of credit cards than the multiple cardholders and much less creative in their use of them. Some tried to keep their cards in reserve for use on holiday, when they had no cash available or when they wanted the special protection provided by purchasing via a credit card.

"I buy stuff on the internet so I use it for that. It is better. I wouldn't use a Switch card because you are liable for a Switch card. Also I used it in Spain last year and I was lucky I did because there was a bit of fraud involved but my deal was with the credit card company so I never lost out. A company called Autos Abroad went bust but the credit company sorted it out and I got the money back.

45-65, single cardholder, pre-placed

Other single cardholders used their cards fairly regularly but tried to pay off the balance most months.

"We try and pay it up straightaway."

18-45, single cardholder, pre-placed

The two groups of multiple cardholders tended to be much more active and selective in their use and acquisition of credit cards than single cardholders. They held cards with a wide range of providers including many of the traditional banks but also newer providers like egg, Mint, Morgan Stanley, Tesco, Sainsbury's.

In many cases, multiple cardholding seemed to have been prompted by the fact that consumers wanted to switch the balance on one or more cards to 0% APR on another card. Once this pattern had been established, many seemed to routinely switch balances onto new cards as each deal expired. In some cases they never activated the new cards because they had no intention of using them; they were only interested in the 0% balance transfer offer.

"There is one that I use all the time and pay off at the end of the month and then probably five or six cards that I don't use at all. I just used them to do the balance transfer. I bought a

car a while ago with a card and it has just taken a few years to pay off, but that was the intention. I don't pay any interest on it. I just change it every five to six months. I don't even activate the cards because I don't use the cards, I just transfer the balance onto the card and that works for six months. But you can't use the card. The system doesn't work then. As soon as you use the card they start charging you interest. Some people have made the mistake of spending say £50 in a month and paying an extra £50 at the end but it does not pay off the thing you have purchased. It pays off part of the balance transfer, but you will be paying interest on anything you have purchased until you have paid off the balance transfer. That is why you can't use the card."

45-65, multiple cardholder, pre-placed

Where cardholders like the one above were attempting fairly sophisticated use of the system it was evident that most made a reasonable effort to understand the main terms and conditions of their credit cards and to check for any obvious pitfalls. This behaviour was not typical of most cardholders in the sample who admitted that they could recall having read very little of any agreement they had ever signed because the prospect of doing so had bored them.

"You will lose the will to live reading them agreements."

45-65, single cardholder, not pre-placed

2. ATTITUDES TO CREDIT CARD AGREEMENTS

The majority of consumers in this sample said that they rarely studied much of the detail of the terms and conditions when taking out a credit card. The reasons for not reading these documents were generally agreed upon by most respondents:

- The print tends to be very small and the copy is dense. It looks difficult to read and consumers anticipate that it will be a long, boring and futile task because, even if they try to understand it, they are unlikely to find it intelligible

"I think it is deliberate. They don't want you to read it. It is done like that so you won't bother reading it."

45-65, single cardholder, pre-placed

"The purpose of it is to confuse you."

18-45, single cardholder, pre-placed

- Agreements tend to be full of jargon and legal expressions which make no sense to consumers. Where consumers had tried to read credit card agreements in detail, most had given up before making much progress because they could not understand what they were reading and just could not be bothered to struggle on

"It is quite technical, as well, it is not written in normal everyday language."

18-45, single cardholder, pre-placed

"You would have to be a financial expert to understand it. I read about half way."

18-45, single cardholder, pre-placed

"They don't prioritise it. Everything is all jumbled in. They put the stuff which is relevant to you right in the middle of all their legal stuff."

45-65, single cardholder, pre-placed

- People can't be bothered to devote the time they feel would be necessary to read the whole agreement and (try to) understand it. In some cases, they feel some sense of protection in the fact that their bank would be fairly unlikely to treat them too badly.

"Well, everyone is out to stitch you up but you sort of can't be bothered to read all that. You think 'I might as well go with them because I bank with them!'"

18-45, single cardholder, not pre-placed

In other cases, people appeared to have signed the agreement without reading it even though they were suspicious of the way providers dealt with consumers.

"I am just conscious of what are they hiding when it looks so bland. You kind of get the feeling that they won't expect you to get that far, and the real nitty gritty will be right in the middle of it and you will never actually get that far before you sign it."

18-45, single cardholder, pre-placed

- Some people admit to being so much in need of a credit card that they would sign virtually anything

"You don't read what you're signing because you just want the card. It is a lifeline for you. You don't care about the details."

18-45, single cardholder, not pre-placed

- Some sign unread agreements to save time and trouble all round

"If you are in the bank and they say 'Sign this' you think 'I'd better sign it because she has got someone else to see'. You don't have time to read it and understand it. She may think you have read it, but you have not – or haven't taken it in."

45-65, single cardholder, pre-placed

3. REACTIONS TO AN EXAMPLE OF A CURRENT CREDIT CARD AGREEMENT

Prior to discussing the new credit card agreement product by the DTI, respondents were shown an enlarged version of a typical credit card agreement being used by leading providers (Morgan Stanley, in this instance).

Seeing this document confirmed most people's negative impressions of this type of document. Respondents felt that it looked:

- Much too wordy and boring for any 'normal' consumer to bother with
- Fairly difficult to read even when enlarged to A3 size – in an A4 format most felt it would be extremely difficult to read
- An indecipherable mix of essential consumer information and legalese designed to protect the provider

"It is not all in the right order. It is not prioritised to what you want to know. I can appreciate they have to put all the legalese and this, that and the other in there somewhere, but surely they could just have the main salient points and then refer off to a particular point that you can read the detail if you wish. So you look at it and you know purchases you will pay x percent per month or x percent per year. If you want to know more detail about that specific thing you then go off to paragraph whatever on the back of it and read up on it. It is not designed for us, is it?" 45-65, single cardholder, pre-placed

"You can't see which are the important bits. If you tried wading through that to the end you would be almost too tired by the time you got there to worry about it. What is it going to cost? What are you liable for? That is it. That's all you need to know." 45-65, single cardholder, pre-placed

4. WHAT DO THEY LOOK FOR FIRST IN A CREDIT CARD AGREEMENT?

The majority of consumers felt that the two main points they looked for in an agreement were:

- Credit limit being offered
- APR being charged.

This was really as much as most bothered to read and the two features form the basis of card comparisons for the average credit card holder.

"You compare the APR on cards and that's about it. When people talk about what they're paying it's the APR they use. 0% or 6.9% or 14.9% - it's all APR."

45-65, multiple cardholder, pre-placed

The majority seemed to assume that most cards worked in roughly the same way unless the provider made a point of emphasising features different from the norm. The type of assumptions made, for example, were that:

- There would be an interest-free period of 50+ days from the date of purchases if balances were paid in full and on time
- Purchases made using credit cards are 'safer' than those using cash or debit cards because legislation provided protection in the case of fraud, theft, loss, breakages (in most circumstances)
- Consumers would generally not be liable for purchases which resulted from loss/theft/misuse of card as long as they notified the provider as soon as they realised anything was amiss and as long as they had not colluded in the misuse in any way.

By and large, consumers had found that their assumptions about different types of credit card had proved to be justified, although a minority of consumers had been caught out by 'the small print' of some card agreements and were now more wary about taking on cards without reading a fair amount of the detail. There was some feeling that some of the new providers who appeared to be offering very good 'deals' were relying on agreements which had a 'sting in the tail' which the consumer would not necessarily read.

"I have started to look at them because I have been doing a lot of balance transfers lately, or a balance transfer a number of times now, and I needed to look to see what it was worth to me and whether or not there was a sting in the tail. And two of them I discarded because there was, but I only found it out by reading it. A balance transfer would normally give you 0% interest on the balance transfer. But there are two cards which you have to take it out for a year and you get 8 months interest free credit on it and, what they do, the extra four months they average out the total balance and you will pay interest on that for four months. It is the Mint card that I checked out, the one that had that thing on it."

45-65, multiple cardholder, pre-placed

"There is another one at the moment, everyone looks at the advert for the 0% on the balance transfer, but it was subject in the small print to a £50 a month spend. I think that was with Barclaycard actually. The majority of them you have to pay a minimum amount anyway and as long as you do that then normally (or in the past) it has been at the end of that six month period then it is up to you to transfer somewhere else, or pay it all off or you start paying full interest on it. And the onus is on you rather than them. I think as well when the interest free period has expired, the 0% for six months, then it goes to 14.9, or whatever it is, but then the onus is on the customer. If you ring up and say 'I am not happy with this', they will often do a deal and say 'We will reduce that' but it is up to you to make the enquiry. Obviously they will just let it ride if you didn't approach them."

45-65, multiple cardholder, pre-placed

5. INITIAL REACTIONS TO THE NEW DTI DRAFT AGREEMENT

5.1 VIEWS OF THOSE WHO HAD PRE-PLACED AGREEMENTS

The first impressions of consumers who were given the new agreements to read a few days prior to participating in a discussion were generally more positive than those of consumers who saw the agreements 'cold'.

Reactions were nevertheless still slightly negative because even on the front page:

- The size of the print was still very small and not easy for some consumers to read even when wearing their normal reading glasses

"I can read the front bit, but not the back. You struggle to see it, let alone read it." 45-65, single cardholder, pre-placed

- The volume of print was still felt to be 'daunting' by some
- The appearance was 'boring' and still did not encourage consumers to feel that it would be worthwhile devoting much time to it

Respondents who had read the front and back of the form said that it took them anything from 40 minutes (minimum) to two hours.

"I couldn't face it in one go. I did an hour one day and an hour the next." 45-65, multiple cardholder, pre-placed

Many admitted, however, that despite having agreed to read the whole form, they did not attempt the back page (except where references were made on the front page to conditions on the reverse) because they could not face the effort of trawling through the whole document.

"I struggled to read it just because it wasn't interesting. I did read it, but my eyes were glazing over and I sometimes thought 'Have I read this bit before?'"

18-45, single cardholder, pre-placed

Some recognised that the new design was an improvement on many agreements which they had seen in the past because there had been an attempt to break up the information and highlight the main points.

"The one that you gave out was about as pleasant as a card agreement can be because it was broken down into different sized text and the fact that some of it was boxed. I felt the boxed information was quite important and it drew my attention to it. The reverse side of the agreement which I got halfway through, I found very tiresome. You switch off and you are not actually taking in what you are reading."

18-45, single cardholder, pre-placed

This finding suggests that even if the new form succeeds in making key information on the front of the document much more accessible than is currently the case it is still fairly unlikely that many consumers will do more than scan it for a few moments before signing it.

"In a shop you are given about 3 minutes to look at it and then sign. You scan it really, don't you? You pick out the bits you want."

45-65, multiple cardholder, pre-placed

Many admitted that, even though they had a 'cooling off' period after signing in which they could read the document more thoroughly they seldom bothered to do so.

"You have got your cooling off period. You can sign it and then go off and spend your time over it..."

"...But I wouldn't do that. I know you have got it (cooling off period) but I don't think I have ever looked at a form again after signing it."

45-65, multiple cardholder, pre-placed

On the whole, respondents seemed to feel that even a well-designed agreement form would largely go unread partly because people simply couldn't face reading any list of terms and

conditions, but also because they felt that there was already a fair degree of protection involved in:

- Dealing with a large company who had a reputation to protect
- Being covered by the Consumer Credit Act.

"There is a big element of trust with these big companies. You feel that they are all pretty standard and you would be fairly surprised if there was a big con in the small print."

45-65, multiple cardholder, pre-placed

"I think with most people, it is the first statement at the very top of the document...People see that and they feel comfortable. I felt comfortable with the fact that I am covered by whatever it is. There is somebody somewhere who wrote the Consumer Credit Act 1974 that is looking over my shoulder as it were."

45-65, multiple cardholder, pre-placed

5.2 VIEWS OF THOSE WHO DID NOT HAVE THE AGREEMENT PRE-PLACED

The initial response to the new DTI form was somewhat more negative amongst respondents who were first shown the document during the group discussions than amongst those who had had it pre-placed and had more time to read it.

Typical first impressions included the following:

"How can a normal person read that?"

18-45, multiple cardholder, not pre-placed

"But still there is so much writing. That is a book on the back, isn't it?"

18-45, single cardholder, not pre-placed

"I wear glasses (and am wearing them), but I cannot read that small print. I can only read the bits in bold. I can read 'Key

Financial Information' and the headings like 'Default Charges' but I can't read anything smaller than that. It is all blurring together." 18-45, single cardholder, not pre-placed

In some cases, the initial impression was that the new format represented an improvement on most current agreements.

"You need a degree to read some of these. A lot of them are way above the average person's head, even the most intelligent people, but this seems, you don't need a degree to read this. This is fairly straightforward."

45-65, single cardholder, not pre-placed

Once respondents in both the pre-placed and non pre-placed groups actually started to read, the new form, however, the majority seemed to be more positive towards it.

"It is certainly better than that (Morgan Stanley) one because obviously they have tried to make the print bigger in certain places, the important information, credit limit, the total charge for credit, that is better. But it is still too small, way too small for certain people with poor eyesight."

18-45, multiple cardholder, not pre-placed

"It has got on standard purchases, balance transfers, cash advance. It says it twice actually. I picked up the charge, and then on exchange rates it actually said it all over again, 'We charge 2.7 commission on all transactions which are not sterling'. So I read that twice. I read the whole of the front page and it was really clear what you pay...it has got crosses all over the place."

18-45, multiple cardholder, not pre-placed

6. DETAILED REACTIONS TO THE NEW-STYLE AGREEMENT

i) KEY FINANCIAL INFORMATION

CREDIT LIMIT

Consumers agreed that their personal credit limit should be the first item on the agreement since this is what they look for first.

"You need to know your limit. You'd always expect that to be there up front." 18-45, single cardholder, not pre-placed

"Yes, that's at the beginning and in bold. It's what you look for – that and the APR." 45-65, multiple cardholder, pre-placed

Some took issue with the wording 'We may vary your limit from time to time etc' because it was their impression that banks only increase credit limits and never decrease them.

"I have never heard of anyone having their limit decreased. They always up it, don't they?"

18-45, single cardholder, not pre-placed

When they thought about it, consumers actually found the idea that their credit limit could be arbitrarily lowered without prior consultation a worrying one.

"How could they do that then? You could start off with a limit of £3,000 and they could lower it to £2,000? What if you'd already spent up to the £3,000? You'd be £1,000 over your limit and have to pay it back to them? It wouldn't work."

45-65, single cardholder, pre-placed

If card providers are in fact free to raise or lower a credit limit and only notify customers after this has been done then:

- this is news to most consumers
- it is slightly worrying
- the word 'vary' is appropriate.

If, however, as consumers suspect, credit limits are only 'varied' upwards then the phrase 'We may increase your limit from time to time etc' would appear more honest.

TOTAL CHARGE FOR CREDIT (FOR PURCHASES ONLY)

This was not an easy section for many consumers to understand for two main reasons:

- 1) Its location in second place on the document is one factor which causes problems because consumers feel that it is meaningless to talk about a 'total charge for credit' before having mentioned the APR

"That is in the wrong place because you'd need to know the APR before you could calculate the total charge for credit."

45-65, multiple cardholder, pre-placed

- 2) The way in which the 'assumption' is expressed was found confusing for many people because it does not describe the way in which most credit card holders:

- a) use their credit card (because few are likely to spend up to the limit as soon as they acquire the card)

"I did wonder why they were assuming you are going to get up to your credit limit just like that."

18-45, single cardholder, pre-placed

- b) repay the credit card bills (because no one would be likely to repay a balance in 12 equal monthly repayments)

"Surely it meant you have got to pay it all up in a year? But that is not how a credit card works, is it, really?"

45-65, single cardholder, pre-placed

"The way it is written down there it is like you have to pay the lot back in 12 months."

18-45, single cardholder, not pre-placed

"I think, in my book, that reads say you have a credit limit of £2-£3,000, whatever, if you go to that limit then you must pay it in 12 equal monthly payments, that is what it reads to me. And the interest chargeable on that is the amount in red there based on spreading it over 12 months."

45-65, single cardholder, not pre-placed

"It is saying that splitting the interest over a year, that is how much you would pay. But it don't work like that, do it? You pay the minimum one month and a bit more the next. Who pays the same every month?. I don't know why they're making it so confusing."

45-65, single cardholder, pre-placed

In the end, after much discussion and a fair amount of confusion, consumers did understand the implication of the Total Charge For Credit section and felt that this was a worthwhile item to include.

"The difference with this though is this isn't a company that are trying to sell a card to us, this is Trade and Industry isn't it? So they are trying to be honest with people, to make companies make it absolutely obvious what you could be up against if you use it which I think is a good idea. It is not very good as a selling point for companies, but it is absolutely honest and up front. It says if you dare to have this credit limit and you are going to use it this is what you are going to be charged. So it is honest."

18-45, single cardholder, pre-placed

Some consumers felt, however, that no matter how clearly the Total Cost of Credit was spelt out to certain cardholders, they would always choose to ignore the implications.

"I think if you are in that frame of mind where you are one of these people who do live on credit cards and you never pay them back and you are already up to your eyeballs anyway I don't think at the end of the day if they point all this out to them it is going to make much difference."

18-45, single cardholder, pre-placed

"I don't think that would bother people. People who are going to run up debts, it doesn't matter how much you tell them how much it is going to cost them I think they will just do it. If they want the money it could be in their face, 'This is going to cost you this'. If they are going to spend they will spend whatever. The consequences follow don't they? They wouldn't bother reading it. People who run up debts, they sign and they sign anything, to be honest, as long as they get that money."

18-45, multiple cardholder, not pre-placed

There was general agreement, however, on the following points:

- This section needs to come further down after APR rates have been mentioned
- The example needs to be re-phrased in a more hypothetical way in order to be understandable. For example 'If you were to make purchases up to the full amount of your credit limit and you were to repay in 12 equal monthly payments with interest rates remaining the same, the Total Charge For Credit (Purchases Only) would be £xxx'
- An abbreviation like PPI should not be used when there has been no previous reference to Payment Protection Insurance

"I don't like abbreviations in statements like this if they haven't explained what they mean. It's confusing right from the start."

45-65, single cardholder, not pre-placed

1. PAYMENTS

This section was found reasonably easy to understand by most consumers (pre-placed and not) once they took the time to read through it.

"Oh yes, it was simple." 18-45, single cardholder, pre-placed

"Easy to understand, even I could understand it."

18-45, single cardholder, pre-placed

"Yeah, lovely, that it pretty straightforward. Everyone has paid the minimum....(joke)."

18-45, single cardholder, not pre-placed

There were a number of people, however, who highlighted that the word 'pay' as in 'Each month, you must pay on or before the Payment Date etc' was misleading because a consumer's view of 'paying' was very different from a financial provider's view of having been paid.

"They are telling a little lie there. It says 'you must pay on or before...'. Before is fine. But if you go into the Abbey on the Payment Date that is no good. You have got to pay three days before otherwise they charge you £18."

45-65, single cardholder, pre-placed

Most respondents agreed with the view quoted above. They said that, although credit card bills made the point about needing to allow 4 working days for funds to reach them, the wording on this statement implied that a consumer could 'pay' (by cheque, cash or any other way) actually on the Payment Date without being penalised.

Instead of saying 'Each month, you must pay on or before the Payment Date etc etc', consumers felt it would be better to say something along the following lines:

"Each month you must ensure that cleared funds reach us on or before the Payment Date..."

or

"Each month you must pay at least the minimum payment shown on your statement in time for cleared funds* to reach us on or before the Payment Date"

(*You should allow 4 working days for this transaction)

This was not felt to be the best place on the document for this information. It is significantly less important than factors such as the APR, Charges and Allocation of Payments in most people's eyes because it is a very basic operational feature of all credit cards and understood even by fairly new applicants.

2. APRs

This short, simple section was easy for people to understand but, once again, many took issue with the fact that although most people had a rough idea what the term APR stood for and an even rougher idea of how it was calculated it would have been better to refer in this section not only to the APRs charged for standard purchases, balance transfers and cash advances but to include at some point:

- A definition of the term APR
- An explanation of how this is calculated (what is included – is it more than the monthly interest x 12 or the monthly interest compounded?)

The type of confusion over what is actually entailed in arriving at an APR is revealed in the section of comments below.

"It was introduced so you could easily compare rates, wasn't it, between cards? But it does not actually work out. If you sit down and work it out, there is a separate monthly rate which compounded makes the annual percentage rate."

18-45, multiple cardholder, not pre-placed

"You use it as a comparator to other cards when you are choosing rather than when you have got them."

18-45, multiple cardholder, not pre-placed

"It is something like the compound interest of the monthly interest figure but I think it also includes some other charges arising over the year. I don't know. Maybe not these days. They used to add in the card fee, if they were charging one, but no one does any more."

45-65, single cardholder, pre-placed

If there is a simple way to explain the way in which the APR is calculated then consumers feel it would be useful to include this. In Section 8 (APR Calculation) this is what most were expecting to see.

Overall, most consumers seemed to feel that it would be more logical and helpful if the order of information in the left hand column were to be changed to run as follows:

KEY FINANCIAL INFORMATION

1. Credit limit
2. APR (extended to include explanation of the term, what is included in the APR and how it is calculated)
3. Interest rates
4. Charges (including Exchange rates)
5. Note about changes in APR calculation
6. Interest charging
7. TOTAL CHARGE FOR CREDIT (Purchases only)
8. Payments
9. Allocation of Payments
10. Default charges

"They need to do the credit limit first and then all the APR stuff and other charges together so it all makes sense. Charges together, then payments and default charges after that."

45-65, single cardholder, pre-placed

The idea of having a 'worked out example' somewhere in relation to the TOTAL CHARGE FOR CREDIT was mentioned by some respondents as a way of providing a clearer picture of the way the charges worked.

"If you put in a worked example that might make more sense. Something like for every £100 you have outstanding on purchases, balance transfers or cash advances you would pay so much per month/year."

18-45, multiple cardholder, not pre-placed

3. CHARGES

Consumers liked the idea that the charges were being specified in detail since this was open and upfront. The handling fee for a Cash Advance was new information for many respondents and, although only a minority seemed to take out cash advances on their credit card, it was nevertheless felt to be a point worthy of emphasis.

"I got a cash advance last year, or the year before that, it was £300. I was waiting for a cheque to clear but I needed the cash and I had no idea they charged you. I thought because it was a credit card I would get the cash, it would go on my bill and I would just...but I didn't know they added a handling charge."

45-65, multiple cardholder, pre-placed

"I think the cash advance one could give you quite a fright if you hadn't read the small print because it is a percentage of the amount. If you have got say a £9,000 limit and you decide to make a big purchase thinking you are going to pay it off the next month and it won't cost you anything, you could be in for a nasty shock. So it is good to make this plain like that."

45-65, single cardholder, not pre-placed

The use of the word 'may' in the middle sentence of this paragraph was criticised by many respondents because it seemed too woolly a statement to put in a legal document.

"I don't like the 'may' word. We 'may' charge, does that depend how you feel, what the weather is like, when do you decide? That should probably be more specific. It should be 'We charge a whatever percent commission'."

18-45, multiple cardholder, not pre-placed

"I don't like the way it is worded. 'We 'may' charge a handling fee (which means we may not) of the amount of a balance transfer, minimum and maximum, but it may or may not charge a handling fee'."

18-45, single cardholder, pre-placed

"You could read it and think well what is the point of writing that? If you are charging me. tell me. If you are not, don't put it on there. If they are going to charge me then 'Yes, please tell me my minimum and my maximum' but if you are not going to charge me don't bother putting it on there."

18-45, single cardholder, pre-placed

Since this section refers to % commission charges on transactions made outside the UK, people thought that it would be natural to include the section about Exchange Rates as part of this Charges section.

4. INTEREST RATES

In the same way as many consumers had asked for the concept of the APR to be explained simply in the earlier section, there were calls for the item Interest Rates to be explained in a few words. People know that this is the monthly rate of interest but they felt that, although all the individual charging elements are sent out, there is no attempt to reveal how these charges relate to one another and result in the overall APR being charged.

"They say what they are charging quite clearly and that they're charging for each type of thing, but it doesn't say anywhere what the interest rate is – how is it different from the APR? They probably think everyone knows, but we've already said

that we're not really sure how they get to the APR. They need to say something about what the monthly interest rates are...."

45-65, single cardholder, not pre-placed

5. INTEREST CHARGING

This section was not felt to be as clear as it should be.

- Problems over 'interest free period of 55 days (maximum)'

Some respondents said that this statement was not clear because there is no indication of how the interest free period is calculated.

"The point about the interest rate period date is a bit misleading because they are stating that its 55 days maximum. It should be clear how that 55 days is calculated. You might think '55 days from when I spent this' and that is not how it works." 18-45, multiple cardholder, not pre-placed

"It is not clear here. Is it 55 days, or is it a lot less than that? Just put the facts there. Is it that difficult? It could be 10 days or 11 days They are saying that is a maximum."

18-45, single cardholder, pre-placed

Many respondents were clearly confused by this section because they did not realise that the word 'maximum' was dependent on the point in the purchasing schedule when an item was brought rather than the card provider's terms and conditions. They felt that the agreement could specify a set figure for the interest free period and that in using the phrase '55 days (maximum)' the provider was being deliberately vague and misleading.

- Last sentence should include the word 'free' (i.e. no interest free period)

Respondents felt that it would make it clear if the last sentence in the Interest Charging paragraph were to state 'There is no interest free period etc etc'.

"The word free is missing. There is no interest free period for balance transfers and cash advance. That is not as clear as it might be." 18-45, multiple cardholder, not pre-placed

"I think they perhaps could also explain that there is no interest free period for balance transfers and cash advances which means that you are incurring an interest charge from the moment you take that."

18-45, multiple cardholder, not pre-placed

There were some quibbles about the extent to which it was reasonable for the reader to be referred in this section to clause 10.1 on the reverse. Although most people would prefer to see all the main points on the front of the document, there was general agreement that the front page could then become so dense with copy that it would lose a lot of clarity. On the whole, most agreed that the layout should be left as it is.

When consumers attempted to read points 10.1 and 10.2 on the reverse of the document this was when eyes started to glaze over and, as one respondent quoted earlier said, as a reader 'You start to lose the will to live'. Respondents did not find it easy to read the print on the reverse of the document. Most felt there would be no point in attempting to relocate this information and give it greater prominence, although this was the point at which many felt they would cease to read the agreement in detail.

"I tried to read all this but I just skimmed it. Blah, blah, blah. I just couldn't be bothered. It has to be there and you sign to say you've read it and accept the terms. But no one reads that. I don't believe they do."

45-65, multiple cardholder, pre-placed

There were a few respondents who felt that if the agreement were to use a larger typeface throughout (i.e. including the Other Terms And Conditions on the reverse) and run to more pages consumers would be prepared to read it. The majority, however, appeared to agree with the respondent quoted overleaf.

"I am not sure that I agree with what this lady was saying about it being okay for it to be two or three pages. If you said I want a credit card and they came up to you with half a dozen pages of letter and said 'Read that lot', you would go 'On your bike!'." 45-65, single cardholder, pre-placed

6. ALLOCATION OF PAYMENTS

This section provided new information for many cardholders because very few had previously understood that payments are allocated in a specific order and that each payment does not go towards all the different elements of the bill.

"I didn't realise this. You would like to think that if you owe £1,000 and you pay £100 off, that the next month there is only £900 owing, but there isn't."

18-45, single cardholder, not pre-placed

"So new purchases come off before cash advances – and the interest comes off first. So, basically, they are taking their interest first? And the thing that they are leaving until last is the thing that earns them the most interest? Good business sense for them, but not for us."

18-45, single cardholder, not pre-placed

"In other words, they are knocking the money off but not necessarily off the ones that earn the highest interest for them like the cash advance."

45-65, single cardholder, not pre-placed

"If you have £1,000 outstanding and you need to pay a minimum amount of £80, it means that about £70 of that will be interest. So you're only paying a tenner off the balance. I didn't realise that." 45-65, single cardholder, pre-placed

The reference to 10.4 on the reverse was felt to be useful (and clearly important because it is in bold) but, once again, the majority of respondents doubted whether they would bother to read it.

"Where do you stop? You just go on and on and on. No one reads them anyway. If they want the money in this day and age they just take it anyway, regardless. I've probably spent more time this evening reading these agreements than I have in the last 30 years."

45-65, single cardholder, not pre-placed

Another point which was raised by many respondents was that this section would sit much more logically below the one headed Payments.

"Shouldn't that be up with the Payments bit?"

18-45, multiple cardholder, not pre-placed

"You'd do better to group all the Payment bits together and not dodge backwards and forwards all the time."

45-65, multiple cardholder, pre-placed

KEY FINANCIAL INFORMATION - SUMMARY

Many respondents appeared not to have noticed that the agreement was headed Key Financial Information and Other Financial Information until these titles were alluded to by moderators. On the whole, consumers seemed to feel that:

- It was useful to highlight the 'Key' elements as opposed to the 'Other' ones
- This needed to be done more clearly so that the distinction stands out
- The Default Charges section needs to be brought forward and placed under the Key Financial Information heading.

Overall, the information in this section did seem much easier for consumers to understand once they took the trouble to read it than standard credit card agreements, although most agreed that they had only bothered because the research required them to do so.

It was felt that the whole section would flow in a much more logical and usable way if it were to be reordered as outlined earlier when the APR section is discussed.

II) OTHER FINANCIAL INFORMATION

7. DEFAULT CHARGES

The first point to make is that most consumers felt the natural place for this was as the last item in the Key Financial Information section.

"I thought Default Charges were Key Financial Information. They should have gone under those. You can pay £25 if your payment is a day late. It is not until people have that problem that they realise they can do that. In my opinion it is not just a hassle, it is a nightmare trying to get that money back. If they actually broke that £25 down sometimes into APR or percentage, they are charging an absolute fortune. I think it should be part of the Key Financial Information."

18-45, multiple cardholder, not pre-placed

"It should be under Charges. You have got Charges shown above. You have got your Default Charges and Exchange Rates. All the charges they can make should be show in one section."

18-45, multiple cardholder, not pre-placed

"All the other information on that Other Financial Information is just blah, blah, blah type stuff, but Default Charges is saying 'We can charge you £30 if you are a day late and if you have got £5 outstanding we can charge you £30 for that and not paying on time'." 18-45, multiple cardholder, not pre-placed

On the whole, consumers liked its bullet point format and felt that the points being made were easy to understand. One or two did not like the words 'if you break this Agreement' and would have preferred something like 'if you do not comply with the terms of the Agreement' or 'if you do not pay on time'.

"I don't like the 'break this Agreement'. That makes it sound like if you just give up the card rather than if you don't pay. It is not clear enough."

18-45, multiple cardholder, not pre-placed

Several queried whether point 7.2 should be included under the Default Charges heading.

"It isn't a Default Charge."

18-45, multiple cardholder, not pre-placed

"They could have stuck it on the back."

18-45, multiple cardholder, not pre-placed

8. APR CALCULATION

This section was felt to have a misleading heading because the content did not deliver what consumers were expecting.

"I thought it would be telling you how the APR calculation is done, but this is more of a note about things which might change it. It's not that clear, is it?"

18-45, single cardholder, not pre-placed

"But it still doesn't tell you how they work out the APR does it? All it says is that in working out the APR we have not taken into account all the charges which we may introduce, but it is still actually not telling you how they have they come up with the APR calculations." 18-45, single cardholder, pre-placed

"I thought I'd see 'Here is how we have arrived at this. Here is what the figure is, how this works out'. That just doesn't mean anything at all." 18-45, multiple cardholder, not pre-placed

"They need to tell you what it is, what an APR is, and probably the difference between interest rate and then an example."

18-45, multiple cardholder, not pre-placed

"You would think there, APR Calculation, that it would tell you how they calculate the APR but it is actually not."

18-45, single cardholder, pre-placed

"They need to finish it. It says APR Calculation, so if I looked at that heading I would think 'Cor, finally you get to 8 and it has got APR Calculation so I am going to get help here to how it is calculated' but it does not deliver what the title says it will. It says what the APR isn't but it does not say what the APR is. It says we haven't taken this and we haven't taken that but it doesn't actually say what we have done. It is like half the information there." 18-45, single cardholder, pre-placed

Most consumers felt that this whole paragraph was much too vague – and they could not work out which bit of 23 on the reverse they should read in conjunction with it.

Typical reactions to this section included the following:

"What a load of rubbish, it doesn't mean anything."

18-45, multiple cardholder, not pre-placed

"It basically says the APR that they are quoting is actually nothing to do with the actual amount we are going to charge you."

18-45, multiple cardholder, not pre-placed

"It's pants!" 18-45, multiple cardholder, not pre-placed

One respondent seemed able to articulate the sense of this section very clearly, but he was in a definite minority.

"I understand what it is saying. It is saying that, all things being equal, the APR is such and such, but what it is doing is not taking into account variables which will change in time or may change in time. What that is saying is at the start when that is quoted, if the interest rates stayed the same, the APR would stay the same (and if there were no charges at all) but then you have the exceptions to that. But they can't possibly integrate every variable into one particular charge. They have to change it for every variable that they added in. For example they would have to give you under each of those headings a figure of APR under those circumstances. You would have a load of APR figures to accommodate each of those scenarios. So what it is saying is, all things being equal, as in the other reference under here, the one we have just been on which is very similar. But you do have to read it several times to understand it." 45-65, multiple cardholder, pre-placed

YOUR RIGHT TO CANCEL

Although some consumers were happy with the location of this information on the Agreement, the majority seemed to feel that it would be better to site it immediately above the signature box signally acceptance of being bound by the Consumer Credit Act 1974.

"I think your right to cancel should be with the signature because it then says 'Only sign if you want to be legally bound but you do have a short time'. They obviously need to tell you. Isn't it like something like 14 days? A lot of them give you 14 days to cancel. So I think that needs to go with that. On the signature box it is telling you only sign if you want to be legally bound by the terms." 18-45, single cardholder, pre-placed

The main issue with this section, however, was the vagueness of the timescales and the fact that details of how and when customers can cancel the agreement would be sent to them rather than provided as part of the agreement.

"A short time is not very helpful is it?."

18-45, multiple cardholder, not pre-placed

"They could say it will be a minimum of and we will advise you if it is any greater."

18-45, multiple cardholder, not pre-placed

"I think you need details in the form."

18-45, multiple cardholder, not pre-placed

That sounds like the ultimate get out clause on their part, don't send it."

18-45, multiple cardholder, not pre-placed

"It is not telling you how long you have got to cancel. It is just telling you 'a short time'. What is a short time in the credit world. I don't know?."

18-45, single cardholder, pre-placed

"That is stupid. They must know when they give you this to sign how long you've got to cancel. Why don't they just write it in? It's usually 14 days, isn't it? They'd have to give you a bit of time in case you were going away or something."

45-65, multiple cardholder, pre-placed

"Why will they send us something? Is it too complicated to say 'This is how long you've got to decide. This is what you do if you want to cancel'. That should be easy enough to write down."

45-65, single cardholder, not pre-placed

LOSS OR MISUSE OF THE CARD

This section was easy to understand and consumers had no strong views about where it should be located on the Agreement.

"Yes, if someone commits fraud you're not liable, but if you collude with someone to commit fraud then you are."

45-65, multiple cardholder, pre-placed

EXCHANGE RATES

This section was thought by most to be better located in the 'Charges' section, which if amalgamated with clause 3.1 would mean the duplicated sentence could be deleted.

"Charges, default charges, exchange rates, handling fees, and then sub headed within the 'Charges' bit."

18-45, single cardholder, pre-placed

"I don't know if this is something that we will move onto down the form, but the one thing that stands out is one of the biggest charges, the Exchange Rates and foreign usage and that is much further down the form. That should really be put with Charges. It should be as high up as Charges."

18-45, multiple cardholder, not pre-placed

"Why isn't that over in the 'Charges'?"

18-45, multiple cardholder, not pre-placed

"I mean they told you in the Charges they charge you commission, so why didn't it just say it over there and they only have to add in one extra sentence."

18-45, multiple cardholder, not pre-placed

STATUTORY WEALTH WARNING

There were mixed views about the appropriateness of using humour in this way. Some felt it was good because readers would do a double-take and be more inclined to read it.

"It is quite amusing. It catches your eye."

45-65, single cardholder, pre-placed

"I think that is quite clever actually."

18-45, single cardholder, pre-placed

"It makes you read it doesn't it."

18-45, single cardholder, pre-placed

"It made me notice it because it was done as a joke and it made me notice it even more."

45-65, single cardholder, pre-placed

Others, however, felt that this subject was important and should not be dealt with lightly in this way.

"I think the principle of what it is saying is okay but I think it is actually making it flippant by putting that in like that."

18-45, multiple cardholder, not pre-placed

"They are trying to be funny, aren't they, and it is not a funny form."

18-45, multiple cardholder, not pre-placed

"To be honest with you that is quite important. That is an important thing and it does sound a bit humorous and it shouldn't be humorous."

45-65, single cardholder, pre-placed

It is difficult to make a recommendation here because those who did/did not appreciate the use of humour were fairly evenly divided.

Some consumers did feel that this was such an important warning that it should be explained at greater length and use the word 'blacklisted' which would be likely to make some people take more notice.

"They might be better to say something like 'Missing payments could affect your credit rating and make it difficult for you in future'. People know all about credit ratings."

18-45, single cardholder, not pre-placed

"If they put 'You may be blacklisted' something like that, you might take a bit more notice."

45-65, single cardholder, pre-placed

There were many views about the best location for this warning, although most consumers seemed to feel that where it was sited was less important than the fact that it should be made to stand out even more.

"It should be in a box."

18-45, multiple cardholder, not pre-placed

"And red."

18-45, multiple cardholder, not pre-placed

"If that was stood alone by itself on the bottom like on cigarettes."

18-45, multiple cardholder, not pre-placed

YOUR RESPONSIBILITIES

Researchers were instructed by the DTI not to discuss this section in detail with consumers since it was likely to be omitted from the final Agreement.

Some respondents did comment on the content of this section, however, and felt that it was a good idea in principle but that the wording of some parts was confusing.

"The first item about making all repayments 'on' the day they are due' should be changed to 'by' the day they are due'. You can pay at any time but you have to have paid by the due date. If you did it on the day, it wouldn't get there in time. That is definitely wrong."

18-45, multiple cardholder, not pre-placed

Several consumers made the same point as the respondent above and this, once again, highlights the difference in the meaning of the word 'pay' to the consumer (i.e. make a payment) and to the credit provider (i.e. receipt of cleared funds). This is an important point to clarify because consumers feel they are being misled.

The last point (4) seems particularly worth mentioning because some consumers with bad credit histories had found that credit providers were willing to help them re-schedule their debts and avoid more serious problems if they got in touch and explained their circumstances.

"This is a good point to make. They have helped me a lot. I lost my job and I couldn't even pay the minimum and they were really helpful."

18-45, single cardholder, not pre-placed

**IMPORTANT – YOU SHOULD READ THIS CAREFULLY
YOUR RIGHTS**

This section was felt to appear very dull because there is a lot of unbroken text and for that reason (and the fact that this section appears at a fairly late stage in the form) there were some doubts about the numbers who would read this.

"I don't think I'd get to that! It's just all words. I might see the words Consumer Credit Act and think it was some sort of government bit. It says it's for the cardholders protection – which is good – but I don't know if I'd read it."

18-45, single cardholder, not pre-placed

Overall, this section was felt to be easy to understand because it is written in plain English and people understand the general idea of what it is saying.

"It is trying to say you are in control. Basically there is a credit act, there is a piece of paper that explains all the rights and regulations of credit cards and what they should and shouldn't do and if you have any issues with this it is all covered by that anyway." 18-45, single cardholder, not pre-placed

"This thing as a whole though is personally one of the only reasons for buying something on a credit card. The fact that things you buy like on Barclaycard are insured when you purchase on them and if you buy holidays on your credit card you are automatically covered. If the supplier does not honour the guarantee you can grab Barclaycard for it. That is about the only thing it has going for it."

45-65, single cardholder, not pre-placed

Some people felt that, since this section said Important – You should read this carefully, this section should perhaps be moved further forward and emphasised by putting some of it in red.

"It is at the end, if it is that important put it at the beginning."

18-45, single cardholder, pre-placed

"That should be bigger, bolder and in red. If they go to the trouble of saying you should read this carefully well then make it so it catches your eye."

18-45, single cardholder, pre-placed

On the whole, however, the majority of respondents seemed to have a preference for having the things which might catch them unawares in the early part of the document because these must be read for their protection. The fact that this section is reassuring about consumers' rights therefore means that it is not actually essential for them to read this (in

their minds) because there are no 'stings in the tail' or tricky clauses. For this reason, most seemed happy for this section to be located somewhere towards the end of the document.

"Leave it there. It's alright where it is. Not many people will read it, but there's nothing in it which will matter if they don't read it." 45-65, single cardholder, pre-placed

SIGNATURE BOX

Consumers were familiar with the wording of this section. It appears straightforward although some felt that it was slightly ambiguous.

"It says 'Sign it only if you want to be legally bound by its terms' but you don't know what all those terms are." 45-65, single cardholder, not pre-placed

"...But if you don't sign, you don't get the card, surely?" 45-65, single cardholder, not pre-placed

"If you don't sign for it, you don't get it. Everyone signs even if they haven't got a clue what is legally binding them." 18-45, single cardholder, not pre-placed

MAIN FINANCIAL DETAILS FOR PAYMENT PROTECTION INSURANCE

MAIN FINANCIAL DETAILS FOR CARD PROTECTION INSURANCE

Several consumers mentioned the fact that they liked the idea of signing for payment protection and card protection insurance because this practice was preferable to ticking a box.

"Normally, if you want the protection plan you just tick a box, don't you?" 18-45, multiple cardholder, not pre-placed

"So basically you have to sign three times, you didn't have to before. That is really good."

18-45, multiple cardholder, not pre-placed

"This is better. The salesman can't just go off and tick the box himself. You have to sign it."

45-65, single cardholder, pre-placed

There was split opinion as to whether this was the right place to address these issues. Some felt it was the right place and liked the fact it was covered in one form.

"It could be in the box, just one line about what it is for."

18-45, multiple cardholder, not pre-placed

"It is usually in a separate brochure isn't it? I wouldn't want to sign three separate forms, who is going to say they are all going to arrive together."

18-45, multiple cardholder, not pre-placed

"They could have a star at the bottom, something to say that card protection and insurances can be bought, look at whatever, you do get a few different things through with the card, maybe that is something that could be on a separate agreement. It is a lot to digest, when you start looking at three signatures you think oh, what am I getting into."

18-45, single cardholder, pre-placed

Some others felt it required too much information to be dealt with on this form.

"That is a separate issue, isn't it."

18-45, single cardholder, pre-placed

"Maybe they should have it on a separate piece of paper."

18-45, single cardholder, pre-placed

"That is the bit I don't understand about this form is that you are signing for another service in effect that you have no detail on the form you are going to take away, it just says it is right that you should sign that you want to accept that service but you should be signing the documentation that details it surely."

18-45, multiple cardholder, not pre-placed

In neither case, however, is the information currently provided considered to be sufficient and consumers therefore envisage that additional forms or booklets will be required to provide more details on what these two insurances cover.

"Where on the form is there any detail about payment protection insurance or card protection insurance? You have a box to sign against something that you can't read up on, unless I am missing it in the back."

18-45, multiple cardholder, not pre-placed

"It is just telling you briefly what it is there."

18-45, multiple cardholder, not pre-placed

"They should explain it."

18-45, multiple cardholder, not pre-placed

"They could say in there if you have already got card protection for one card you are likely to be covered for all your other cards."

18-45, multiple cardholder, not pre-placed

There is a sentence in the Card Protection Insurance section which is not clear. It says that the cost is £16 per year but says that the premium will be added to the statement each month. Some felt that it was not completely clear that the premium added each month would be one twelfth of the £16.

TERMS AND CONDITIONS

Although respondents in the groups where the Agreement was pre-placed were asked to read through as much of the document as possible, it was found that very few had read through much (if any) of the terms and conditions on the reverse. Most said that it was their normal practice to ignore this type of small print, although some felt that they might have read some/all of it when taking out their first credit card.

"I probably did for the first ever credit card I had."

18-45, multiple cardholder, not pre-placed

"Yes, I think the first one."

18-45, multiple cardholder, not pre-placed

The respondents in general found the back page very heavy going.

"I have got to admit when I was reading the back of that I did read it all but I didn't take most of it in, but the point I am getting at is I got absolutely fed up halfway through it. I am not surprised people don't read them."

45-65, multiple cardholder, pre-placed

"It is not unfair. It is there if you want to read it and the onus is upon you to read through that. But you do, you read through that and you think 'Christ, do I have to read anymore?', and you miss things as well, and then you sign it at the end."

45-65, multiple cardholder, pre-placed

On the whole, it seems to be only at the point where a problem arises or when a cardholder wants to check a specific clause or condition that this type of information is consulted.

"It is only when something goes horribly wrong."

18-45, multiple cardholder, not pre-placed

"I think the only time I have read it any time recently was when I was going on holiday just to check what the situation was with travel insurance or paying for things abroad, so you only look at the specific bits you want."

18-45, multiple cardholder, not pre-placed

"Unless you have been stung in the past you do not read it."

18-45, multiple cardholder, not pre-placed

Consumers did not feel there was anything the DTI could do to encourage more people to read the terms and conditions of credit agreements. A few suggested it would be better to extend the length of the document to three (even four) pages and make the size of the print much bigger but only small numbers felt that this would increase their propensity to read more of this small print. Realistically, whatever changes are made to the size of print, the layout and the language of the terms and conditions, hardly any applicant for a card seems likely to bother reading them as a matter of course.

"I am not reading that, ever."

18-45, single cardholder, pre-placed

"I think people just want to use the card. They don't want all this gaff. It is like when you get your new cards coming through the post. They have a little booklet with all the changes. I never read that."

18-45, multiple cardholder, not pre-placed

"I am sure they are not for us. That is the company. It is just that they are protecting themselves to be honest."

18-45, multiple cardholder, not pre-placed

7. SUMMARY OF VIEWS ABOUT THE NEW-STYLE AGREEMENT

Consumers tended to be very positive when summing up how they felt about the new DTI credit card agreement compared with the current style and layout of this type of document.

Most felt that:

- The layout had been much improved by breaking the text up into boxed-in sections and putting clear headings above each section
- The English was as simple as could be expected
- The re-vamp had very much been undertaken with the consumer in mind
- Some re-ordering would improve things still further

Typical comments were as follows:

"It is in everyday language. It is not gobbled gook. It is not too high-flying so you think 'I will have to ask the boss at work tomorrow. I can't quite make this out'. It is in straightforward language that you can understand. Not too technical."

45-65, single cardholder, not pre-placed

"It splits it up a bit more, doesn't it?"

18-45, multiple cardholder, not pre-placed

"Obviously the whole thing is boring and we don't like reading it, but it is not a bad attempt."

18-45, multiple cardholder, not pre-placed

"An improvement over the existing."

18-45, multiple cardholder, not pre-placed

"I think it is written to favour the consumer."

18-45, single cardholder, pre-placed

"They might lose out because it highlights the right to cancel; it is more bold than on the existing one."

18-45, multiple cardholder, not pre-placed

"...But I don't think they will lose out quite that much. In fact they might gain some because people might like the fact that it is so clear, or it is clearer than it used to be, so they might be less scared about entering into a credit card agreement because they can see a bit more. At the end of the day they will probably end up quits."

18-45, multiple cardholder, not pre-placed

"Let's say it's a lot better than what it was. A lot better. But it is never going to be a riveting read, is it?"

18-45, single cardholder, not pre-placed

On the whole, once consumers were persuaded to read the Agreement (either before or during the group discussion) they found that most of the front page was relatively easy to understand.

However, even with this much-improved document, the chances of persuading the majority of credit card applicants to read the Agreement they are required to sign do not seem good. There is something about financial terminology, small print of any type and semi-familiar documentation which seems to have the effect of "making your eyes glaze over" or "making you lose the will to live" as consumers expressed it earlier in this report. The DTI's new-style Agreement seems likely to reduce these negative reactions but not eradicate them completely.

B. NEW SECURED LOAN AGREEMENT

1. EXPERIENCE OF SECURED LOANS

This research involved depth interviews with two secured loan holders. In both cases, their current secured loan was the only one they had had. One respondent had taken out his loan with HFC less than a year ago as part of a home improvements package. He is now reconsidering his decision and may approach his mortgage lender to see if it is possible to switch the loan to them.

"In retrospect, what I should have done, I haven't got a long time left on my mortgage, I have only got about 6 or 7 years left now and in theory I should have just gone to the building society and said 'Give me a loan to run with my existing mortgage'. I would have felt much happier. In actual fact, as this year moves on I will actually be talking to them about swapping it over. The reason I did it was purely these guys came and it was a package. There was a lot of form filling. There was some home pressure to get the work done and it was a case of 'Well, we will sign it and see what happens'."

The other respondent had taken out his loan just over two years ago to start up his taxi repair business. His provider was HSBC and his wife worked for this bank so he had not considered other alternatives.

2. ATTITUDES TO CREDIT AGREEMENTS

Neither respondent could recall much detail about credit agreements they had entered into in the past, although they felt that they had probably not bothered to read much of the detail. Both felt that they had had a fairly relaxed attitude to credit and to the conditions attached to it.

"In all honesty when I was much much younger and lived the life of Riley it was a case of my bank manager used to ring me up and say 'Can you come in and see me? You are

overdrawn. How are you going to pay it back?' 'How much am I overdrawn? Will £20 a month suffice?' 'Yes it will. We will sort that out. Sign this form. Thank you very much' and away I went. And it was done."

3. FIRST IMPRESSIONS OF THE NEW AGREEMENTS

The Agreement was pre-placed with both respondents so both had time to read through both parts before discussing them with a researcher.

On the whole, both respondents reacted positively to the style of the new agreement. They felt that it was comprehensive.

"It has tied up all the loose ends."

They thought that the language was clear and easy to understand.

"Yeah, I didn't have any problems. I had to take my time, but it was fine."

"There were a couple of bits that I had to stop and go back and read over again, just to confirm what I thought it meant, but yes it seemed fairly easy to understand."

There were some aspects of the language which one respondent felt were 'quite frightening' although he accepted that this probably expressed the balance of power in the transaction.

"When you read down it, particularly the phrase 'We have the power...' is quite frightening. Maybe it's meant to be, but I'm sure there is a phrase that could be used that is better than that. It only refers to alteration of interest rates."

One respondent felt that he would prefer the document to be longer still but in a larger typeface.

"I think one of the things I would change is it would probably be easier if it was on three or four pages and the writing was just easier. It is a slow trawl exercise to read through it, and it doesn't matter how good you are, it is a trawling exercise."

4. INITIAL UNDERSTANDING OF THE NEW PRE-AGREEMENT

Both respondents felt confident that they had read and understood all the main elements of the Pre-Agreement. Both said they found it easy to pick out all the main things they were looking for:

- Total amount payable
- APR
- What fees are payable
- Total amount being borrowed

Both were surprised to see the inclusion of 'fees payable' and wondered whether this was normal practice.

"Well it is logged as broker's fee and legal document fees. The only reason there should be a legal document fee is for them to stamp a charge on your title deeds. Why there is a broker's fee is beyond me."

Both felt that the main item on the document which they searched for was the monthly repayment figure.

"What it is going to cost, it really is down to the monthly repayment. Does that fit in with the current budget. If that doesn't fit in with the current budget then we don't go anywhere do we? And if it was £931 thank you very much, 'No'."

The amount of time over which the loan was repayable, the total cost of the credit and the APR were all also of interest.

The fact that their home was serving as security for the loan did not stand out clearly on the Pre-Agreement form. Both respondents knew that this was the case, but could not easily locate the information on the document.

"Reading this it doesn't say there's any security. Not unless I have missed it. There is nothing there. It just says 'Your home is at risk', but it does not actually say 'Oh, the loan is secured on 1, 2, 3'. No, it was not clear. I mean it does tell you quite a chunk of stuff on this front sheet except about the security. It is telling you that you have got eight days to read it and it is easy. But a lot of people like me will go 'Right, okay, £139 a month. Yes. Fine. We are going to go with that' and not bother reading it."

Both respondents said that they would use the information provided as a basis for comparison with other loan products, although neither had made any comparison before taking out his current loan. One regretted that he had rushed into his HFC loan and had not shopped around.

"I would actually shop around, I think if it hadn't been the push it was I would have gone into the marketplace and I would have looked at what else was around. I didn't. I kick myself for it."

5. DETAILED REACTIONS TO THE NEW-STYLE AGREEMENT

INTRODUCTORY PARAGRAPHS

Respondents felt very positive about the letter format of the introduction. One suggested the addition of a phone number might be useful.

"The first bit, if you read it, it is actually very user friendly. Those three paragraphs, they tell you not to sign, in eight days they will send you the signature document and they are telling you that you are free to withdraw from the transaction and they are sending a summary of the key features. It is very, very user friendly. It is actually very easy to read."

"It is good that it has got the obvious stuff, an agreement number so if you phone up you can go straight into that. A small point is there is no phone number on there. There is nothing on there that you can ring, a direct number and maybe a free call number for information or help."

**FIXED SUM LOAN AGREEMENT REGULATED BY THE CONSUMER CREDIT ACT 1974
THE LOAN IS SECURED ON 123 ARCADIA AVENUE, LEYTON, LONDON E10**

The fact that the loan is secured on the borrower's home was felt to merit a bolder statement than this.

"The print is a bit small. It's a bit hidden there. I think they need to make that a bolder statement. That's what the loan is all about."

"The most important thing is that the loan is secured on 123 Arcadia Avenue. That should stand out."

i) KEY FINANCIAL INFORMATION

Neither respondent had any problem understanding Parts 1, 3, 4, 5-8 and 11 of the Agreement. Everything was felt to be expressed very clearly and highly visible.

2. OPTIONAL PPI

One respondent felt that the total amount payable should be included with and without PPI, although the other was happy with the form as it stood. Both understood the concept of PPI, although one felt more explanation should be provided of what this entails.

"They just put in Optional PPI. I think they should write it in full, Payment Protection Insurance and also, somewhere, explain what it is."

9. APR

This section was said to be clearly understood, although neither respondent queried the implication of the copy in this paragraph. They felt that 11.5% was the APR they would pay for this loan, full stop. Both said that the APR was important because it enabled products to be compared and because this was the key indicator of a product's value.

10/11. OTHER CHARGES

These were clear but, as mentioned earlier, both respondents seemed to feel that charges such as brokers' fees and legal fees should not necessarily be included in a credit agreement (i.e. that it might/should be possible to arrange/pay for them separately).

"But maybe it does need something a bit more detailed with it that shows repayments of the loan only. The repayments of the loan with the PPI, so if you want to pay the broker's fee and the document fee separately as a cash up-front payment, they don't affect the loan at all."

"Hang on, your broker's fee and your legal document fee, they are giving you that figure and then they are adding it onto the bottom figure. Can you say I will deal with that instead?"

12. MONTHLY RATE OF INTEREST

Both understood the difference between the monthly interest rate and the APR.

13. TOTAL CHARGE FOR CREDIT

Both felt that the total charge for credit was clearly expressed.

ALLOCATION OF PAYMENTS

This was understood, although one respondent objected to the language/phraseology because the paragraph seemed to start by suggesting that the borrower would get into arrears.

"It does sound as though you have got in an arrears situation before you have even started. I know people default and there are problems and, it doesn't matter where you are, it does happen but in the main most people who borrow money pay back. I am sure there is an easier way of saying this. I can't get the phraseology quite right, but something like 'If you should fall into arrears we will first use any payments you make to clear these arrears'. This is straight for the jugular, isn't it?"

KEY FINANCIAL INFORMATION - SUMMARY

Both respondents were largely happy with the layout, language and content of this part of the Agreement.

The only points raised were that:

- More emphasis should be given on the first page to the fact that the borrower was offering 123 Arcadia Avenue as security for the loan
- The broker's/legal fees should not automatically be included
- There was scope for re-phrasing the Allocation of Payments section in a slightly less aggressive way.

ii) OTHER KEY INFORMATION (SECOND PAGE)

CHARGES

The list of charges was perceived to be very clear and the only information in this section which one respondent felt should be clarified was whether the company with which the credit agreement was made would alert customers to missed payments.

"Yes, the only thing that I did pick up on there, was would this company...If I missed a month they are saying they would charge interest on that month. Would they inform you that you have missed it or just carry on charging you interest? Say I missed it and didn't realise. Every month I am going to be paying over. So they should inform you."

SECURITY/YOUR HOME

This information was understood, but respondents felt that it should be made bolder or even moved to the front page in order to emphasise it.

"Well, that is really important and I think they should put it earlier in the form and somehow highlight it more."

[REDACTED]

POWER TO VARY INTEREST RATE

Respondents understood this paragraph, although they found it slightly unnerving because it underlined the fact that their APR was variable.

"So you accept an APR and then they can change it whenever they like. Okay. That's life."

YOUR RIGHT TO SETTLE EARLY

This was found easy to understand and felt to be clearly expressed. Respondents also understood that early repayment was penalised.

"I did see that. I did understand that. Really what they are saying here is 'We want you to take this agreement out and we really don't want you to pay early. We want you to go the whole term with it and if you pull out of it it is worse for you!'"

STATUTORY WEALTH WARNING

One respondent found the humour of this section heading amusing, but one found it irritating.

"I thought that was a strange thing to put, Statutory Wealth. It is a strange thing. I have never heard that before. It just sounds like a health warning. I suppose it is quite good isn't it."

"Statutory Wealth Warning. I am not sure if that is the right phraseology. It looks very tongue in cheek. It is almost like taking the urine. That is how it looks."

IMPORTANT – YOUR RIGHTS

Both respondents found this section easy to understand, although they felt that much of it was very general and did not specifically apply to borrowers taking out a secured loan.

6. REACTIONS TO NEW CONTRACT AGREEMENT**SIGNATURE BOX**

This was felt to be satisfactory by both respondents and no improvements were suggested.

OPTIONAL PAYMENT PROTECTION INSURANCE

This section was felt to be clear and it highlighted the very high price which the borrower would be paying for this credit.

"There is nothing wrong with the way it is written. The content is fine. It is precise. But £295 charge for the credit! Robbing sods. I can't believe that. Strewth!"

7. SUMMARY OF VIEWS ABOUT THE NEW-STYLE AGREEMENT

The views of both respondents were generally very positive. The document was generally felt to be well laid out and the different sections were clearly headed.

"I like the way it is laid out, specific points. It just doesn't run into another. Your Home and that. It is all broken down into individual bits. So it is not all flowing into one thing, so that is quite good that you can go back to that if you are worried about it."

One respondent suggested that the order could be revised slightly to make it even more useful.

"I think details of the amount of money you are borrowing, the details of the repayments, details of interest charges that are there and details of your payment protection plan, I think they are all important, and then maybe a separate section that puts the whole lot together and says 'This total package will cost you x per month'. I think that is how it should be done. Then you have the decision to think about what it is that you want to do."

One also considered that there should be a point included which related to moving home.

"Secured on your house, I can't remember reading anything on there about whether it makes any difference if you move house. Obviously the loan goes with you or if you decide to move abroad, I shouldn't think that will make a lot of difference. If you move abroad, do you have to finish the agreement, and if you do move abroad and you want to finish it are you stung for that."

Another query raised was whether the repayment schedule could be flexible in any way.

"I want to know how much I am going to pay. I want to know how much the repayments are a month and obviously if it is going to vary, and if I can afford that and if I can pay more. And if I do pay more, if I overpay, then can I reduce a month later. If I have overpaid, that is quite good. If you are self-employed and you have a really good two or three months and you overpay then the next two or three months – I am on holiday for a month and I don't want to pay as much - can I take a bit off?"

One respondent had read the terms and conditions in full but said that it took a great deal of time. The other had not bothered. Neither said they would normally attempt to read this and that they could not envisage how the DTI could attempt to encourage more potential loan takers to do this. A helpline number was suggested by one respondent for the benefit of those who did attempt to read through the terms and conditions.

The older of the two respondents (mid 50s) suggested that a larger typeface (and consequently more pages) might be effective in persuading some people to read more of the document.

Overall, however, the likelihood of many loan applicants reading through the whole document seems fairly remote.

C. NEW HIRE PURCHASE AGREEMENT

1. EXPERIENCE OF HIRE PURCHASE AGREEMENTS

The Hire Purchase Agreement research sample involved four depth interviews with current holders of one or more of these agreements. All four respondents had had a number of HP agreements over the years and were happy using this type of finance because they found it a convenient way to spread payments and also liked the idea that they could often obtain a good 'deal' which, at best, could involve 'interest free' credit.

"I have had several over the years. At the moment we have only got one which is on a fridge freezer. In the past I have had a car, a TV, washing machine, that sort of thing. That is about it really. A few years ago we had some furniture. I have had a camcorder a few years ago on HP. I try not to do too much. You have to pay it back, haven't you, but occasionally you do need to get something because you can't afford to pay it at that time. Say if the washing machine breaks down you have got to get another one." Female, AB, Under 45

"To be honest, I think I have got two or three, all interest free, which attracted me, obviously. I have used these sorts of loans before and I paid them off within the year. At the minute the ones I have are for beds and a fridge-freezer."

Male, C1, 45+

"Basically we went down to Dixon's and we were looking for a new TV at the time and we talked about it for a while. I'm a sales manager and I get bonuses and commission. So, for example, we took out HP on a TV, knowing that we couldn't afford it at the time and that the repayments were a little bit tight but that come five months down the line, bang! When I was younger I bought a car on HP as well. The HP was about three years, I think, and I settled it after two. I like that option of being able to do that, if I can." Male, AB, Under 45

2. ATTITUDES TO CREDIT AGREEMENTS

All four respondents agreed that the average hire purchase agreement tends to be very off-putting because:

- There is far too much information contained in these documents
- The jargon is not consumer-friendly
- The mere appearance tends to discourage customers from reading much detail

Typical comments from respondents when shown an example of the sort of HP agreement now generally in circulation are quoted below.

"I've seen these all the time. It's the kind of information that many people don't actually read because in the first instance you look at it and think 'Oh Christ, all that reading', and I think that puts people off. Sometimes it's off-putting with the amount of information that is on one sheet. I think sometimes if the information could be spread out over maybe several sheets, or just rephrased better in terms of maybe bullet points and just the critical information, I think that maybe more useful."

Male, AB, Under 45

"Well you tend to think 'Oh my goodness' with all that print on one page. The print is generally quite small. I found, actually, it is quite difficult to read. Well particularly this one. There is a lot of information for someone to absorb on one page. The law sometimes can be difficult to understand. You have to really concentrate and I think that somebody with perhaps less intelligence would find it very confusing. But they can be mind-boggling. Say if you are an older person, perhaps, they would probably find it quite confusing"

Female, AB, Under 45

"They always look to me a bit intimidating."

Male, C1, 45+

"Complicated. Too much small print. It is as if they don't want you to read it. Then if you don't read it, and start bleating later, they say 'It was all there in black and white'. You are never quite sure what they have meant even though they have spelt it out. When you get blocks and blocks of this writing and you start reading it, it is like overkill. I mean, you read a paragraph and afterwards you think 'What was that about?'. You lose concentration."

Female, C1, 45+

To some extent, it appears that purchasers rely on salesmen to talk them through the main points of an HP agreement – and to fill in the details and the application form – so few bother to go through them with a fine tooth-comb.

"I think we tend to talk it over in the shop with whoever is selling you the item. Or if you are buying a car, they tend to go through it quite thoroughly."

Female, AB, Under 45

"I suppose like a lot of people when you go shopping you are very impulsive, you see a suite of furniture or a TV and you are all excited and in the heat of the moment you want to pay for it and get it. I probably haven't paid that much attention to the forms, being perfectly honest with you. No, the assistants are filling them out, I am just answering the questions."

Male, C1, 45+

3. FIRST IMPRESSIONS OF THE NEW AGREEMENTS

Initial impressions of the new HP agreements (which had been pre-placed with all four respondents) were positive. Respondents said that the two key pieces of information they look for on this type of document are:

- The total amount of the loan
- The APR

and that it was very easy to identify both on the new documents.

"The first thing that I zoom in on is cost. How much I'm borrowing, to make sure that they've got it right. How much I'm charged for borrowing that amount basically and that's when I think 'Oh my God, you're joking!'. And the interest rate, and again I think sometimes you've got to watch between the fixed rate, variable rates, APRs, monthly rates and that can be a little bit confusing. But I did notice on this one the way it was set out it was actually quite good. First of all it states the Key Financial Information. It states the term of the agreement and under that the APR which would just be a flat rate by the looks of it. But then you zoom down and all of a sudden you've got the interest rates per month there and that stands out to me as well, because I like to know that so I can work out how much interest I am paying on the loan each month. So that's useful to have."

Male, AB, Under 45

"It is all there. It is under the Key Financial Information. It is pretty self-explanatory. Quite well laid-out actually."

Male, AB, Under 45

"This one was easy. There's the Total Amount of the Loan including and excluding the Payment Protection Plan and the Total Amount Payable. Everything is very clearly set out."

Male, C1, 45+

"You can work your way through it systematically. It's clear what's what." Female, C1, 45+

One respondent suggested that it would be useful to put the words including and excluding the PPP insurance in bold in order to make them more visible.

"It was quite clear, Total Amount of Loan, excluding and including the Protection Payment Plan. I think some of these things need to be in bold like including and excluding would make you notice it a bit more. On this Protection Payment Plan they try and get you to pay it, don't they? I think things like that should be highlighted or in bold more so you know exactly. You can see them clearer. The monthly repayments, when it starts and when it finishes, that is quite straightforward." Female, AB, Under 45

4. DETAILED REACTIONS TO THE NEW-STYLE AGREEMENTS

KEY FINANCIAL INFORMATION FOR FIXED SUM AGREEMENT – LOAN REPAYMENT, PPP, APR

Consumers reactions to this while section were generally very positive.

"The first bit I like the way it's listed. It's all in a vertical fashion and it's all in line so there's no real confusing issues there. Sometimes in the past you will see like an agreement where it's scattered all over and I think that can confuse. But that one it starts off, bang, you're straight in the amount of your loan. So, how much you've borrowed, how much you've asked to borrow and including any payment protection plan, which again these days a lot of people will be taking out because of unsure futures. So that's good. That's straight in. Then it goes on and says your Monthly Repayments. And that's important because you need to know how much you're

paying. And again it's straight off. To me, if I was taking a loan out myself, I would want to know straight away how much it's costing, how much it's costing me each month and when the loan was going to start. Term of agreement. Then you come down to the APR. I think all the figures that you need to know straight away are at the top and that's a good layout. And then they've boxed the Goods and Services and the costs of those Goods and Services. So for example, TV, video, DVD player, whatever, and that's in a central position and, because it's boxed, your eyes tend to draw to that area anyway. Then it talks about the interest rate and the APR a bit further down, bringing you down to note 1. Again that's quite important because it's bringing your attention to the fact that they will give you 28 days written notice if there is any change which is fine. Again those are the type of things that people don't actually generally look at but it's quite important."

Male, AB, Under 45

"It has all the financial figures and this is the information that they are giving you which you need to have separated. So, yes, I thought that was quite clear really. It was quite straightforward. Simple and easy to understand. I didn't really have a problem with that."

Female, AB, Under 45

One respondent was irked by the fact that the Payment Protection Plan details figure largely in the first two lines because he felt this reflected the pressure which customers often experience to sign up for this insurance. He felt that it would be preferable to refer first of all to the Total Amount of the Loan and subsequently to refer to the Total including PPP (if this option were to be taken up).

"It should be Amount of Loan/Total Amount Payable and then the PPP should be after that because it is an option. They shouldn't assume most people will take it."

Male, C1, 45+

In general respondents felt that the document was well laid-out and that everything was in the right position.

"I highlighted a couple of things in there and you always tend to read left to right anyway just out of habit so I think the Key Financial Information is right because it's the bullet points. It's almost like 'This is what you're having. This is what you're buying'."

Male, AB, Under 45

"That is all more the financial figures (left side) and this is the information that they are giving you (right side) which you need to have separated. So, yes, I thought that was quite clear really. It was quite straightforward, simple and easy to understand. I didn't really have a problem with that."

Female, AB, Under 45

OTHER KEY INFORMATION – FIXED SUM AGREEMENT

- **Statutory Wealth Warning**

This was the section which attracted most attention and, as in the case of the Credit Card group discussions and the Secured Loan depths, the wording polarised opinion. Some found it eye-catching because of the play on words whereas others felt it was slightly inappropriate and that the subject should be treated more seriously.

Negative reactions

"Obviously instead of a health warning it is a wealth warning, but on a serious piece of paper it looks out of place."

Male, C1, 45+

"This Statutory Wealth Warning is a bit cheesy. It's a bit sort of like something you'd find on a packet of cigarettes, that sort of thing, not on a loan. It's the title, and the fact that it almost

hints at sarcasm and you don't normally expect to see that type of thing on a loan agreement or HP agreement. I think it should be on there but lower down and just put in a different way. The fact that 'Missing payments could have severe consequences and make obtaining credit more difficult' that's fine and, again, that's straightforward and people can understand it and I think that's important. So I'd like to see that on there but again not the way that it's written. As I say, it looks like something you find on a bottle of vodka or a pack of cigarettes. It's misplaced there." Male, AB, Under 45

Positive reactions

"The Statutory Wealth Warning, I thought that was quite good. I hadn't seen that before. It is like a health warning on cigarette packets. It brings you awareness of what the problems are if you miss your repayments, what the consequences might be, which is quite good."

Female, AB, Under 45

"I did see this Statutory Wealth Warning and I smiled a bit."

Female, C1, 45+

- **Default Charges**

This section was felt to be clear and in the right position, although two respondents felt that the size of the print used in the document was very small and not easy for the average adult to read clearly.

"Is this going to be the size of the print? I can hardly see it."

Female, AB, Under 45

"You need to know all this. That needs to be on and that, to me, is in the right place in the Other Key Information section."

Male, AB, Under 45

- **This Agreement Is Not Cancellable**

This was specifically mentioned by two respondents as being important but slightly confusing.

"The bullet line here saying 'This agreement is not cancellable', I like that being out on its own. I've highlighted that myself because a) I like the fact that it's there, b) it's important to the agreement that you're signing. It's not a case of you're entering this as a bit of fun. It's just telling you that you're entering into a serious agreement here and by signing it, that's it. There's no turning back. So in other words 'Don't sign it unless you are 100% sure what you're signing, because you can't cancel it once it's been signed'.

That's not strictly true, because if you read the agreements that come after that it does say there is a 28 day cooling off period which is again a standard sort of thing. But the fact that it's on there is good. I like the fact that it's broken out. It is just the way it is...and then you move down to 'Your Right To Settle Early', again that appeals. I would zoom in on that, that is important and the fact it is telling you how much it would cost. It gives you like a working example which they will fill in with the pound signs. It is also saying that this is assuming that actually all your monthly repayments are made on time and there is no default which is fine, and then it just goes down into Consumer Credit Act towards the bottom."

Male, AB, Under 45

- **Your Right To Settle Early**

This information was felt to be in the right position on the document and clearly presented.

"I think it is nice to have that information and nice to have that highlighted to the customer that if they can settle early then they are perfectly entitled to." Female, AB, Under 45

The fact that the dummy document did not include any worked out examples was, however, felt to make it less easy to understand in this research exercise.

"It says it can be repaid early but it tells you calculated under a formula which limits the amount of interest that the creditor can claim. But it doesn't tell you – it sort of gives you an example, but doesn't." Female, C1, 45+

- **Important – You Should Read This Carefully: Your Rights**

This was felt to be a useful section, although it was an areas of the document which one respondent felt might require the help of a salesman for interpretation.

"It is highlighting your awareness of your rights. I still think that when you are buying something the person who is selling you it should perhaps talk you through these things, but then a lot of people wouldn't want that would they? It depends on the person doesn't it?" Female, AB, Under 45

On the whole, the wording of the section was felt to be very clear, although the small size of the print and the unbroken copy would deter some.

"That one there (enlarged copy) is fine. I can easily read that, but on the one you gave us to read, the writing is very small and I'm not sure that I would read it all."

Female, C1, 45+

- **Signature Box for Credit Agreement**

Felt to be in the right place and clear.

"It is quite clear. It is a bigger box so people can see. That is quite straightforward." Female, AB, Under 45

"Absolutely fine. I personally don't see any problem with it. It is absolutely fine. It does clearly state on there this is a credit agreement, it is regulated by the Consumer Credit Act and there are terms to be bound to. Just sign it if you agree to it."

Male, AB, Under 45

- **Purchase of Payment Protection Plan**

This section was felt to be clear, and most respondents felt it was appropriate to require consumers to sign to show that they had opted for this insurance.

"I think the fact that this is boxed off there is good. Sometimes you could agree to it but forget it because it's all tied up in the jargon and bumf further up on the form. The fact that it is there is good. You won't forget." Male, AB, Under 45

Only one respondent felt some sense of pressure to take PPP because of the fact that this signature box was included.

"Well it is almost like they are forcing it on you in a way, this Protection Payment Plan. Is it something that people are encouraging more and more. I think unless you are taking out Purchase Payment Protection it should actually be on another form. If you are not going to have it, why put it on this form? As I say, it is like they are almost forcing you. Well, not forcing you, but encouraging you greatly to have it."

Female, AB, Under 45

TERMS AND CONDITIONS

All respondents agreed that they seldom read much of any Terms and Conditions on HP documents.

"Sometimes, I probably skim read them, but not in great detail. There is just always so much to read - Section 7 and 7.1, 7.2, 7.3 - and it just goes on and on. It is just too much information. How do they expect people to – and they are only, in my mind, just protecting themselves. I always look at terms and conditions as for their protection, not for the customer's protection and that puts me off reading it, really, because it is very – what is the word – 'authoritative' in the way it is put across. The terminology that they use. I think it is like 'If you don't pay, this is what is going to happen to you' sort of thing.

The only way you would read it, I think, is if they just don't have so much information. Or if they presented it in another way which was more readable. Perhaps in a glossy brochure or something separate to the agreement, I don't know."

Female, AB, Under 45

"I don't read them thoroughly and I think everyone is pretty similar to that. It is something I look at just to be on the safe side, just to check over. I just tend to scan read it. I just pick things out. Several of the more important points are repeated on the form anyway. They are made clear there anyway. All terms and conditions of everything these days are very similar. It is all on one page, all in small print. You have to study it with a magnifying glass. It is again the nature of the beast. It is just the way it is. I don't think Joe Bloggs would go through the whole lot though. As I say I personally would just scan it. I wouldn't sit down and go through it all I must admit."

Male, AB, Under 45

OVERVIEW OF FIXED SUM AGREEMENTS AND CONCLUSIONS

The new Fixed Sum Agreements were well-liked by all respondents. They appreciated the clarity of the documents and the ease with which consumers could identify the key

information they needed, although some felt they would still expect the sales staff to play a part in the process.

"I think is quite straightforward, simple. The information that you really need to be aware of really. Hopefully the customer will benefit the most. I would hope both of them would, because if it is clearer to the provider then it will make their job easier and for the customer. I think they need to explain more to the consumer about the forms, perhaps encourage them. Not in great detail but just 'This is what you are going to be paying each month. This is the total repayment. This is your APR, and if you don't pay this is what will happen'. Just in plain...they can say to you 'Go and read it. You have it all written down, but basically this is what the form says. This is what you have to pay'.

Just have a basic check list for sales staff, so when they sell something they can say 'Right this is what we have to check with you and run through, but go away and read the nitty gritty bits, but basically this is our agreement with you'. I think that would make it much better for the consumer and for them because they would probably get less complaints and less cancellations. If it is just handed to them it could be quite scary and intimidating for some people, especially the older generation but they probably don't take out HP. They don't like it." Female, AB, Under 45

"It is sectioning different sections off and when it is boxed you tend to read everything that is in the box without popping from one place to the next. So, for example, the Key Financial Information is all together and that is right. Your customer details, the first bit that is all in one. It is all separate and laid out in that way. I guess it is sectioned right in my eyes. I think it is quite straightforward." Male, AB, Under 45

KEY FINANCIAL INFORMATION – HIRE PURCHASE AND LOAN FOR PAYMENT PROTECTION PLAN

Respondents were marginally less happy with the layout of the Hire Purchase Agreements than with the Fixed Sum Agreement mainly because the Loan for the Payment Protection Plan seemed to be put on a roughly equal footing with the Hire Purchase Agreement itself. There was not felt to be sufficient distinction between the two. The Hire Purchase element is perceived to be much more important than the PPP agreement and, as such, should be highlighted more – perhaps being boxed in in a bolder way than the PPP information.

Two factors seemed to underlie respondents' criticisms of the similarity between/equal emphasis of the Hire Purchase and PPP information boxes:

1. Some consumers clearly felt that they were being pressurised to take out the PPP insurance by the weight of emphasis given to this information in the document
2. The fact that the documents used in the research contained only blank boxes and did not comprise monetary examples meant that respondents had nothing concrete to evaluate and were, therefore, in the words of one respondent, 'looking at a lot of identical boxes' which tended to add to their sense of confusion.

"This confused me slightly. You are paying so much per month plus your Acceptance Fee. Then there is another box there. I presume that is the Total? Is that right? I didn't think that was very clear. This bit is okay, saying you have got so many repayments of that at one-monthly intervals starting on a certain day of the month. It seems to be a lot of repetition but maybe if they had put figures in the boxes it wouldn't seem so confusing. You'd be able to work it out and it would seem clearer."

Female, AB, Under 45

"It is quite straightforward once you start looking at it. You have got your name and address at the top which is obvious isn't it, it is going to have that on there. The Key Financial

Information, wow, how many boxes can you have on one page? That could be quite complicated, and a bit off-putting."

Male, AB, Under 45

Comments about the confusing similarity of and the seemingly equal emphasis given to the Hire Purchase and Loan for the Payment Protection Plan are included below. It must be remembered, however, that only four respondents were included in this sample and therefore the same irritation about the 'pressure' to take out PPP insurance which was felt by two of the four consumers interviewed tends to be repeated throughout these findings.

"Some people might think I have to have it, so they are probably going to feel more pressurised in terms of paying for it. They might feel it is part of the agreement of the HP. That is not very honest is it? Some people might think that. So maybe if they are going to have payment protection it should be a separate form?"

Female, AB, Under 45

"Firstly I wouldn't have put them side by side because they look too similar and therefore by reading the one you almost automatically think 'I have read that, so I won't even bother looking at that'. You tend to miss it. If it was underneath and the form was laid out slightly differently then you would automatically go down and maybe read it as well. So I don't like the fact that it is next to it.

I think to be honest if people are going to take out the Payment Protection Plan they should have it on a separate form where it would say this is how much you are paying each month including your loan payments. This is the total amount. You are paying it over so long. Each month it is going to be x amount of pounds and thereafter it is going to be this amount of pounds for so long, etc. etc'. Then at the bottom say 'Reminder: These payments include Payment Protection Plan which is a premium of £300 or whatever'. The fact that it is broken down....the company are looking after themselves by explaining it and going through it thoroughly, but I think the fact

that it is broken down is maybe a little too much information, I don't think it is really required. I think it is going to confuse. The intention is not to but I think it is having the reverse effect on that."

Male, AB, Under 45

One respondent felt that the Hire Purchase and PPP sections should not be separated at all, because having two separate sections meant that the purchaser had to do the maths and add together the amount being paid per month for each item.

"I would have thought that if you were taking out the Payment Protection they should have got:

1. The total amount of credit
2. The amount for the Payment Protection Plan
3. The total amount payable

otherwise you are just having to do it yourself (i.e. add up the figures). Why aren't they just telling you, because they don't want you to know. It is expensive and it will stick out."

Female, C1, 45+

On the whole, probably the best way to reconcile consumers' comments about the layout of the Hire Purchase Information and the Loan for Payment Protection Plan information would be to:

- Give greater emphasis to the Hire Purchase information (since this will be relevant to all customers) by making this section stand out more than the PPP loan information (e.g. Box in this section in bold or produce the whole section in bold or introduce some colour)
- Play down the Loan for Payment Protection Plan in some way and emphasise that this product is optional at the top of the Key Financial Information section and not only at the bottom of this page. The four respondents in this sample were very anti this type of insurance (and we cannot gauge from this small number how representative they are of the general public) and felt that the layout of the form seemed to imply that PPP was virtually a standard addition for anyone entering into a

Hire Purchase Agreement whereas this was not the experience of respondents in this sample.

PAYMENT PROTECTION PLAN

The layout and content of this boxed section was felt to be clear. Consumers noted that the word 'optional' was included but felt that this should be included in bold in the Key Financial Information above.

"They have made an effort on this to put it within the next chapter if you like, in the next section. The fact it is boxed off again it helps to keep things clear, I think that is again a good idea. It is quite straightforward, I understood it. It states to start off with that it is optional so you don't have to have it. People like to see that. It tells you the type of Payment Protection Plan that is actually being selected, or if you don't require you put 'None' there. Yes, again it seems quite straightforward, no problem there."

Male, AB, Under 45

SUMMARY BOXES – TOP OF SECOND PAGE

These were felt to be excellent by all respondents because they set out the information very succinctly.

"It is straight underneath the Key Information. It is the next bit you would want to know and again the charges are on there, the Acceptance Fee is on there. So at least with this you know where you stand, you know how much it is going to cost. You will probably be shocked and think 'Is that how much it is?' It should also say Total Amount of Commission for Seller."

Male, AB, Under 45

"You see that is clearer, isn't it? You have your cash price, your total, it is just there. This is what you are paying. This is

la, de, da and it has got your Allocation of Payments. So people know exactly what they are paying. It is clear. It is much clearer, isn't it, really? That is what you want to know, isn't it, at the end of the day?" Female, AB, Under 45

"They tell you that if you add (i) + (ii) + (iii) you get your Total Charge for Credit. That is straightforward enough. That whole section sets it out very well." Female, C1, 45+

OTHER KEY INFORMATION

- **Charges On Default/Your Right To Settle Early**

The information in these sections is clear, but respondents queried whether it was ideal to include the Charges On Default section and Your Right To Settle Early section twice simply in order to align these once with the Hire Purchase Agreement information and secondly with the Loan for Payment Protection Plan information. One suggestion was that these sections could both be moved lower down the page and included once only but spread across the width of the page so that they relate to both sections.

"It is a bit confusing having it twice. It is the same down the bottom 'Your Right to Settle Early' and 'This Agreement is not cancellable'. Why can't they just put them in once and refer to the HP loan bit and the PPI together? It seems commonsense. Look, let's have both points written in once right across the bottom so that they are relevant to both."

Male, AB, Under 45

Respondents noted that the section relating to 'Your Rights' and the Statutory Wealth Warning were spread across the complete width of the third page and were not sure why this had not also been done with Charges On Default and Your Right To Settle Early.

Although it is clear on the front pages of these Agreements that the page is split in two vertically (one half referring to the HP Agreement and the other to the PPP Loan) this division is less clear on the second page of the Agreement and respondents suggested that

- a) Either the two columns on the second page should be headed 'Hire Purchase' and 'Loan for Payment Protection Plan' (as on the first page)
- b) Or there should be a bold line drawn through the vertical length of the second page to draw attention to the fact that it is in two halves in the same way as the front page

- **Repossession: Your Rights**

This section was felt to be important and sited in the right place.

"I think repossession is a horrible word, isn't it? It is something that we all never wish to get involved with but it happens. It is very real. It is the worrying side of it. It is just saying to people 'This is serious, guys. If you don't want to take this out, if you can't keep up with this and the repayments then don't bother. If you can't we will take you to court and we will repossess. The fact that it is governed off in its own separate box it is drawing the seriousness to the issue as well and it is down at the bottom, it is near the signature area or it will be on the next one we come to. It is something that has got to be there and it is something that people should be aware of."

Male, AB, Under 45

- **Termination: Your Rights/Statutory Wealth Warning**

On the whole, respondents felt that these sections were clear and in the right location on the document.

"These are in the right position. It is all doom and gloom by now. It has all got to be on there. You have just read about Repossession, so I think you'd have got the message by now."

Male, AB, Under 45

Two of the four respondents once again raised the fact that they were:

- a) Unhappy about the tongue-in-cheek tone of the Statutory Wealth Warning
- b) Left feeling that this section needed to be expanded slightly to expand in more detail that 'Missing payments could have severe consequences and make obtaining credit more difficult because...' (e.g. your credit score is likely to be adversely affected and you may find yourself blacklisted by creditors for a period ranging from X to Y)

- **Final Signature Box**

Overall, this was felt to be in the right place by most respondents.

"It says underneath where you have to sign 'The goods will not become your property until you have made all the repayments. You must not sell them before then'. That is important. That is good."
Male, AB, Under 45

- **Layout of Third Page (HPD example)**

Two respondents commented that the split-screen layout which had been adhered to throughout the first two pages (i.e. left hand side for HP Agreement and right hand side for PPP Loan Agreement) fell apart by the third page and left the reader slightly confused.

"On this one, those two pages have got it separate, separate columns, and then when you go to the signing it is just a tiny bit there. isn't it? It has totally gone off its format, hasn't it? I don't think you can do that. You can't do two columns on two pages and then suddenly forget the whole idea and have a little box down there. That is not very consistent."

Female, AB, Under 45

"Most of it has been very clear, it just found that by the time it got to the back page you weren't quite sure where you were.

But maybe that can't be helped. They have condensed it as
much as they can." Female, C1, 45+

OVERVIEW: HOW CLOSE ARE AGREEMENTS TO THE IDEAL?

On the whole, respondents felt that the new Agreements were remarkably clear. They felt that had the dummy forms included monetary examples (rather than just blank spaces and empty boxes) they would have been even easier to understand and that only minor changes need to be considered as far as the layout and wording are concerned. These are outlined in Section Two: Summary.