Affordable Credit Research

August-September 2007

Date

26 September 2008

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Study Number: 153901

Commissioned by:
HM Treasury

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1 Executive summary

- Since the benchmark study in 2006, the overall use of credit has not changed significantly.
- 66% of respondents[1] were using some form of borrowing, either low-cost, high-cost, or from credit union or similar (67% in 2006).
- Lack of access to affordable credit was not a major concern for most; only 12% said it was. However, as last year, this varied and the level of concern was much higher among certain groups who have the greatest need for credit.
    - Lack of access to banking facilities has declined as a problem since last year (15% vs 17%)
- Awareness of the cost of most types of borrowing remained low (especially credit unions) and there was still a degree of confusion.
- The proportion using the Social Fund has increased marginally (to 7%).
    - Particularly high use was noted in North East Lincs and Barnsley, and significant increases have been noted in Wythenshawe and Ealing
- Use of credit unions is stable but very low at 1%.
    - Increased usage was noted in Pollock compared to last year, and Portsmouth Savers and Wythenshawe retained higher than average penetration levels
- Consideration of either the Social Fund or a credit union for future finance remains relatively low but has increased marginally and was similar for both types of credit (15-16% up from 13-14%).
    - Lack of awareness remained the main reason why credit unions are not considered for future finance. The proportion who have not heard of them has not changed since last year (53% among non users and non considerers).
    - The awareness issue was most acute in Citysave, North East Lincs and Ealing
- A consistent level (two in five) were using some form of high-cost borrowing:
    - Mail order/ catalogue was by far the most common, being used by 25%, followed by 12% using home credit. Fewer were using a non-bank credit card this year (7% vs 9% in 2006).
- Different borrowing products were obviously fulfilling very different needs for consumers:
    - Home credit and catalogues used for clothing, buy-back shops and pawnbrokers used for day-to-day expenses such as groceries and bills.

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[1] Qualifying respondents were those claiming at least one of: Housing benefit, income support, working tax credit, job seekers allowance, council tax benefit or guaranteed pension credit. If not claiming benefit, respondents would also qualify if they were: a single person earning £220 or less per week, a household with children earning £305 or less a week, or a couple without children earning £305 or less a week.

- Low-cost credit continued to be used by nearly half of all respondents:
    - Most popular sources were credit cards from banks or building societies (26%), and agreed overdrafts (22%).
    - The penetration of plastic (credit and store cards) has declined since last year.
- Those not using low-cost borrowing were much more likely to mention wanting to avoid running up debts than whether or not this type of borrowing was available to them.
    - However, those using low cost credit were more likely to be working, to be on higher incomes and to be home owners.
- The mean value owed on high-cost borrowing has not changed significantly (£554 currently), compared to £2,723 among those with mainstream (low-cost) borrowing; typically credit cards or agreed overdrafts.

2 Background and objectives

This current wave of research measures the extent to which usage and awareness have changed since the introduction of the Growth Fund. This survey was commissioned by HM Treasury on behalf of the Financial Inclusion Taskforce. The initial study conducted in 2006 provided benchmark measurements among individuals and households on low incomes for usage and awareness of various types of credit (high-cost, low-cost and that available from credit unions and the Social Fund).

The Growth Fund, administered by the Department for Work and Pensions (DWP), is now available to selected third sector, not-for-profit lenders such as Credit Unions and Community Development Finance Institutions (CDFIs). Formal funding bids from eligible organisations were submitted early in 2006, with the first successful bidders receiving monies in summer 2006.

The DWP Growth Fund project team will carry out evaluation work on the effect of the Fund on contracting institutions; these institutions will be required to submit regular financial and performance reports, including regular management information on consumers and the number of loans approved and rejected. However it is necessary to place this information within a wider context, and hence this survey was designed to meet the following objectives:

- To examine changes in usage of credit products by those on low incomes in areas where institutions are receiving funding, during the period of the Growth Fund
- To track changes over time in awareness of different credit products in areas where institutions are receiving funding from the Growth Fund
- To explore any overall increase in usage of credit products
- To determine whether any increase in take-up of low-cost credit from institutions receiving funding is a substitute for, or additional to, alternative forms of credit

In order to achieve these objectives, a first wave of research was carried out prior to the introduction of the Growth Fund in order to provide baseline results for comparison. A second wave of research was conducted in summer 2007 to measure the extent of any changes fostered by the Growth Fund. This report outlines in detail the comparison findings from the second wave of research in summer 2007.

For both waves of research, respondents from areas where the Growth Fund is in operation were interviewed.

3 Survey findings

As the Growth Fund is specifically designed to promote Credit Unions and CDFIs, this aspect is reported before the more general lending, and in most detail. To put the results into context, market conditions and consumer attitudes and behaviour are reported first.

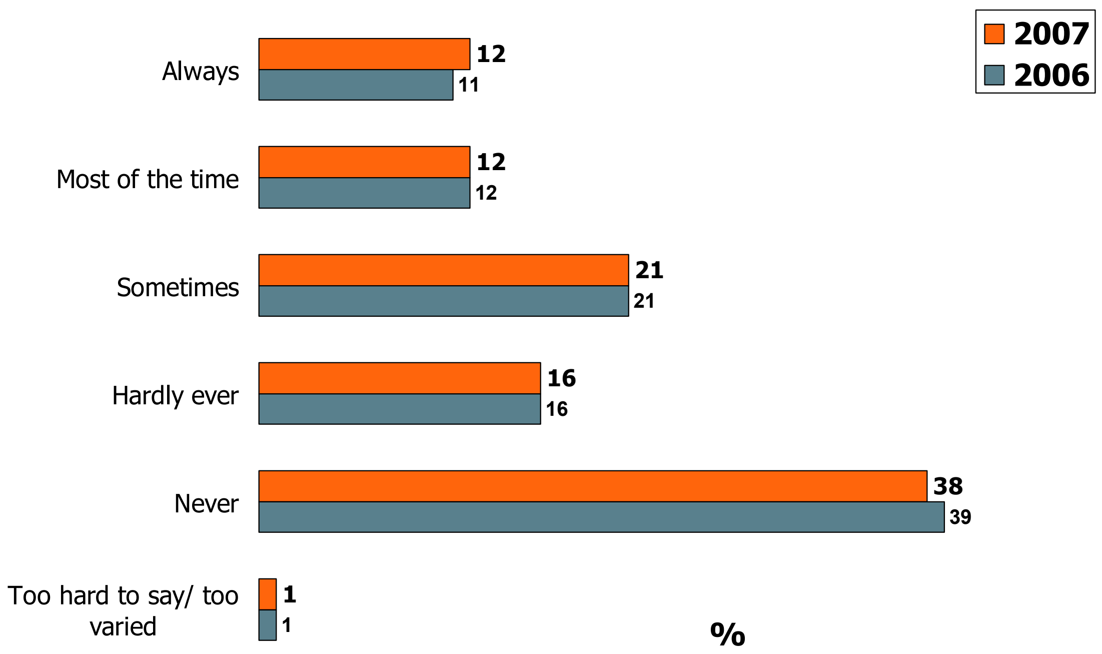
3.1 Current financial situation and attitudes

3.1.1 How often respondents run out of money

Among the audience for this research, almost half (45%) claimed that they run out of money at least some of the time before the end of the week or month. Dealing with a shortfall in finances was a severe problem for around one in ten (12%) who said they always run out money. Consistent with last year's findings, this varied greatly by age, with 21% of those aged 18-24 always in difficulty, compared to just 2% of those age 65 and over. Those with three or more children were also likely to always be short of money (21%) compared to those with no children (8%). The unemployed were significantly more likely to struggle with money issues: 23% always ran out of money and only 19% never did. These are the types of consumers most likely to be using high-cost loans (see section 3.4).

How often run out of money

Q47. In the past 12 months, how often have you or your partner run out of money before the end of the week or the month?



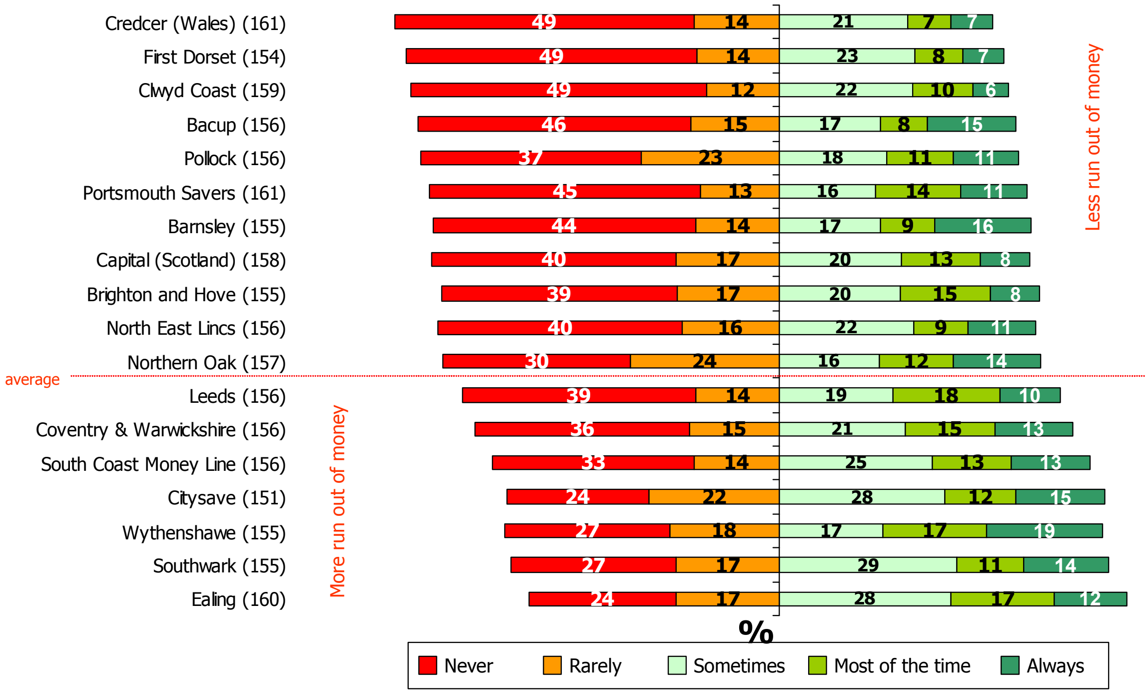
Base: All respondents (2006 = 2,805, 2007= 2,817)

A further 12% claimed to run into difficulties most of the time during the previous 12 months, with a fifth (21%) sometimes running short of money. One in six (16%) hardly ever experienced difficulties, and two-fifths (38%) stated that they never had problems with lack of money. Those who were retired were the most financially secure, with almost two-thirds (62%) never having run out of money during the previous year.

Shown in the chart below, the least financially secure were those who lived in the catchment areas of Ealing, Southwark and Wythenshawe compared to Credcer, First Dorset and Clwyd Coast where more respondents either never or rarely ran out of money by the end of the month.

How often run out of money – by area

Q47. In the past 12 months, how often have you or your partner run out of money before the end of the week or the month?



Base: All respondents (2,817)

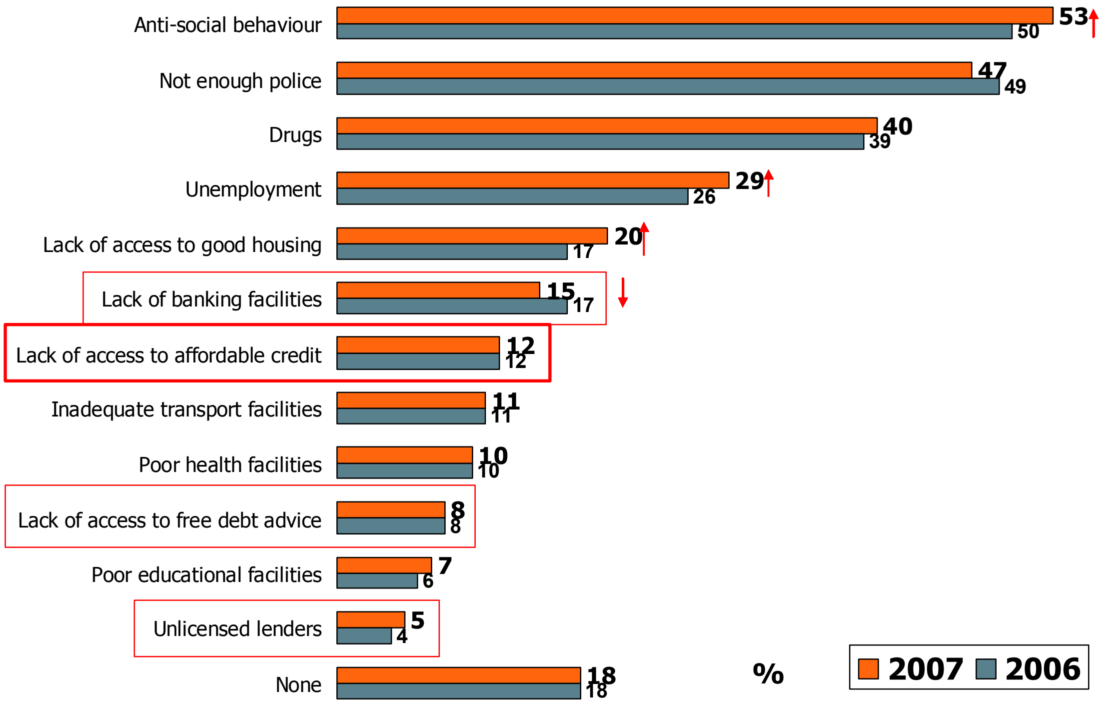
3.1.2 Concerns about lack of access to affordable credit

As in 2006, respondents were presented with a list of common concerns, and asked which were issues in their neighbourhood. The following chart shows how often each were mentioned as a concern currently and also compares answers from a year ago. Consistently the most commonly mentioned issues were society concerns such as anti-social behaviour (53%), the lack of Police (47%) and drugs (40%).

In comparison, just over one in ten cited more personal problems such as lack of access to affordable credit (12%) or a lack of banking facilities (15%). Lack of access to free debt advice was only a worry to one in twelve (8%). Unlicensed lenders, were only of marginal concern, mentioned by 5%.

Social concerns

Q1. Please could you tell me which, if any, are problems in this neighbourhood? (Prompted)



Base: All respondents (2006 = 2,805, 2007= 2,817)

Compared to 2006, three issues have become a worry for more respondents: antisocial behaviour (+3%), unemployment (+3%) and lack of access to good housing (+3%). In this environment is it encouraging to note a decrease in the proportion saying lack of banking facilities (down by 2%) is a concern for them.

A lack of access to credit was important to some groups with greater credit needs, even if it is not a concern overall. Concern with lack of access to credit correlates to some extent with how often respondents run out of money: among those who always run out of money, 26% cited lack of access to affordable credit as being a problem, as opposed to just 6% of those who never run short.

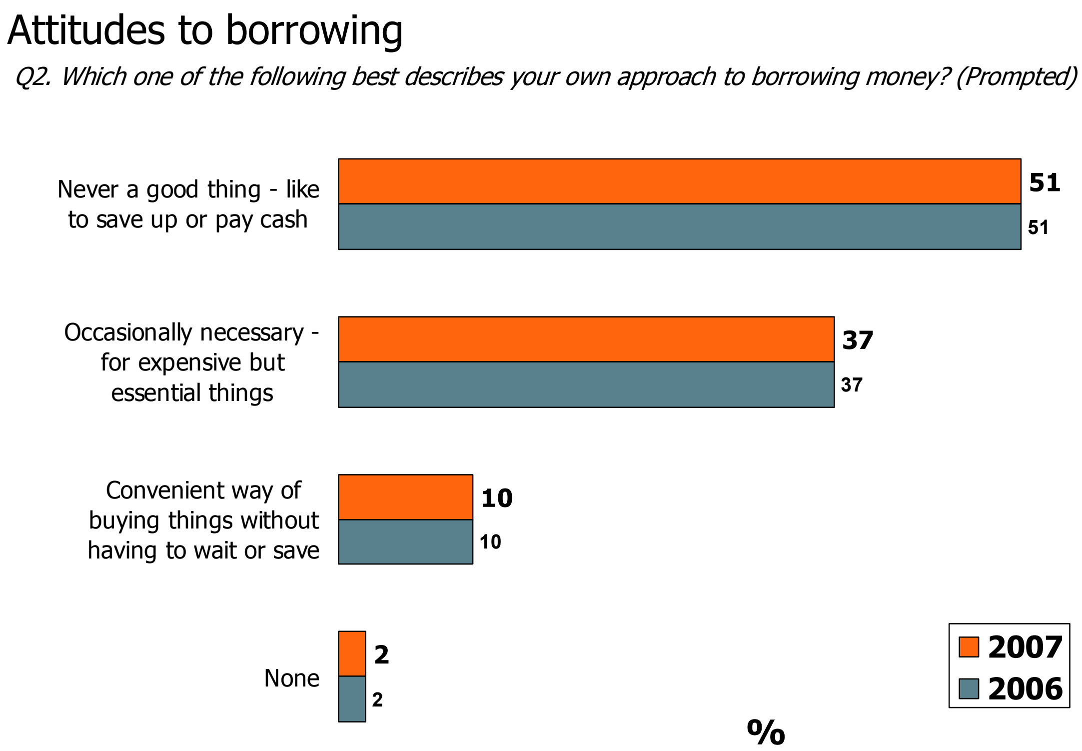
Concerns with affordable credit were also more prevalent among:

- The younger to mid age groups (18-20% among those aged 25-54)
- Having children in the household (21% among those with 3+ children)
- Those using high cost finance (17%), particularly those going to a pawnbroker (39%) or a buy back shop (32%)
- Those using social funding or a credit union (27%)

At the catchment area level, lack of access to affordable credit was a bigger issue in Credcer (18%), Portsmouth Savers (16%) and Capital (15%) than overall, and of least concern in City of Brighton and Hove and Coventry and Warwickshire Reinvestment Trust (both 8%).

3.1.3 Attitudes to borrowing

Attitudes to borrowing have not changed at all since 2006: half (51%) stated that borrowing is never a good thing and that they prefer to save up or pay cash, around a third (37%) borrow occasionally when it is necessary and 10% treat borrowing as a convenient way to buy things without having to save in advance.



Base: All respondents (2006 = 2,805, 2007= 2,817)

Those groups most likely to contain a higher proportion of convenience borrowers were those with children (16% of those with 3+ children) and always run out of money (20%).

Unsurprisingly, users of credit facilities whether it was high cost credit, low cost credit or social funding/credit unions were also more inclined to be borrowing out of convenience (16%, 13% and 23% respectively). Those borrowing via hire purchase (Brighthouse, 27%), buy back loans (26%) secured loans (26%) were the most likely to have this attitude towards borrowing.

3.1.4 Current financial situation

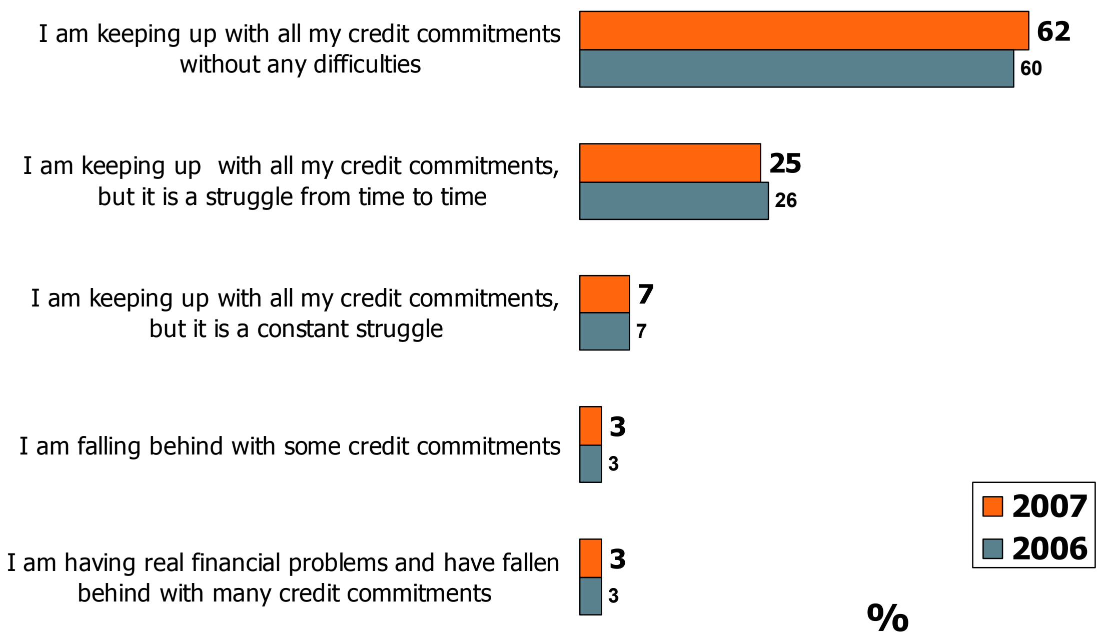
Two thirds (66%) of all respondents had some form of loan or used finance (section 3.2). Most of these borrowers claimed to be at least reasonably comfortable with their repayments, with over half (62%)

stating that they are keeping up with all their credit commitments without difficulty, and a further quarter (25%) saying they are keeping up with all commitments, although it is a struggle from time to time.

For 7% it was a constant struggle to keep up with all their credit commitments, although they do manage to do so. A minority (3% each year) said they are falling behind or admit to experiencing real financial problems and have fallen behind with many of their credit commitments.

Ease of making repayments on current borrowings

Q41. Thinking about how easy or difficult it is to make the repayments on your borrowing, which of the following is the best description? (Prompted)



Base: All with any form of current borrowing (2006 = 1960, 2007 = 1941)

Those most likely to be falling behind or having real difficulties (6% overall) were from the groups which have 3 or more children (9%) and the unemployed (9%). The high-cost finance users such as pay day loans (22%), pawnbrokers (19%) and buy back shops (15%) were most likely to be in difficulties. Low-cost finance users, on the other hand, were usually keeping up without any problems (64%).

Those struggling to make ends meet, either constantly or some of the time, were most likely to be from the younger (25-34) age groups (45% compared to 32% overall) and single people (39%).

The degree of difficulty was distinctly correlated to the amount outstanding on their borrowings: those borrowing up to £100 (in total) were most likely to be keeping up without any difficulties (81%) compared to those borrowing £5,001 or more (38%). Equally, those borrowing the most were more likely to have fallen behind with credit commitments (9%) compared to those borrowing the least (up to £100, 1%).

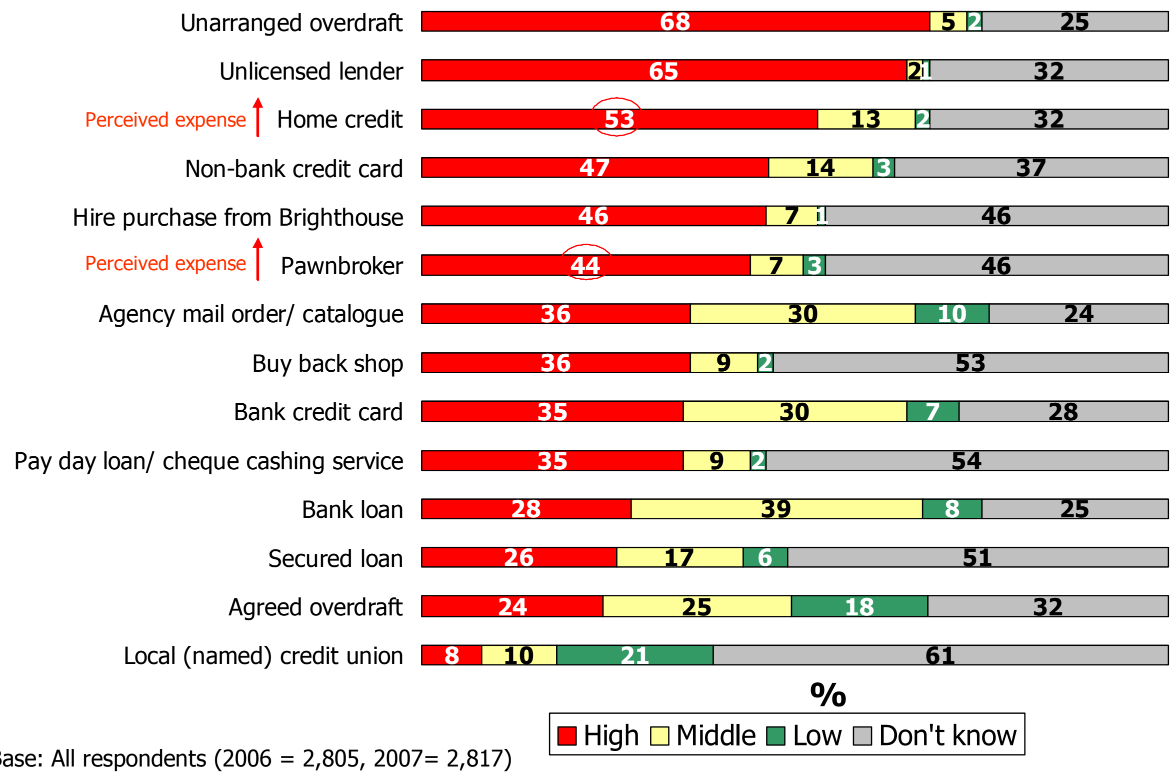
Regional differences show those within the catchment areas of Southwark and Citysave were most likely to be in difficulty or behind with payments (13% and 10% respectively), and those in Capital, Wythenshawe and South Coast Money Line (each 2%) least. Every area had someone falling behind on payments, unlike last year (Bacup & Rossendale 0%).

3.1.5 Perceptions of credit sources

Respondents appeared to be reasonably adept at correctly identifying high- and low-cost sources of credit: two-thirds stated that unarranged overdrafts and unlicensed lenders were expensive sources (68% and 65% respectively), compared to 28% for bank loans and 24% for agreed overdrafts.

Perceptions of charges for types of credit

Q42. Could you say for each whether you thing their charges are high, low, or somewhere in the middle



Base: All respondents (2006 = 2,805, 2007= 2,817)

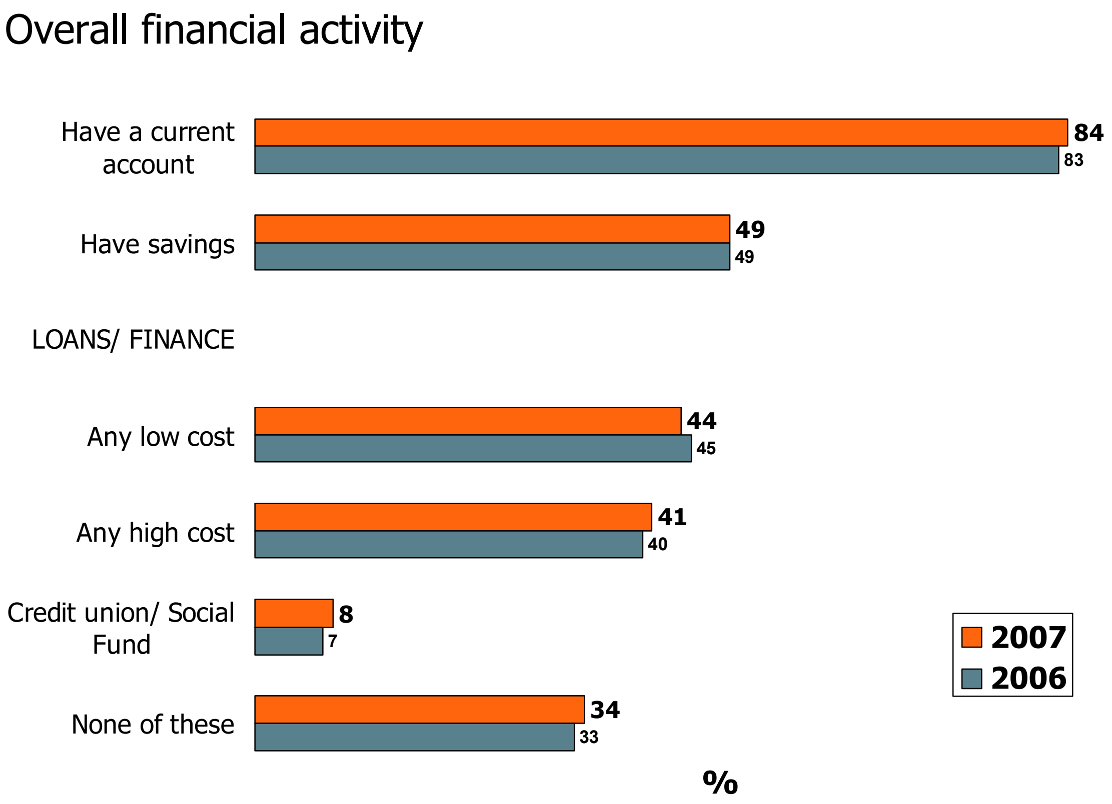
However, for all types of credit, many respondents had no idea of the levels of charges levied; in some cases over half of respondents did not know, and for none of the types of credit does this proportion fall below one in four.

Lowest understanding of what charges might be was for credit unions: six in ten (61%) had no perception as to the level of their charges. Only 8% thought that credit unions were an expensive source of credit, the lowest level of all the sources by some margin.

As last year, most thought an overdraft that has not been pre-arranged and an unlicensed lender would be the most expensive forms of credit (68% and 65% said high respectively). The perception of how expensive each type of credit is has not changed much over time with a couple of exceptions: the proportion saying home credit (now 53%, up 3%) and pawnbroker (now 44%, up 4%) were high has increased.

3.2 Financial Activity Overview

As a general introduction to use of finance, it may be useful to see a summary of activity compared to 2006. There has been very little change at the top level since the benchmark study was conducted. Two out of three people included in this research had some form of loan or funding (excluding mortgages) (66%). Each element is reported on in subsequent sections.



Base: All respondents (2006 = 2,805, 2007= 2,817)

The proportion using a credit union or social funding (8%) has not significantly increased since 2007 (at 95% confidence intervals). However, at one decimal place (8.0% v 6.7% in 2006) there is a marginal but significant increase at 90% confidence intervals.

3.2.1 Access to bank and savings accounts

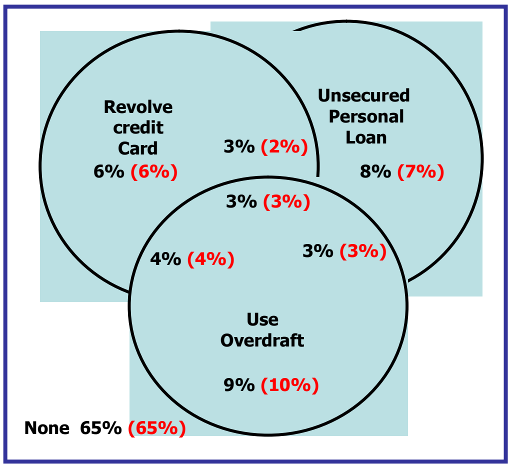
Although lower than the population as a whole, the vast majority, 84% (94% among the general population as measured on the FRS) of those interviewed did have a bank account they could use for day-to-day money management. Bank account ownership was more prevalent in rural areas than in cities or urban areas (92%, 82% and 83% respectively). Most (92%) of those who own their property outright had a current account, whereas only 79% of those renting from their local council or housing association did so. Similarly, while 92% of full- and part-time workers had an account, this fell to 74% among the unemployed.

When analysing who had savings, unlike bank accounts, age influenced take-up: overall, half (49%) had a savings account, but whereas 52-53% of those aged 55 or over did so, only 42% of those aged 18-24 owned a savings account. Consistent with bank accounts, there was a correlation with working status: just 34% of the unemployed had savings accounts. Interestingly, there appeared to be no link between savings account ownership and propensity to borrow: savings account ownership ran at 50% of those borrowing from any sources, compared to a very similar 47% among non-borrowers. Even when focusing on high-cost borrowing, the equivalent figures were 46% (those making use of high-cost credit) and 51% (those not doing so). Admittedly, though, savings account ownership did fall to 41% among those with in excess of £500 high-cost credit.

3.2.2 General market background

To put the survey findings into a wider context, the chart below shows usage of credit among the GB 18+ population as a whole:

FRS: Proportion of 18+ population holding each product



6 months ending Sept. 2007 (2006)

There has been negligible change since 2006: overall, 2 in 3 adults in GB use none of the three types of credit specified; at the other extreme, 3% revolve on their credit card, have an unsecured loan and use an overdraft.

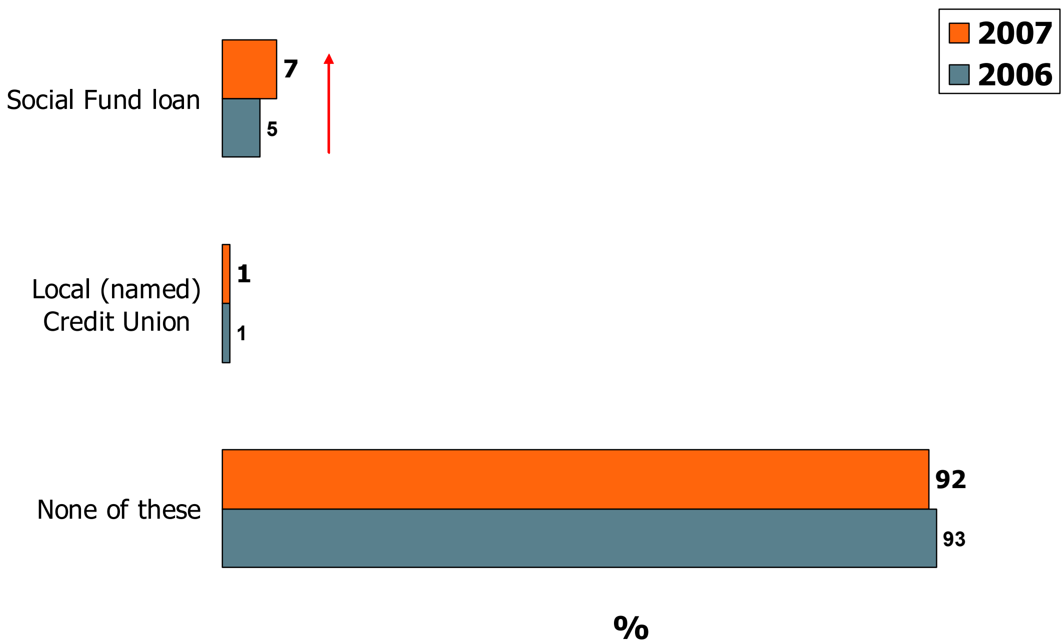
3.3 Credit Union and Social Fund borrowing

3.3.1 Current Social Fund borrowing

As in the first survey, a minority of respondents used either a credit union (1%) or Social Fund loan (7%) at the time of interview. Of the total sample, 41% were actually eligible for a Social Fund Loan, defined as those claiming either income support, jobseekers allowance or pension credits at the time of interview (42% in 2006). The proportion using a Social Fund loan has increased (by 2%), as, in fact, has use of a Local Credit Union (from 0.99% to 1.42%) although the latter is not a significant rise.

Current sources of Credit Union/ Social Fund borrowing

Q26b. Could you tell me which, if any, of the following you are using at the moment? (Prompted)



Base: All respondents (2006 = 2,805, 2007= 2,817)

As reported, 7% of respondents had a current loan from the Social Fund at the time of interview and, consistent with the first study, this varied by type of consumer. Demographically, those most likely to have a Social Fund loan were struggling financially. They were:

- The younger age groups (11% of those 44 and under)
- Single (13%)
- Have 3+ children (15%)

- Unemployed (22%), on income support (20%), job seekers allowance (16%), housing benefit (13%)
- Living in rented council or housing association accommodation (10%)
- Low annual income (up to £5k 13%, up to £10k 11%)

The type of consumers who regarded borrowing as a convenient way to pay for things were more likely than others to have a Social Fund loan (15%), as were those who said borrowing was occasionally necessary (10%) compared to 3% of those who think borrowing is never a good thing. Also, those with no bank account at all (15%) and no savings (9%) were more likely to be using a Social Fund loan.

It is perhaps no surprise to note the correlation between those with a Social Fund loan and those borrowing from high cost lenders such as Pawnbrokers (35% also had a Social Fund loan), hire purchase (Brighthouse) (20%) and home credit (21%) as well as low cost lenders such as hire purchase (not Brighthouse) 20%: they were those who always run out of money (19%) or run out of money most of the time (12%) to a greater degree than others.

Over time, few differences have been noted when comparing the two surveys: it was the same types of people using Social Fund loans. There were small but significant increases in the following consumer types:

- Single people (+3%)
- Those on income support (+4%), housing benefit (+3%)
- Those in 'Urban' catchment areas (+3% to 6% currently)
- Those using low-cost hire purchase (not Brighthouse) (+11%)

Those areas with higher than average proportions of consumers using a Social Fund loan were North East Lincs (13%) and Barnsley (12%), a change from 2006 when Capital and Citysave were the most active areas.

	2006		**2007**		
Organisation (base)	Number	%	(base)	Number	%
TOTAL (2805)	154	5	2817	187	7
North East Lincs Credit Union (156)	11	7	156	13	13
Bacup Credit Union (158)	4	2	156	6	3
First Dorset Credit Union (155)	3	2	154	9	6
Ealing Credit Union (150)	3	2	160	10	7 ▲
Northern Oak Credit Union (155)	7	4	157	9	6
Wythenshawe Credit Union (155)	5	3	155	15	9 ▲

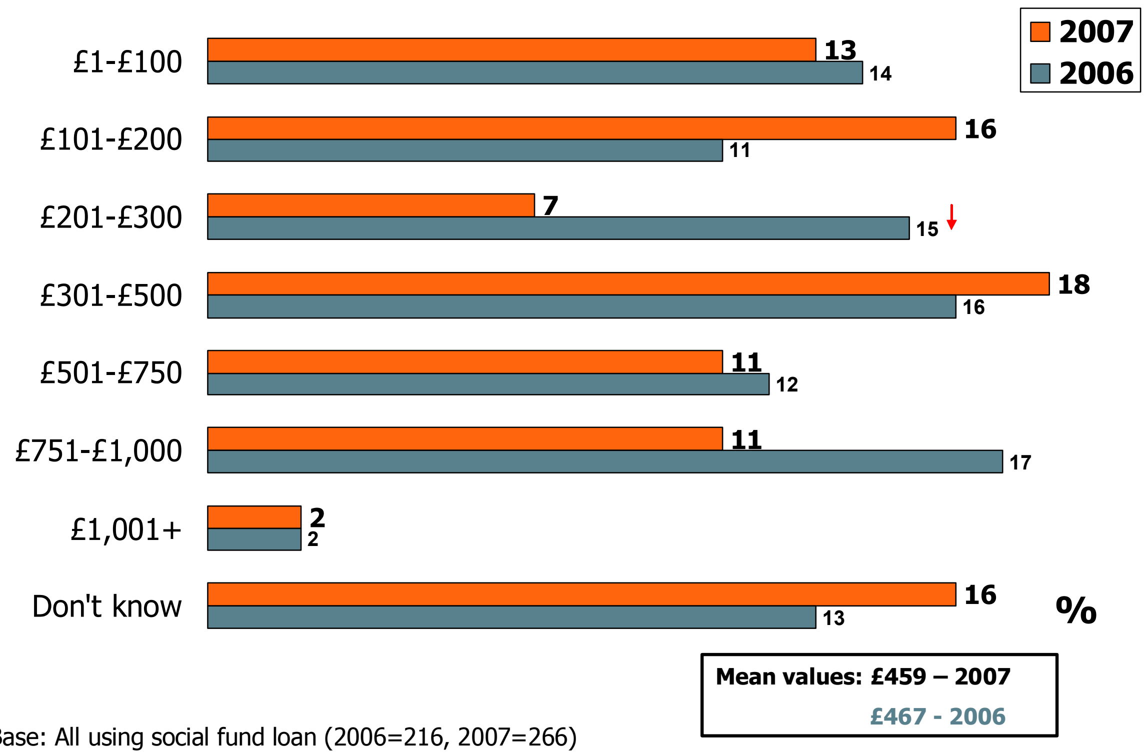
	2006		2007		
Organisation (base)	Number	%	(base)	Number	%
City of Brighton and Hove Credit Union (155)	12	8	155	8	5
Citysave Credit Union (Birmingham) (172)	15	9	151	12	9
Clwyd Coast Credit Union (154)	10	6	159	10	5
Coventry & Warwickshire Reinvestment Trust (150)	9	6	156	11	7
South Coast Money Line (155)	10	7	156	8	5
Capital Credit Union (Edinburgh) (161)	16	10	158	13	9
Southwark Credit Union (150)	5	4	155	5	4
Portsmouth Savers Credit Union (151)	4	3	161	13	8
Leeds City Credit Union (159)	12	8	156	10	7
CREDCER Credit Union (158)	7	4	161	4	2
Pollock Credit Union (157)	12	8	156	12	8
Barnsley Credit Union (154)	10	6	155	19	12

When analysing the 18 catchment areas, a general observation is the use of such a loan has increased throughout almost all areas, however most shifts are not significant at 95% confidence intervals compared to the same area in 2006. Ealing and Wythenshawe, those with an upward arrow shown in the table below, have increased significantly. None decreased significantly.

The amount owed on a Social Fund has decreased slightly to an average of £459. The following chart shows the spread of money borrowed on Social Fund loans:

Total amount owed on social fund loan

Q32c. Thinking now about your social fund loan what is the total amount you owe on this?



Base: All using social fund loan (2006=216, 2007=266)

Base sizes are small for the following sub groups but indications are that the largest loans were taken out by the youngest people (£852 among those 18-24, £520 among those 25-34) and those with children, particularly one child only (£664).

Consistent with findings in 2006, there was no sizeable difference in size of debt between those who were using high-cost borrowing and those who were not. Also, those with any type of high cost borrowing agreement owed less to the Fund than those with low cost borrowing (£479 and £602 respectively. Again, base sizes are small and these findings should be treated with caution).

3.3.2 Current credit union borrowing

As reported in the previous section, credit union borrowing stood at just 1% among all respondents. Although this has risen by almost half (by 0.4% if taken to one decimal place), it is too small an increase to be significant (although it is significant at the 90%, rather than 95%, level). This section is based on those who borrowed with a credit union (51 respondents, 40 after weighting) and therefore all results are subject to wide margins of error and findings can only be an indication of behaviour.

Those very slightly more likely to have a credit union loan were:

- Those aged 35-54 (3%)
- Those with two children (3%)
- Those on income support (3%)
- Those whose high cost borrowing is £100+ (3%)
- Those with a bank loan (4%) or a low-cost hire purchase agreement (4%)
- Those borrowing from a Social Fund (6%)
- Those who run out of money - always (3%) or most of the time (4%)

In no sub-group was the use of credit unions sizeable.

The table below shows the total use made of a credit union in each catchment area. Portsmouth Savers, Wythenshawe and Pollock had the highest percentage of credit union borrowers. There is very little difference compared to 2006 except for Pollock which has shown an increase.

	2006		**2007**		
Organisation (base)	Number	%	(base)	Number	%
TOTAL (2805)	28	1	2817	40	1
North East Lincs Credit Union (156)	1	*	156	0	-
Bacup Credit Union (158)	1	*	156	3	2
First Dorset Credit Union (155)	2	1	154	3	2
Ealing Credit Union (150)	0	-	160	1	*
Northern Oak Credit Union (155)	0	-	157	1	1
Wythenshawe Credit Union (155)	2	1	155	4	3
City of Brighton and Hove Credit Union (155)	2	1	155	2	1
Citysave Credit Union (Birmingham) (172)	0	-	151	3	2
Clwyd Coast Credit Union (154)	5	3	159	4	2
Coventry & Warwickshire Reinvestment Trust (150)	0	-	156	0	-
South Coast Money Line (155)	0	-	156	0	-
Capital Credit Union (Edinburgh) (161)	2	1	158	1	*

	2006		2007		
Organisation (base)	Number	%	(base)	Number	%
Southwark Credit Union (150)	4	3	155	1	1
Portsmouth Savers Credit Union (151)	5	3	161	9	5
Leeds City Credit Union (159)	4	3	156	1	*
CREDCER Credit Union (158)	1	*	161	1	1
Pollock Credit Union (157)	0	-	156	4	3
Barnsley Credit Union (154)	0	-	155	2	1

Activity is becoming more widespread; fifteen of the 18 areas had active credit union customers compared to 11 areas in 2006.

Of those 40 respondents currently borrowing from their local credit union, 23 were also using high-cost credit sources, with 23 using low-cost (mainstream) sources. Most (36) had one outstanding loan with their credit union although four respondents had 2 or 3+ outstanding loans.

Indications are that the average loan size (for most recent loan) was less than last year at £980 (£1,068 in 2006), with an average repayment amount of £45 (compared to £48 in 2006) over a 31 week or 19 month period. 13 respondents made their repayments by cash or cheque, and 14 by direct debit.

The table below shows grossed up usage figures in each region:

		2006		2007	
Organisation	Population*	%	Predicted number of users (approx.)	%	Predicted number of users (approx.)
North East Lincs Credit Union	6,864	0.5	50	0	0
Bacup Credit Union	8,971	0.5	50	2	200
First Dorset Credit Union	9,202	1	100	2	200
Ealing Credit Union	63,194	0	0	0.5	300
Northern Oak Credit Union	43,004	0	0	1	450
Wythenshawe Credit Union	21,597	1	200	3	650
City of Brighton and Hove Credit Union	44,367	1	450	1	450
Citysave Credit Union (Birmingham)	91,759	0	0	2	1,850

		2006		2007	
Organisation	Population*	%	Predicted number of users (approx.)	%	Predicted number of users (approx.)
Clwyd Coast Credit Union	13,773	3	400	2	300
Coventry & Warwickshire Reinvestment Trust	116,984	0	0	0	0
South Coast Money Line	78,904	0	0	0	0
Capital Credit Union (Edinburgh)	32,967	2	650	0.5	150
Southwark Credit Union	120,039	3	3,600	1	1,200
Portsmouth Savers Credit Union	22,542	3	700	5	1,100
Leeds City Credit Union	130,657	2	2,600	0.5	650
CREDCER Credit Union	7,709	0.5	50	1	100
Pollock Credit Union	16,824	0	0	3	500
Barnsley Credit Union	63,415	0	0	1	650

(* = based on bottom third of population as defined by Index of Multiple Deprivation: see section 4.3.3)

3.3.3 Previous use and future consideration of credit unions and Social Fund

Among current non users, one in ten (10% in 2007, 9% in 2006) had used the Social Fund in the past, and 1% had used a credit union.

As with current use of the Social Fund, differences in popularity of both sources of finance differed by consumer type. Those who have used this in the past were very similar in profile to current users. Highest previous use of a Social Fund loan were amongst the following groups:

- Female (11%)
- Single (14%)
- Younger (25-34 = 19%)
- Have children (3+ children = 21%)
- Unemployed (18%), on benefits such as income support (18%), job seekers allowance (16%), working tax credit (15%)
- Living in council rented or housing association accommodation (14%), on housing benefit (14%), council tax benefit (13%)
- Those who have no bank account at all (17%)
- Those who use high cost borrowing (14%)

Currently, the greatest historic use of Social Fund loans were found in Portsmouth Savers, Coventry and Warwickshire Reinvestment Trust, Leeds, Northern Oak and City of Brighton and Hove (11-15%).

When comparing historic use in 2006 to 2007, few significant changes in use of the Fund by area were found. Portsmouth Savers (+9%) and Coventry and Warwickshire Reinvestment Trust (+7%) increased significantly.

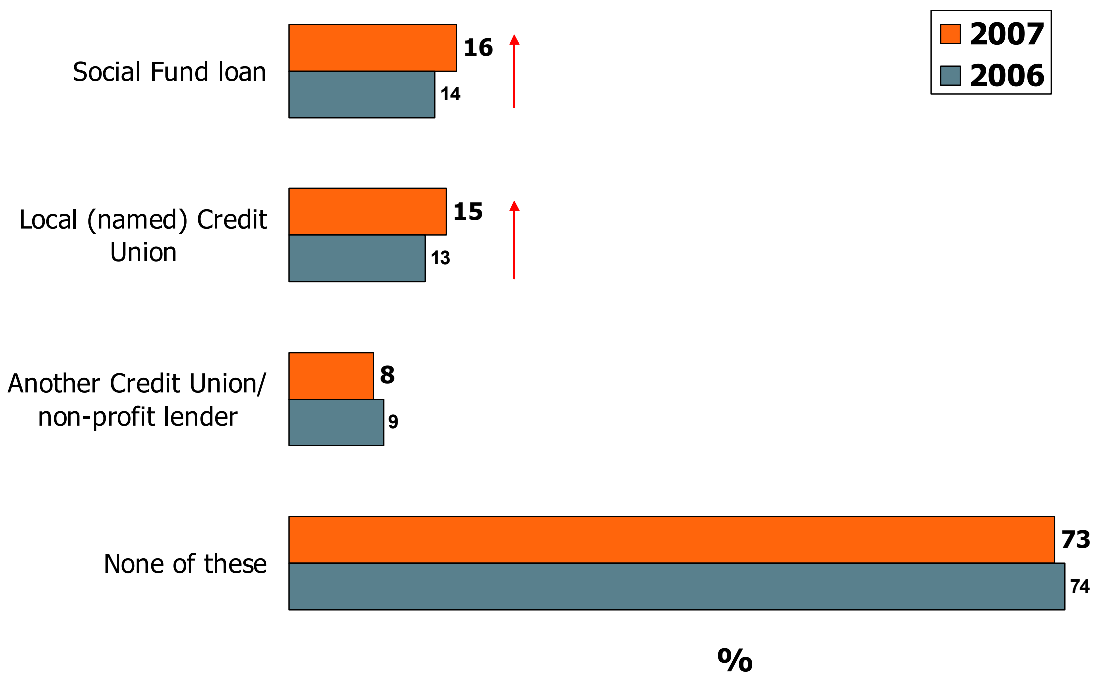
Among the 1% of past credit union borrowers, the profile of users was similar to current users. Among those using a pawn broker, 6% also had used a credit union in the past. And by area, Leeds and Pollock each had 3% users.

In spite of the disparity in use of credit unions compared to Social Fund loans, when asked what sources of credit they might use in future, respondents overall were almost equally likely to say a local credit union (15%) as a Social Fund loan (16%). Both have increased very slightly since last year.

A further 8% mentioned 'another credit union' while three quarters (73%) said they would not consider these types of organisations in future.

Future consideration of Credit Union/ Social Fund borrowing

Q28b. Which, if any, would you consider using in the future? (Prompted)



Base: All respondents (2006 = 2,805, 2007= 2,817)

Future consideration of the Social Fund was high among the unemployed (37%) and also rose among those with children (23% of those with at least one, 29% with 3+) and single (23%). Those most likely to express an interest were on benefits such as income support (37%), Job Seekers (28%), housing benefits (25%) and council tax relief (23%). It was also more likely to be considered among those with existing high cost debts (23%), particularly those using pawnbrokers (52%), Home Credit (37%), hire purchase (Brighthouse) (35%) and hire purchase non Brighthouse (29%). Those currently using a credit union were also more favourably disposed towards the Social Fund (37% would consider) and existing Social Fund users were highly likely to re-consider this funding in future (80%).

Finally, by area, the City of Brighton and Hove was the one area with a higher level of considers than average (at 22%). Clearly it will appeal more to people currently with any type of borrowing (20%) although it still sparks an interest for 8% of those currently using no borrowing at all.

Around one in seven (15%) overall would consider credit unions in future. Higher interest levels were found among similar groups to those considering the Social Fund: those with children (23% with 1 child), single (20%) and unemployed (23%). For the first time, race was a discriminator with more black respondents (23%) expressing an interest in credit unions. It was also of more interest to those using high-cost borrowing (20%) and, as with Social Fund, particularly those using pawnbrokers (45%), Pay day loans (28%), home credit (23%) and hire purchase – whether it be Brighthouse (27%) or not (29%). Again existing users were almost always likely to consider using credit unions in future (96%), and also those using a Social Fund were well predisposed towards this type of finance too (36% would consider).

Higher than overall consideration levels were found in:

- Leeds (35%)
- Wythenshawe (28%)
- Portsmouth Savers (26%)
- Southwark, Pollock, Clwyd Coast (all 23%)

Compared to last year Leeds, Pollock and Portsmouth Savers all have significantly higher levels of consideration.

Those who are retired, or own their homes outright, were among the least likely to want to borrow from credit unions.

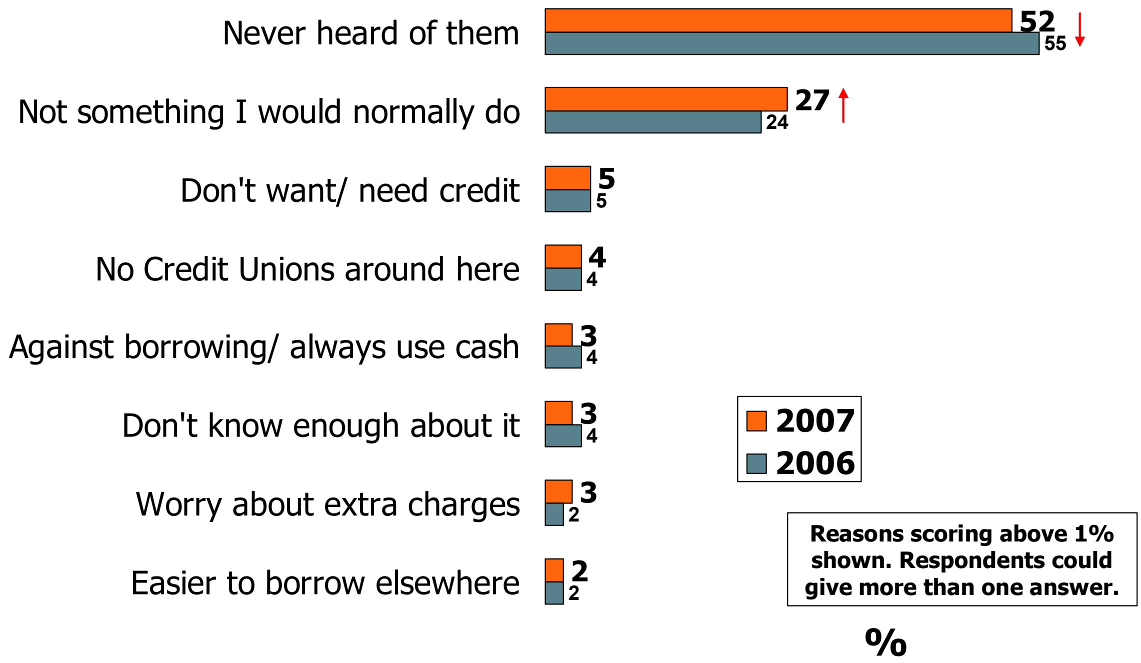
3.3.4 Reasons for non-consideration of credit unions

As last year, by far the main reason for not considering a credit union was 'never heard of them' (52%). It is encouraging to note that this has decreased, albeit marginally. The only other major reason given for non-consideration of credit unions was that this was not something that respondents would normally do, mentioned by just over a quarter (27%) of those questioned. This has increased since 2006.

The chart below shows the main reasons given, there was also an array of others mentioned by a minority (1% or less). Lack of awareness has shown a significant decline as a reason for non-consideration since 2006.

Reasons for non-consideration of Credit Unions

Q33. When I asked you where you would look if you were borrowing money, you didn't include Credit Unions. Could you tell me why that is? (Unprompted)?



Base: All not considering using Credit Unions (2006 = 2265, 2007 = 2234)

Among those who said they would not consider using such institutions, over half (52%) put this down specifically to lack of awareness. Lack of awareness was particularly high among the types of people who are the most likely target groups:

- the young (66% of non-considerers aged 18-34 had never heard of credit unions)
- single (57%)
- among those with two children (65%)
- unemployed (60%), receiving working tax credit (60%)
- those who said they run out money always (61%) or most of the time (62%)

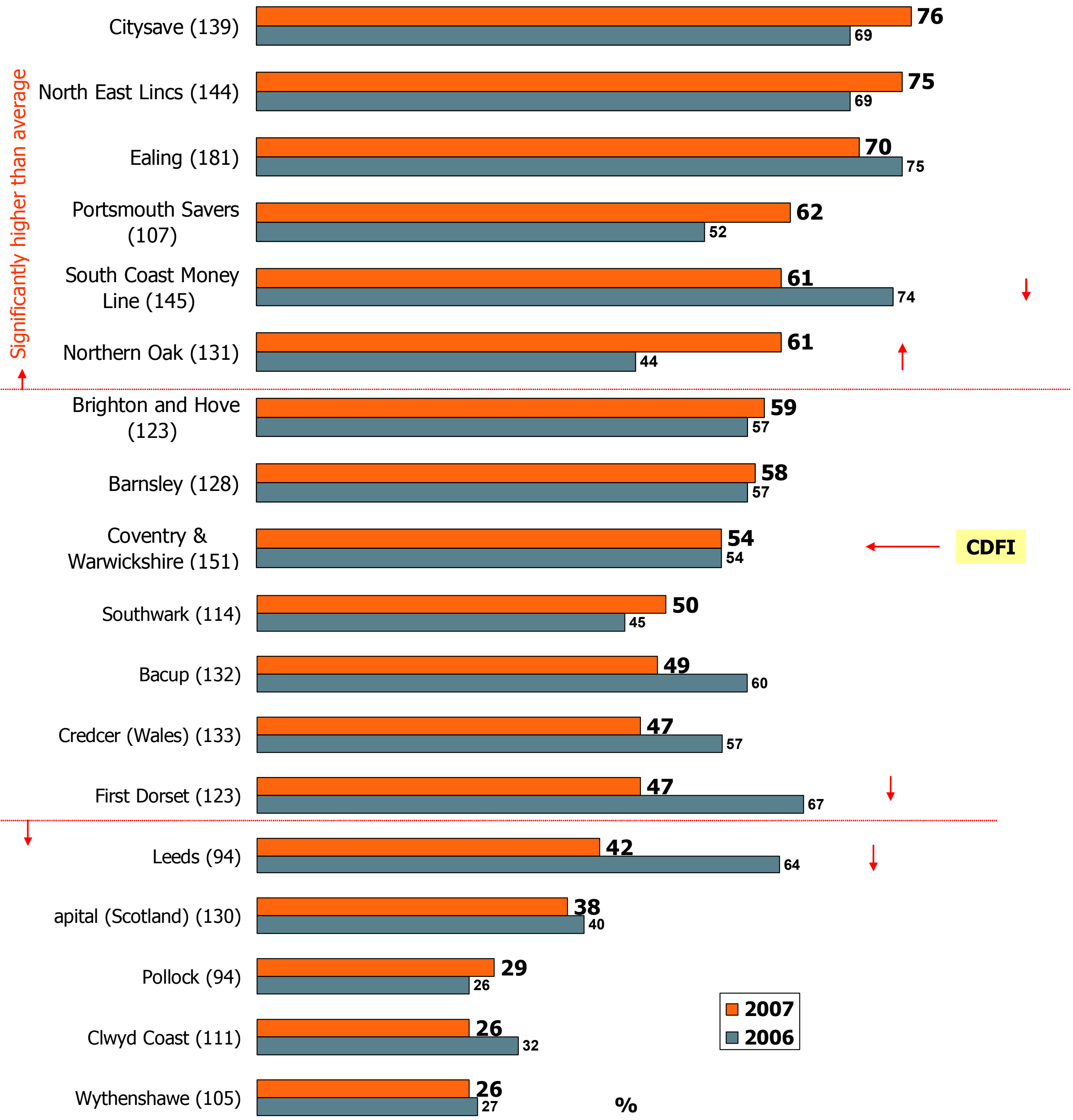
Closely related to this are that 4% say they are unaware of any credit unions in their locality, and 3% do not know enough about credit unions.

The following chart shows the apparent lack of awareness for each of the 18 catchment areas. The credit unions at the top are those which perform least well in that they have the highest proportion of respondents not considering them because they have not heard of them.

Citysave and North East Lincs have the biggest obstacle to overcome with three-quarters (76% and 75% respectively) of respondents in their catchment areas being unaware of them. (It is worthwhile reiterating here that this is based on anyone not considering a credit union at the time of interview.)

Lack of awareness of Credit Unions – over half saying never heard of them

Q33. When I asked you where you would look if you were borrowing money, you didn't include Credit Unions. Could you tell me why that is? (Unprompted)



Base: All those not considering using Credit Unions (2006=2265, 2007=2234)

The areas which have least problems with awareness were Wythenshawe, Clwyd Coast, Pollock, Capital and Leeds; they were all significantly below the average level of lack of awareness.

The areas showing an improvement in their position since last year were Leeds 42% (from 64%), First Dorset (47% from 67%) and South Coast Money Line (61% from 74%). Sizeable falls in lack of awareness were also seen in Credcer (47% from 57%) and Bacup (49% from 60%).

Conversely, Northern Oak now has a greater issue with awareness as this has increased since 2006 (61% from 44%). Smaller increases were seen in: Citysave, North East Lincs and Portsmouth Savers.

Therefore we can see that the overall fall in lack of awareness (from 55% to 52%) masks large variations between regions, with 5 out of 18 regions registering marked falls, and most of the remainder seeing no significant movement.

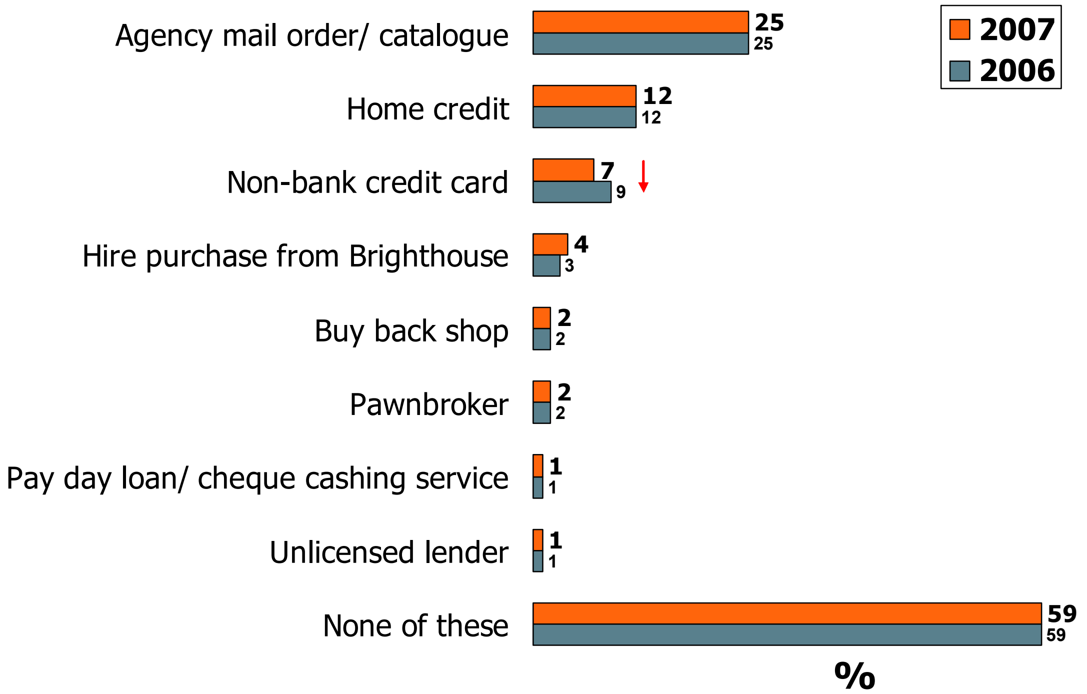
3.4 High-cost credit

3.4.1 Overview

Two in five[2] (41%) were using some form of high-cost borrowing, the most popular being agency mail order or catalogue by around a quarter (25%), followed by home credit (12%). The only significant change since 2006 was the small reduction in the proportion using non-bank credit cards (now 7%).

Current high-cost borrowing

Q4. Are you, or is your partner, using [TYPE OF CREDIT] at the moment?



Base: All respondents (2006 = 2,805, 2007= 2,817)

Agency mail order/ catalogue, the most used type of high-cost credit, was more popular with women than men (29% as against 20%). Unlike in 2006, there was no difference by area type although there were still some differences noted by catchment area: Wythenshawe (32%), Clwyd Coast (32%) and South Coast Main Line (32%) all with the highest level of mail order/ catalogue users and Ealing (17%), Southwark (19%), Pollock (19%) and North East Lincs (19%) with the lowest. Whether or not there were any children in the household also seemed to be driving use: in households with no children, incidence was 21%, rising

[2] Figure of 41% includes all forms of borrowing in above chart. Excluding those just using agency mail order/ catalogue, this falls to 22%.

to 35% among those households with two children. In addition, those using other types of high-cost credit were also using catalogues/ mail order to a greater degree than others (63%).

The next most popular source of high-cost credit was home credit, being used consistently by 12%. Again, this was used more often by women than men (14% and 10% respectively). The biggest contrast in terms of usage was seen when looking at children in household: 7% of those with no children used home credit, but this rose to nearly a third (30%) of those with three or more children.

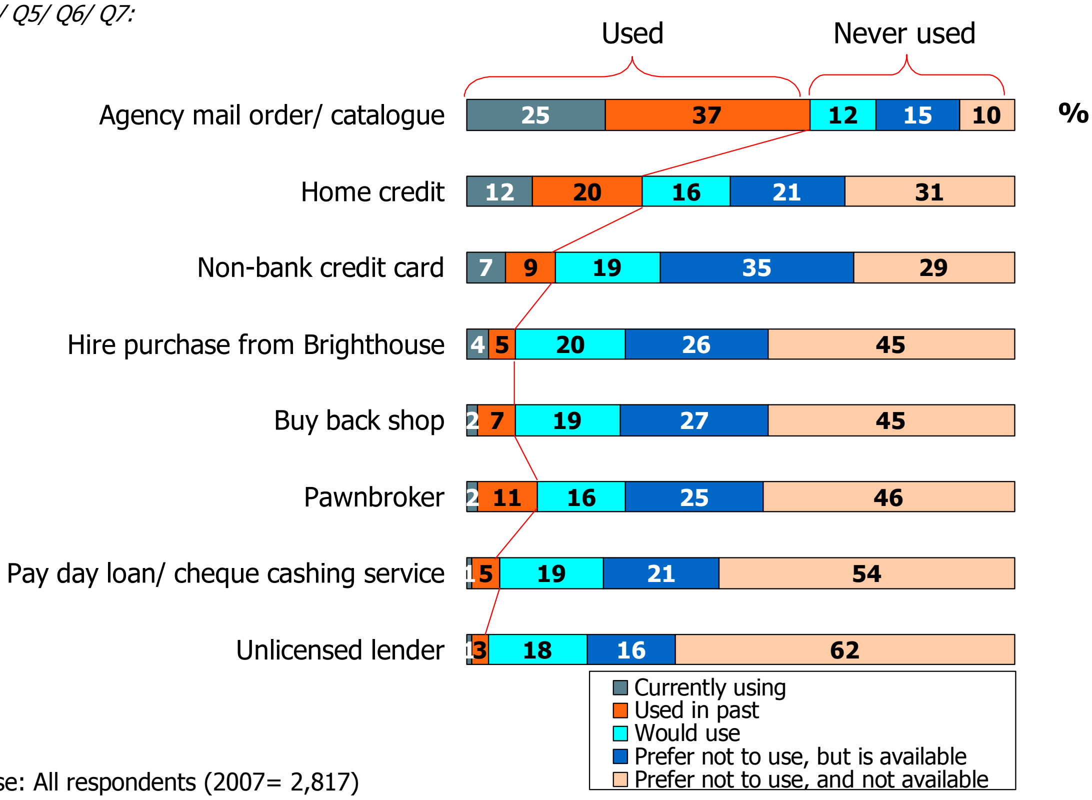
The use of non-bank credit cards has decreased slightly but remains the third most popular type of high-cost credit (7%). This was most popular with the 35-44 year age group (12%) and it was also particularly popular with those with a secured loan (36%). Those borrowing the highest amounts were also most likely to be users of non-bank credit cards (high cost credit of £501+ was 35%, those with all credit of £5001 or more was 24%).

Other high-cost credit sources were more marginal, with the most common of these (hire purchase from Brighthouse) being used by just 4% of respondents and others used less often.

The following chart summarises current usage, past usage and availability and propensity to use for each of the types of high-cost credit examined:

High-cost borrowing behaviour: summary

Q4/ Q5/ Q6/ Q7:

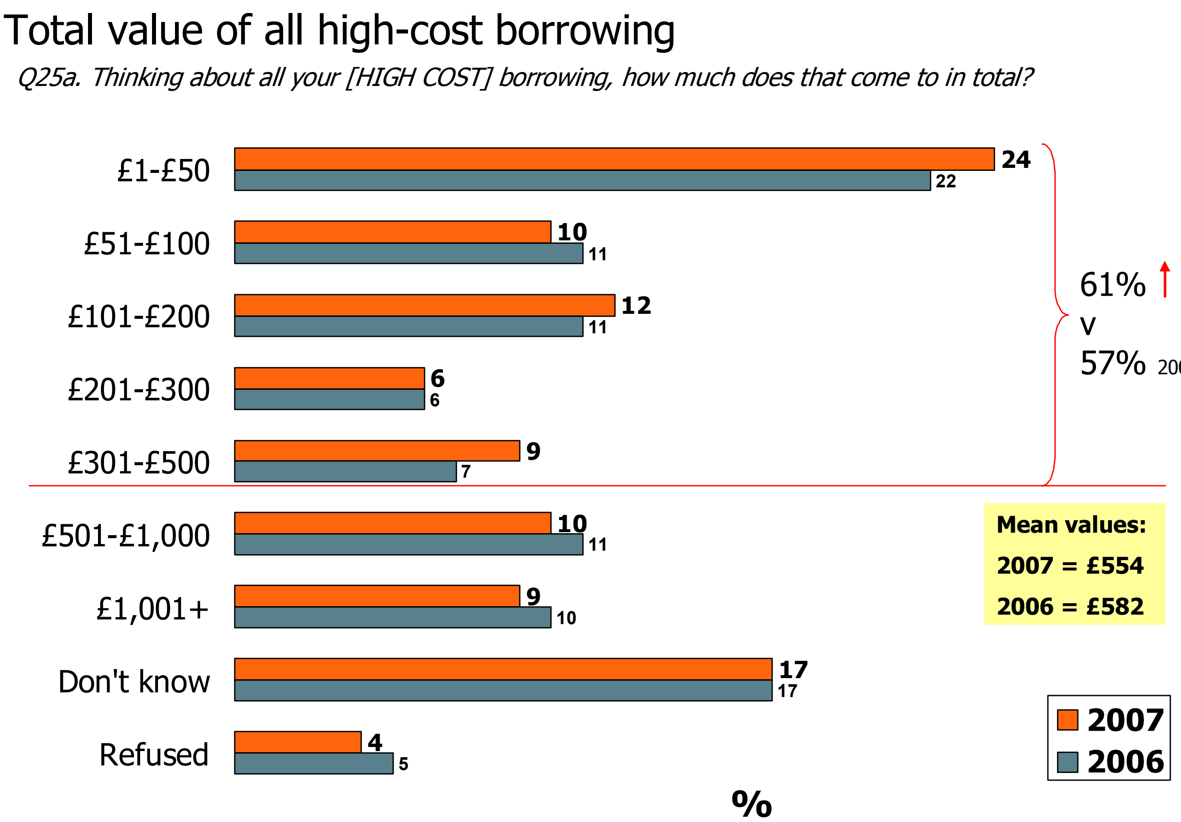


Base: All respondents (2007= 2,817)

The proportion of current users was similar to that of past users for each type of credit although usually slightly higher past levels were noted. Among those who have never used each of the types of credit, this was generally because they prefer not to, whether available or not, rather than they would consider it.

3.4.2 Total value of all high-cost borrowing

The total amount borrowed on high-cost lending facilities has decreased since 2006. 61% owed £500 or less compared to 57% last year. Indications are that the average value has dropped (from £582 to £554) but this change is not significant.



Base: All using high-cost credit (2006 = 1213, 2007 = 1215)

Users of high-cost borrowing tended to use this for relatively small amounts, a quarter (24%) had borrowed £50 or less in total from high-cost lenders in general, with a further one in ten (10%) having borrowed between £51 and £100. However this is not the case for all borrowers with nearly one in ten (9%) having in excess of £1,000 on credit across all types of high-cost lenders

There were clear differences by type of consumer as follows:

- Men borrowed more than women (£716 v £464 average)

- The youngest age group had the highest loans (£876 among 18-24 year olds) decreasing steadily with age to £140 among those aged 65+
- The amount borrowed increased with number of children. Those with none borrowed an average of £387, those with 3+ children borrowed £959 on average with high-cost credit providers
- Those who always ran out of money at the end of the month borrowed the highest amounts (£874)
- Those in the Coventry and Warwickshire Reinvestment Trust area and in Credcer borrowed the smallest sums (£298 and £302 respectively), whereas those in Bacup and Southwark were in debt to the highest amounts with high-cost creditors (£998 and £909)

The main types of high-cost credit are reported in more detail in the following sections.

3.4.3 Home credit

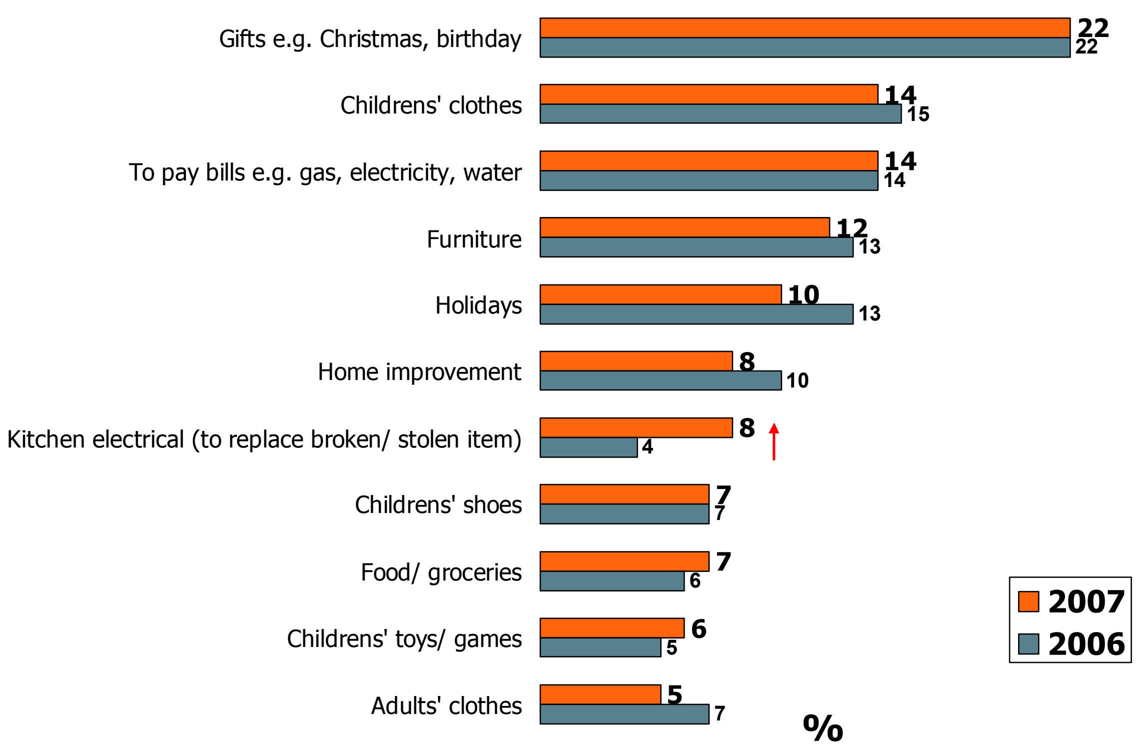
This section is based on the 12% of respondents who were currently using some form of home credit.

Few differences were noted in reasons for needing home credit when compared to last year; the only exception being a small increase in replacement of kitchen electricals (8%).

As previously reported, those with children were most likely to be using home credit finance which helps to explain why. Christmas gifts (22%) and children's clothes (14%) were among the main reasons for using home credit.

Purpose of home credit loan

Q9. What sort of things have you borrowed money for in this way in the last 12 months? (Unprompted)



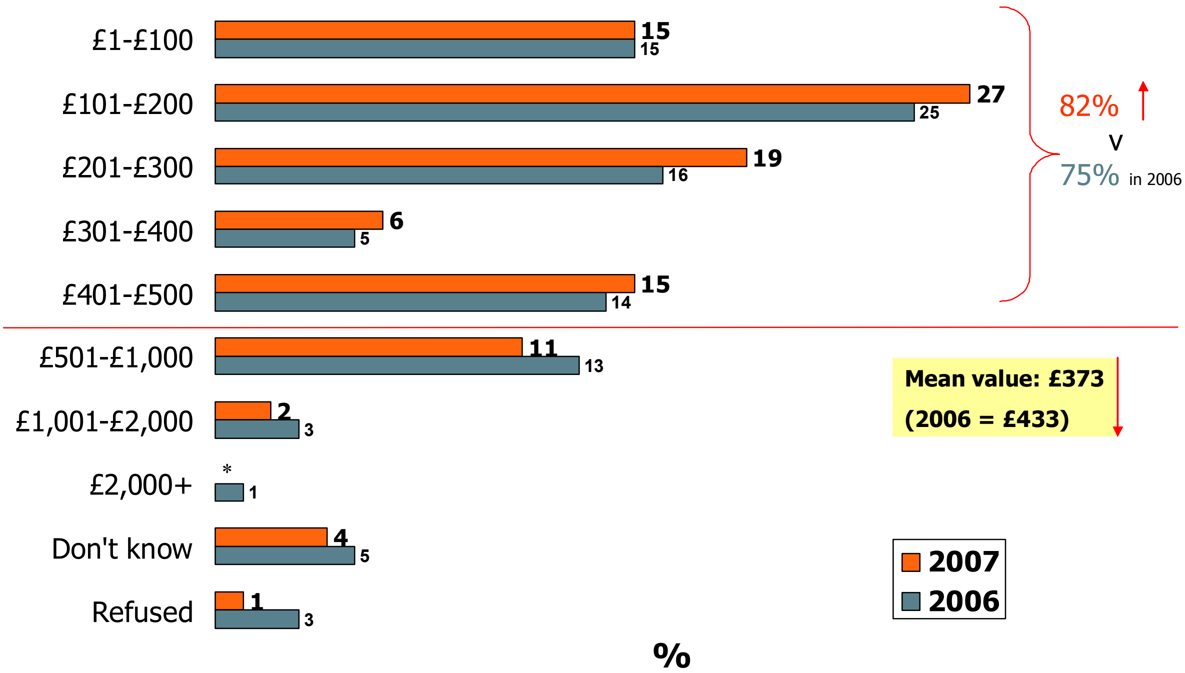
Base: All with home credit loan (2006 = 402, 2007 = 409)

In addition to gifts and childrens' clothing, the most popular uses for home credit related to one-off purchases, such as holidays, furniture and home improvement. The one notable exception to this pattern was the 14% of home credit users who were using their loan or loans (and 56% have more than one such loan) to pay regular bills, such as utilities.

Home credit loans tended to be fairly small, the average (mean) value of home credit loans was £373 and, as previously seen, lower than most other high-cost credit (average high-cost credit overall was £554). This was a significant decrease from last year (£433). Although most loan sizes were relatively small (82% were under £500), a significant minority (13%) had borrowed in excess of that.

Size of home credit loan

Q10. Thinking just about your most recent home credit loan, how much did you borrow?



Base: All with home credit loan (2006 = 402, 2007 =409)

Those employed on a full-time basis had larger loans than the unemployed (£425 vs £320) and loan amount correlated to some degree with income (lowest income loan average was £270 rising to £508 among those earning £15-20k). Those with a bank account also had the highest value loans (£402) than those with no bank account at all (£285).

As the average size of loan has reduced, so has the average size of each repayment; £20, down from £25 in 2006. Almost half (46%) were repaying £10 or less and in almost all cases this was collected in person by a local agent or representative (96%).

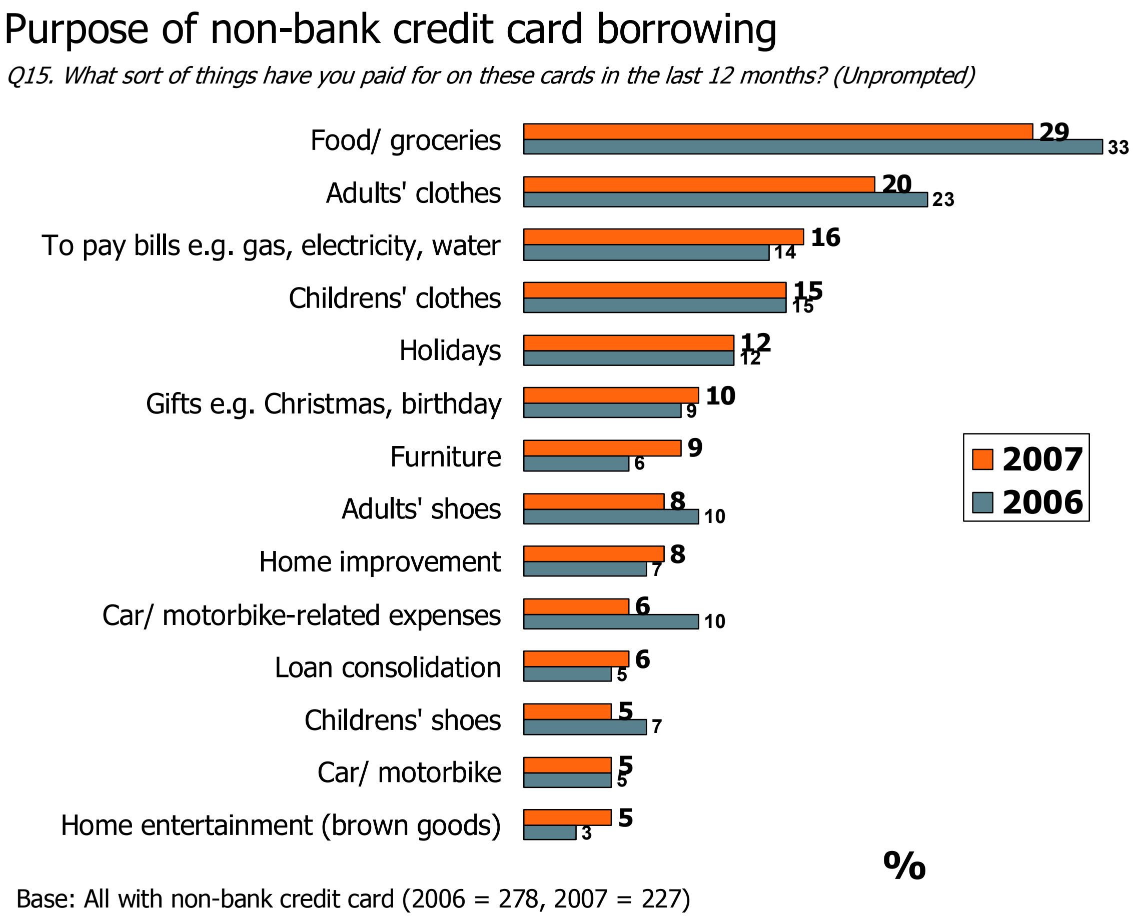
Repayment periods for these most recent loans equated to an average of 43 weeks (for those answering in weeks), or 16 months (for those answering in months).

The reasons people gave for choosing this form of credit varied and remained fairly consistent over time. They included convenience (58%), the fact that you don't have to make a special trip to arrange this (17%) and because it was offered to them (17%). For around one in ten (12%) it is out of habit, or they have done this in the past (3%) or making weekly repayments was preferred (6%).

A minority spontaneously mentioned reasons which indicated they felt they had little or limited choices, such as because they couldn't get finance elsewhere (6%) or they have a poor credit rating (2%). Indications are that these types of reasons have, if anything, declined since 2006 (9% couldn't get elsewhere, 3% desperate and had no choice in 2006).

3.4.4 Non-bank credit cards

Non-bank credit cards were being used by 7%, slightly less than last year (9%). The following chart shows what sort of items cardholders had used their cards for in the past year. None of the differences between the current study and last year are significant:

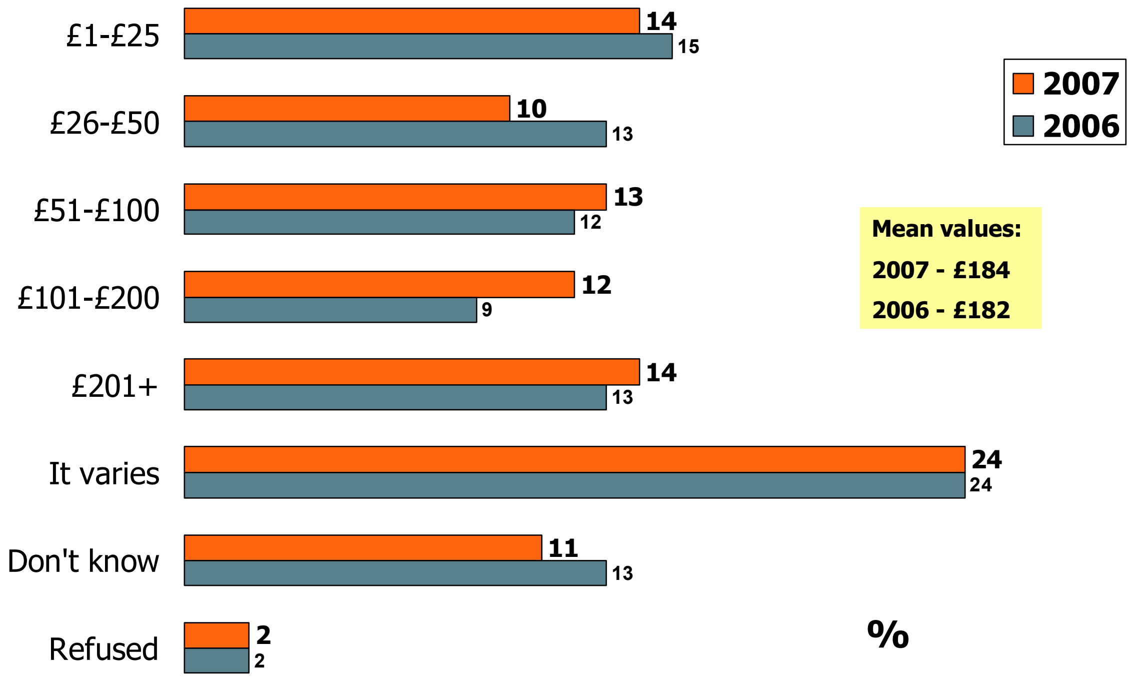


Unlike home credit, the single most popular use was for groceries with almost a third (29%) of cardholders using their card to pay for these. Clothing for adults was the reason for use for one in five (20%) and for children one in seven (15%). A similar proportion to users of home credit paid bills with their non-bank credit card (16%).

Consistent over the two periods of research, monthly spend varied from £25 or less (14%) to £201 or more (14%). The average monthly spend amount has remained constant (£184).

Monthly spend on non-bank credit card

Q16. About how much do you spend on it in a typical month?



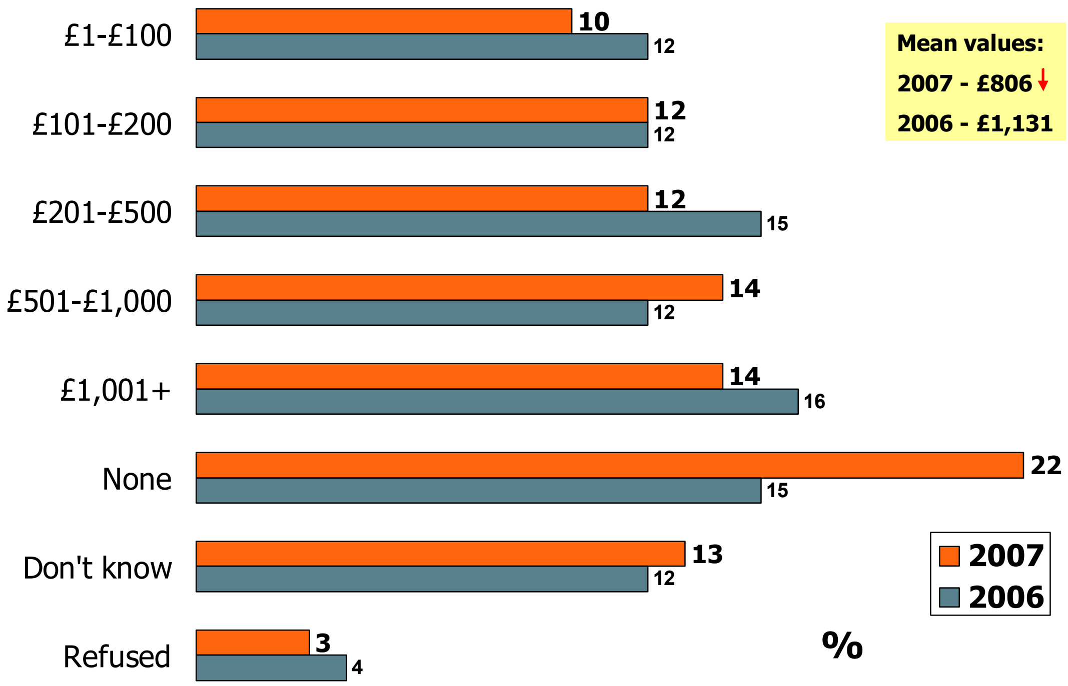
Base: All with non-bank credit card (2006 = 278, 2007 = 227)

The base sizes for all the sub-groups or consumer types are generally too small to show significant differences. However, as the average monthly spend among those who always run out of money (£205) is similar to that among those who never run out of money (£260), this suggests people are using the card in different ways: for some it is emergency money and others their regular means of payment. This is supported by the fact that those who never run out of money usually pay the balance off in full (49%) compared to 20% of those who always run out of money paying in full (30% overall). It is interesting to note that those who sometimes run out of money were most likely to pay the minimum balance (42%, 20% overall) yet those who always run out of money tried to pay off a bit more than the minimum (34%, 26% overall).

For the two thirds (66%) who maintained an outstanding balance each month, the average amount was £806 (£1,131 in 2006).

Outstanding balance on all non-bank credit cards

Q18. Roughly how much outstanding balance do you have on your non-bank credit cards in total?

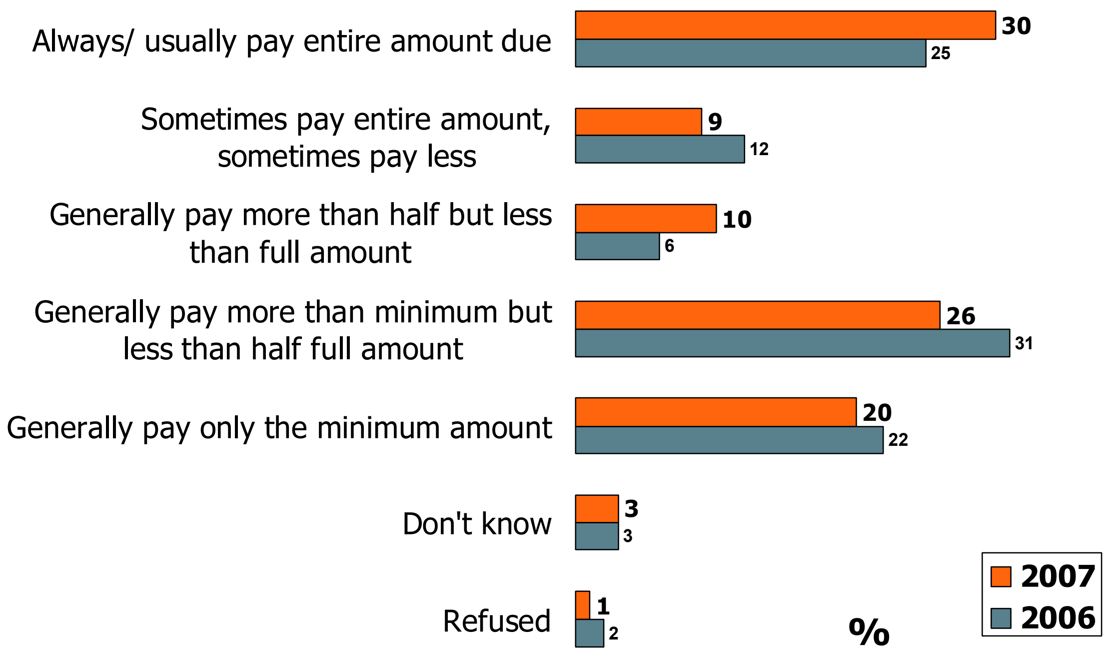


Base: All with non-bank credit card (2006 = 278, 2007 = 227)

Perhaps the most striking finding concerning non-bank credit cards was the issue of repayment behaviour (see following chart). From GfK Financial's Financial Research Survey (FRS), over half of all credit card holders (57%) always pay off their bill in full every month, and that a further 9% usually pay in full. Only 9% claim to usually only paying the minimum amount due (based on data over the 12 months to August 2007.) However this survey revealed that non-bank cardholders were less than half as likely to pay the full amount due each month; a third (30%) of non-bank cardholders paid off their entire balance all or most months. Reinforcing this was the finding that a fifth (20%) only make the minimum payments each month (double the equivalent figure for (FRS) cardholders in general).

Repayment behaviour on non-bank credit card

Q17. Which of the following statements best describes how you pay your credit card bill? (Prompted)



Base: All with non-bank credit card (2006 = 278, 2007 = 227)

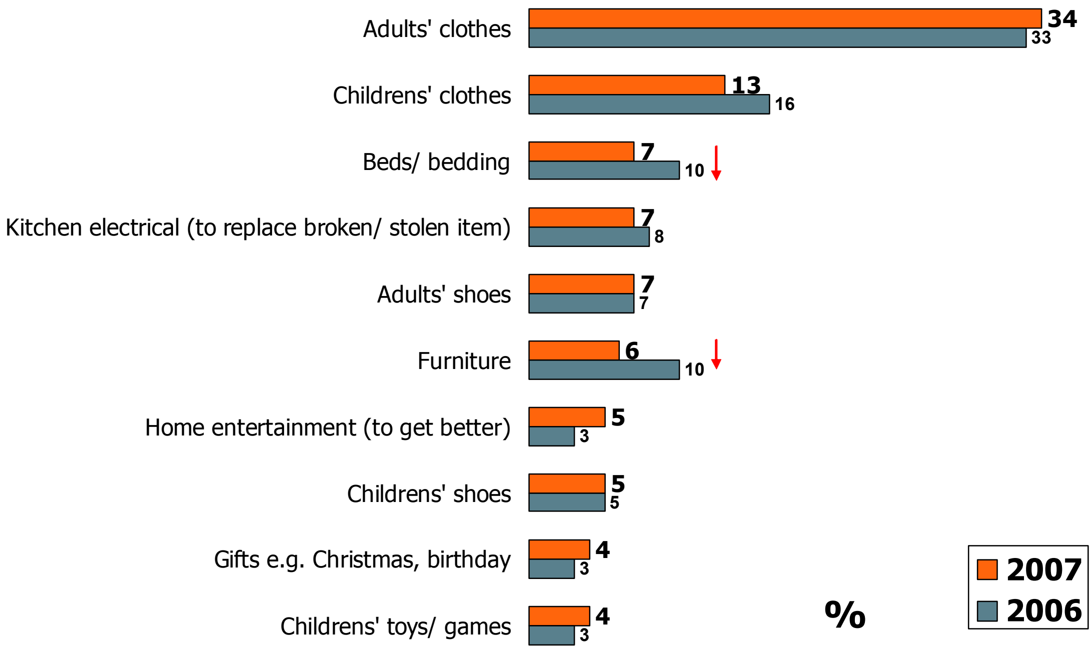
Reasons for using non-bank credit cards, like home credit, revolved around ease and convenience: half (53%) cited convenience, with a fifth (18%) mentioning that their card was simply on offer from a lender. Remaining reasons for usage were much less frequently mentioned, but chief among these were the fact that this was easy to take out (5%) and the ability to make low repayments (4%).

3.4.5 Mail order, hire purchase, buy-back shops and pawnbrokers

Of all the types of high-cost credit, mail order and catalogue shopping was the most widespread with a quarter (25%) using credit from this source. Already reported is the fact that women, to a greater extent than men, use mail order, as did those with children (see section 3.4.1). The most recent purchase from a catalogue or mail order was often clothes for adults (34%) and children (13%). The following chart shows the variety of items people bought from catalogues and mail order

Most recent catalogue purchase

Q20. Thinking about your most recent catalogue purchase, what was it? (Unprompted)



Base: All using agency mail order or catalogue (2006 = 723, 2007 = 714)

Compared to last year there has been a decline in those purchasing beds/bedding and furniture through these sources, arguably the larger and therefore higher cost items or spend.

The amount spent on mail order remains low; two in five (41%) spent less than £50 on the last occasion. The average spend on mail order was £148, one of the lowest of all high-cost borrowing amounts (£554 average for all high-cost borrowing). Perhaps supporting the theory above, the average spend has decreased (although not significantly) since last year (£163).

Unlike last year there was no significant difference in spend between men and women although age still discriminated; those aged 65 or over were much more cautious spenders (average spend £91) compared to all other ages. Also, people with one or two children spent more on average (around £200) than those with no children (£119) or, interestingly, those with 3+ children (£135). In 66% of cases, repayments were being made on a monthly basis.

Hire purchase from Brighthouse was used by a small minority (4%). This rose to 10% among both those with three or more children, and those also borrowing from the Social Fund (11%) and other hire purchase outlets (low-cost, not Brighthouse 23%). There were quite notable differences by catchment area, those most likely to have Brighthouse customers were: Wythenshawe Credit Union (10%), Portsmouth Savers (9%) and Capital (8%) yet some areas had no Brighthouse customers at all (Ealing, First Dorset, Credcer and Clwyd Coast). The types of goods people acquired via Brighthouse were often home entertainment products (24% to get better products, 15% to replace broken or stolen items), electrical kitchen goods (to replace broken or stolen 22% or get better 9%) and furniture (11%). The product mix was similar across the two years although the average cost of such transactions (£862) appears to have increased from last year (£692) although the base size means this is not significant. Repayments were made on a weekly basis in 78% of cases.

A small minority (2%) were using buy-back shops at the time of interview (the same as in 2006). This type of finance was more popular among the younger age groups (18-24 5%, 25-34 4%). In contrast to other forms of high-cost credit, having children appeared to make no impact on whether it is used or not. Also in contrast to other high-cost credit sources, a large proportion were using buy-back shops to fund their basic day-to-day expenses: 28% used the money received from their most recent visit to pay for bills, and 23% to pay for food or groceries. The average value of funds obtained from this source was £87, with 22% of cases being for £30 or less, and 28% for £31 to £50.

Pawnbrokers were again only used by 2% of those questioned, making it very much a niche source of credit. This rises to 4% among those with 2+ children, 6% among the unemployed and 7% of those who always run out of money. As with buy-back shops, funds obtained from these institutions were used to pay for everyday living expenses: 37% used their most recent funds from pawnbrokers to pay for food or groceries, and 25% to pay bills. The mean value of credit obtained from pawnbrokers was £128.

3.5 Low-cost credit

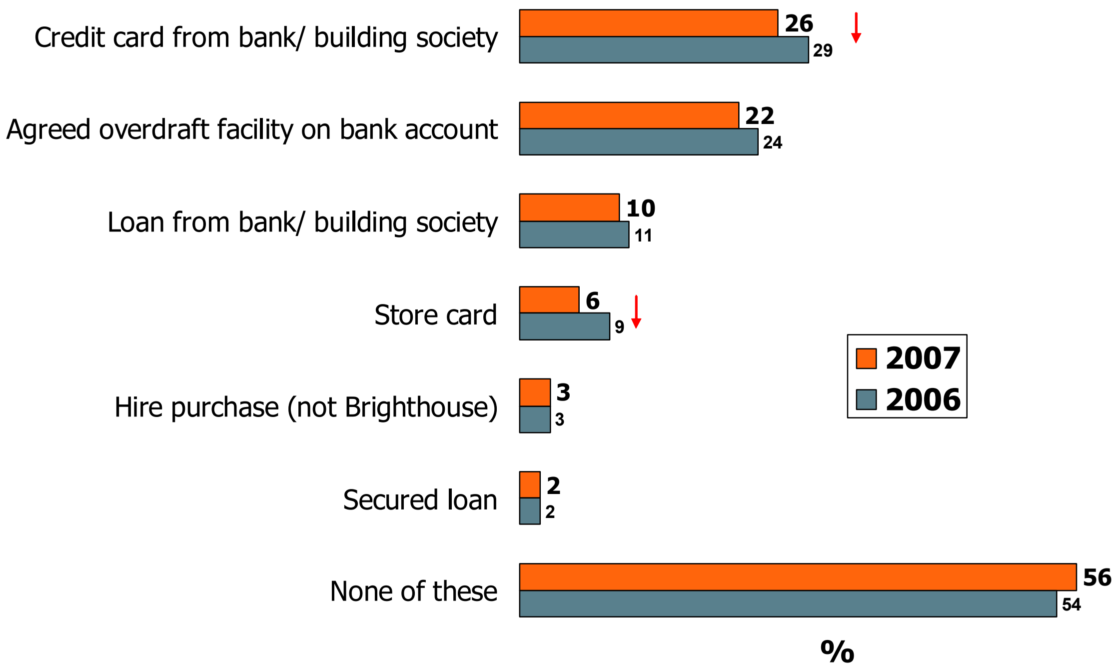
3.5.1 Overview

The following sources of credit were defined as low-cost for the purposes of this survey: credit cards provided by banks or building societies; loans from banks or building societies; agreed overdrafts on bank accounts; hire purchase or easy terms from shops other than Brighthouse; secured loans; and finally, storecards.

The chart below shows current use for each of source of low-cost credit:

Current low-cost borrowing

Q26. Could you tell me which of the following, if any, you are using at the moment? (Prompted)



Base: All respondents (2006 = 2,805, 2007= 2,817)

Bank credit cards and agreed overdrafts remained dominant, being used at the time of the survey by 26% and 22% of respondents respectively. Both have declined slightly in use since last year but only the decline for credit cards is significant (at 95% confidence intervals). Bank loans and storecards were used less often by 10% and 6%. Again both showed a small decline in use but for store cards alone this is a significant drop in usage since 2006. Hire purchase (3%) and secured loans (2%) were used by a minority of all respondents.

3.5.2 Credit cards from banks or building societies

A quarter of this audience (26%) used a credit card from a bank. The types of respondents most likely to have a bank credit card were:

- Men (29%)
- Aged 45-54 (31%)
- Working (36%)
- In Rural areas (37%)
- Buying a home with a mortgage (46%)
- Not using social funding (27%)
- Ethnic minorities, particularly Asian (45%)

By contrast, those least likely to be using bank credit cards were those with 3+children (19%), renting from the council (18%), the youngest (18-24 17%), unemployed (15%), earning £5k or less (15%) and with no current account (6%). Those who always run out of money or usually run out of money were least likely to have a bank credit card (17% and 19% respectively) and these are, arguably, most in need of this type of low-cost flexible credit. Reasons for not using or considering this type of finance are reported in section 3.5.3.

By catchment area, Barnsley (17%) and First Dorset (18%) were least likely to have bank credit card users whereas Ealing, Credcer and Southwark had the most (35-37%).

There appeared to be no real link between card usage and usage of high-cost credit: among those using high-cost credit, card usage stood at 25%, rising only slightly to 27% among those not using any form of high-cost credit. However there was a relationship with usage of credit unions and the Social Fund: among those borrowing from such sources, credit card usage stood at only 10%, rising to almost three times that (27%) among those not using them.

Since the benchmark survey in 2006, the following decreases (significant at 95% confidence intervals) in bank credit card use have been noted among those who were:

- Men (- 5%)
- Aged 25-34 (-7%)
- Have high-cost borrowing (-6%)
- Have social funding (-3%)
- In Bacup & Mid Rossendale (-13%), First Dorset (-11%), Portsmouth Savers (-11%)

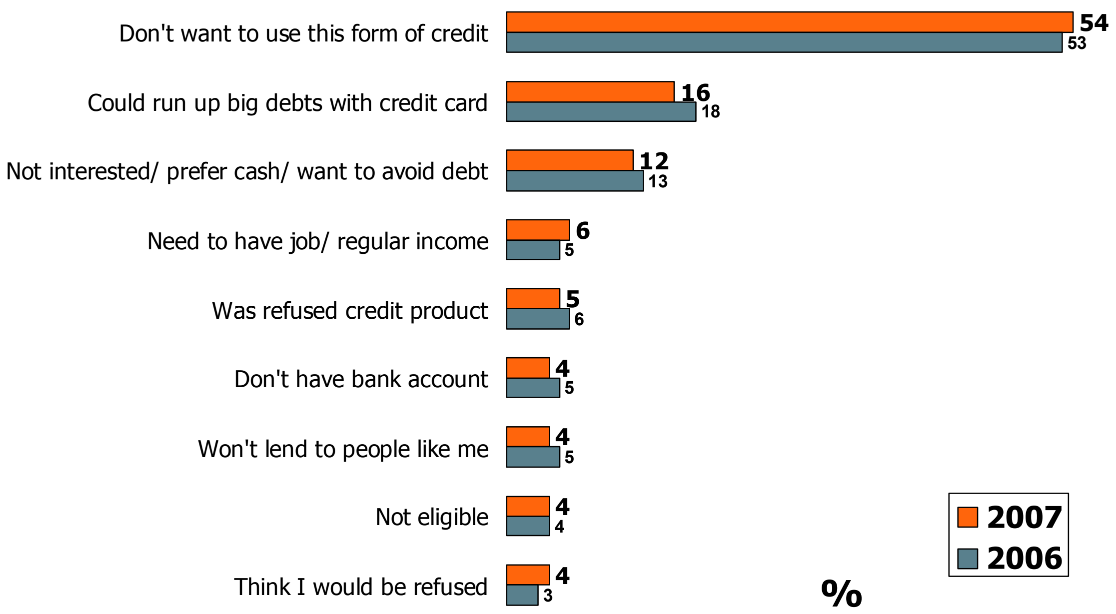
With an overall decrease in use of bank credit cards since last year, increased use was not apparent in any group.

3.5.3 Reasons for non-usage of bank credit cards, bank loans, secured loans or hire purchase

Among those who were not currently using, and had not used in the past, either a bank credit card, bank loans, secured loans or hire purchase (accounting for 48% of all respondents), the main reason for not doing so was not wanting this form of credit (54%). Reasons have not changed since 2006.

Reasons for non-usage of bank credit card, bank loan, hire purchase or secured loan

Q29. You say you have not used a bank credit card, bank loan, hire purchase or a homeowner loan. Could you tell me why that is? (Unprompted)



Base: All who have never used bank credit card, bank loan, HP, secured loan (2006 = 1268, 2007= 1345)

As mentioned, overwhelmingly the main reason given for non-usage of these credit sources was simple lack of desire, mentioned by over half (54%) of non-users. This varied with age; two in five (40%) of those aged 18-34 cited this as a reason, rising to 66% of those aged 65 or over. Peoples' actions appeared to match their attitudes as 63% of those who felt that borrowing was never a good thing also said they don't want this form of credit, in contrast to the 29% of those who felt borrowing was a convenient way to buy things.

Around one in six (16%) had a fear of getting into debt with a credit card. In contrast with the above, youngest people were more likely to say this: 24% of those aged 18-24 mentioned this. A similar proportion (12%) said that a lack of interest and a preference for cash was the reason why they had not used any of these types of finance. All these aforementioned reasons can be summarised as not wanting to take out low-cost credit through choice.

A relatively small proportion had not used this type of credit for reasons which suggest they cannot get it: 6% said they needed to be working or have a regular income to use this type of credit, 5% had been refused, 4% said (each of): they would not be eligible, they don't have a bank account, they assumed they would be turned down or the banks won't lend to people like them.

As a general rule, these latter reasons for non use were most likely to be given by those currently with any social funding (Social Fund or using a credit union).

Overall, two-thirds (68%) said they were in a position where they weren't using low-cost credit through choice, but felt they could if they wanted to; just under a fifth (17%) said they thought they were unable to access low-cost credit, but would if they could, and 5% said they both could not and would not use low-cost credit.

3.5.4 Agreed overdraft facilities

Agreed overdrafts were the other main source of low-cost credit, being used by 22% of all respondents in 2007 (see section 3.5.1).

Usage was most prevalent among those aged 18-24 (29%), and least common among those aged 65 or over (14%). Only 11% of those who were widowed were making use of this facility, compared to 22-27% of others. As with credit cards, there was a positive correlation with income: 38% with an income over £20,000.

By credit union area, Coventry and Warwickshire and Barnsley had the lowest penetration of overdraft usage at 16%, with City of Brighton and Hove and Credcer Credit Union having the highest, at 32%.

Those who were using any type of high-cost credit at the time of interview were more likely to be using an overdraft (26%) than those who were not (20%) but there was no difference by users of social funding.

Compared to the benchmark, the following differences have been noted. A decline in use of agreed bank overdrafts among:

- Those using high-cost borrowing (-4%)
- Urban areas (-6%)
- Bacup & Mid Rossendale (-10%), Ealing (-12%)

The only significant increase in use was in the Citysave catchment area; the level of agreed overdraft use had increased by 10% to 27% currently.

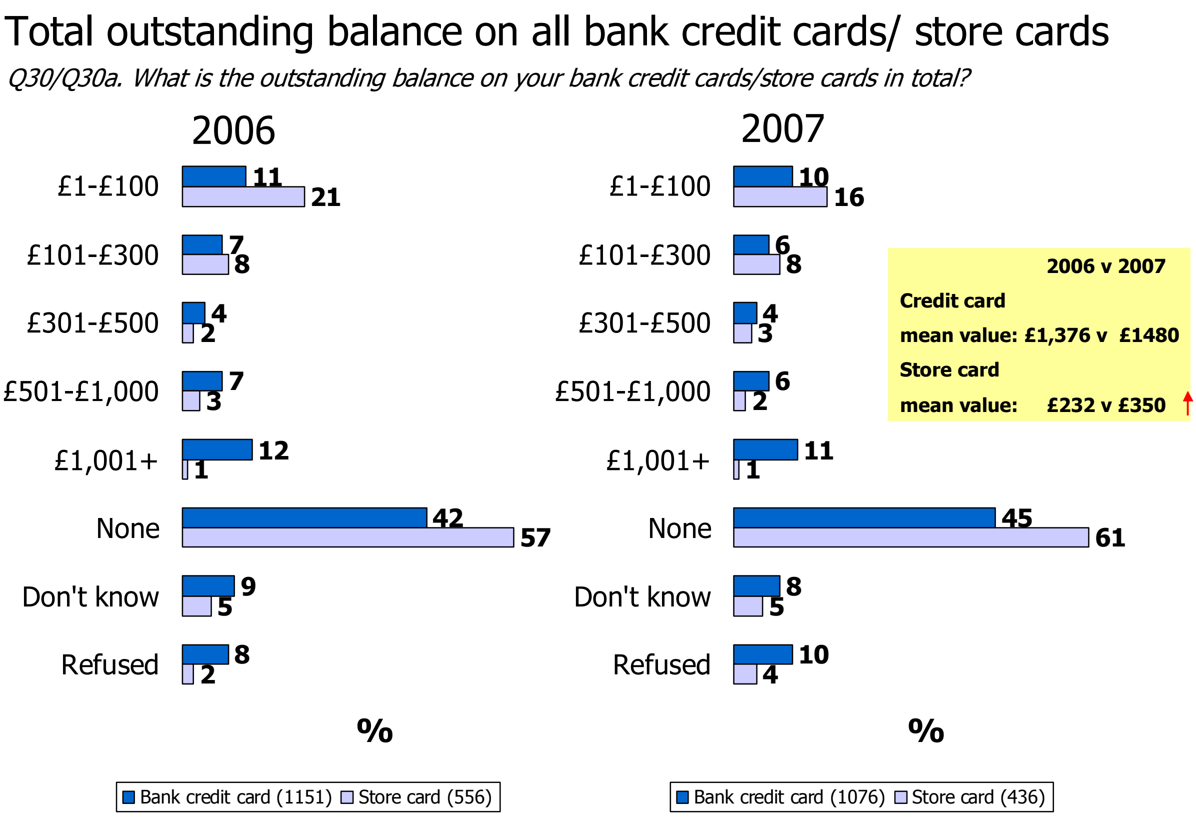
3.5.5 Reasons for non-usage of agreed overdraft

Reasons mainly centre on choice, with a quarter (27%) of respondents having not used an agreed overdraft, generally because of not wanting to do so (55%), or a lack of need (10%). 6% don't like the idea of overdrafts or borrowing in general, and 4% say they fear running up large debts in this way.

Reasons categorised as 'credit-constrained' comprise: being refused credit (6%), not having a bank account 4%, 3% thinking they wouldn't be lent to, 3% not thinking themselves eligible.

3.5.6 Outstanding balance on credit cards and store cards

The chart below shows the total amount that credit and store card holders (both current and past holders) had outstanding and compares both waves of the research.



Base: All who have ever used a bank credit card or store card

Two in five credit card holders (45%) stated they had no outstanding balance, as did over half of store card holders (61%). Although only 11% of credit card holders had balances in excess of £1,000, the mean value owed was £1,480, implying that there was minority with very substantial amounts outstanding. This year the average outstanding balance for store cards was £350 whereas last year this was slightly (but significantly) lower (£232). Only 1% of store card holders owed more than £1,000, with less than one in five (16%) owing £100 at most.

The youngest and oldest age groups owed the least on credit cards on average (£792, £964 respectively) compared to those aged 45-54 (£2373). Those with the highest income also had the highest average outstanding credit card balance (£20k income owed £4697) although the correlation stopped there as other income bands had very similar average outstanding balances.

Those who struggled most of the time with their finances owed more on a credit card (£3733) than those who never find themselves in this situation (£998).

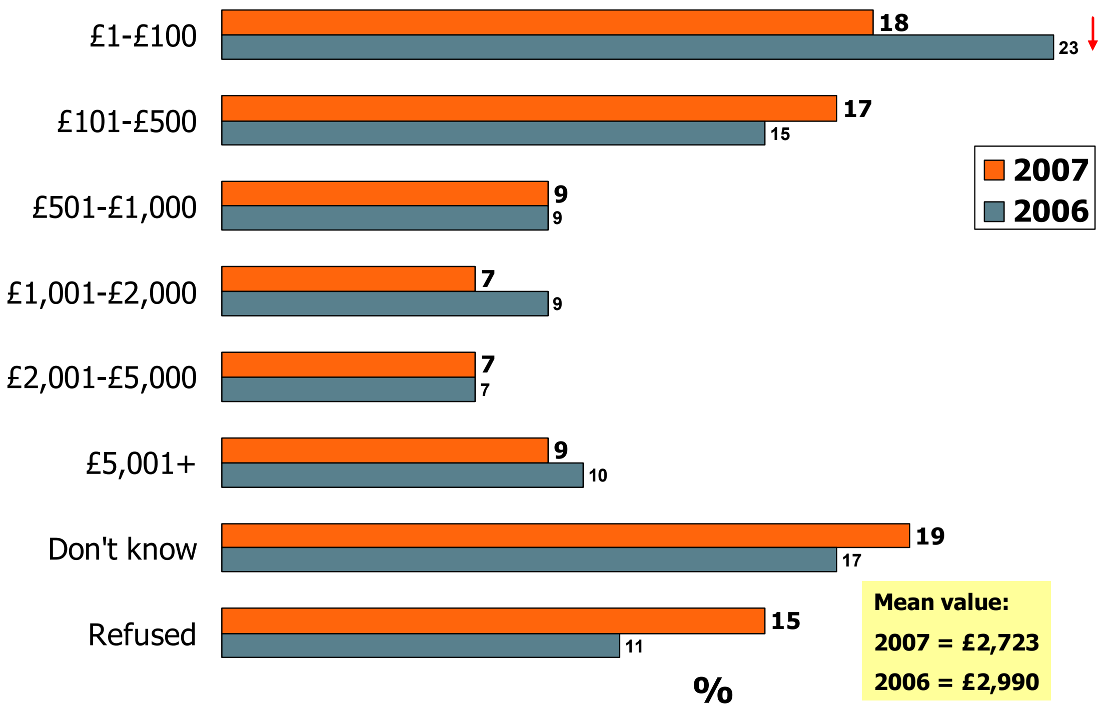
Turning to store cards, single people owed more than those married (£498 vs. £235), and the unemployed more than those working full-time (£592 vs. £184).

3.5.7 Total value of all low-cost borrowing

Of the 43% who were using some form of low-cost, or mainstream, credit at the time of interview, the amount of borrowing is shown in the following chart.

Total value of all low-cost borrowing

Q31. Thinking about all your [LOW COST] borrowing, how much does that come to in total?



Base: All using low-cost credit (2006 = 1297, 2007 = 1214)

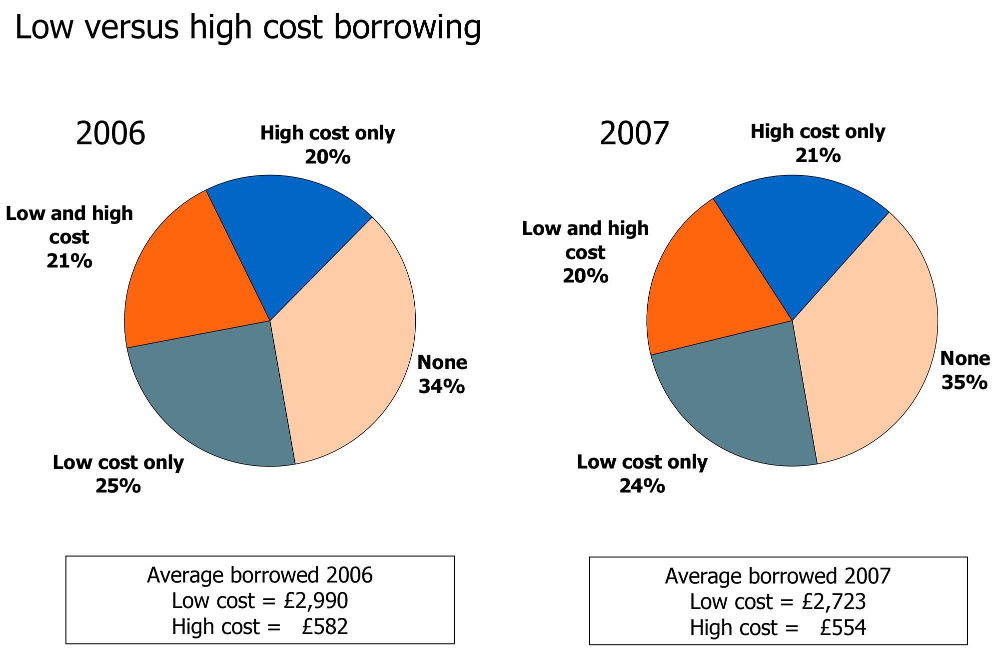
Fewer than last year (18% v 23%) had borrowed £100 or less from low-cost sources. The average amount borrowed overall has decreased year on year but this is marginal.

Consistent with earlier findings, those aged 65 or over had the smallest debt at £1146 whilst those aged 25-44 owed the most, at £3,883.

Those with social funding tended to owe less on low-cost credit than those not using this type of finance (£1399 compared to £2848). This is also consistent with the benchmark data in 2006.

3.5.8 Low-cost versus high-cost borrowing: summary

The chart below summarises the relative usage of low- and high-cost credit (excluding credit union and Social Fund borrowing):



Consistent with last year, the largest proportion of this population have borrowed from neither low- nor high-cost sources of credit (35%). A quarter (24%) used low-cost credit only, and a fifth (20%) used both. That leaves around one in five respondents who only used high-cost credit sources, similar to last year. There is little evidence yet that progress has been made to lessen this burden on the most needy consumers.

3.6 Conclusions

The overriding conclusion from the 2007 study is that the introduction of the Growth Fund has not, so far, led to an appreciable increase in the usage of Credit Unions: usage has increased from 0.99% in 2006 to 1.42% in 2007, and this change is **not** statistically significant.

In absolute terms, the total population of the 18 areas under examination is just under 893,000 (comprising those living in the bottom third of areas within the credit union catchments, as based on the Index of Multiple Deprivation (see section 4.3.3 for further details). Therefore on the above percentages, the estimated number of users has risen from about 8,800 to about 12,700: so there has been an increase in usage of a few thousand, but as stated above, this is not significant in statistical terms.

The most pronounced increase was for Pollock Credit Union, which saw an increase from 0% to 2.6% (equating to roughly 400 new users), although even this is not significant. Most credit unions saw negligible change in usage levels, although the number of credit unions registering zero levels of usage has fallen from 7 to 3.

In short, results *indicate* there has been some increase in credit union usage, but this is too small to register on a statistical level.

4 Appendix 1: Methodology

4.1 Interviewing method

Interviews were carried out face-to-face in respondents' homes using Computer-Assisted Personal Interviewing (CAPI). This method was chosen in preference to telephone interviewing for two main reasons: firstly, it allowed for a greater degree of geographical pinpointing than would a telephone survey, a vital consideration given the target market (see section 4.3 Sampling); secondly, a face-to-face meeting between interviewer and respondent was deemed more appropriate, given the sensitivity of the subject matter. . Interviewing was carried out from 18 August-17 September 2006 (first wave) and 20 August-13 September 2007 (second wave).

4.2 Questionnaire design

The questionnaire design process consisted of two stages. First a stakeholder workshop to uncover all issues to be addressed and second a pilot stage to ensure that the questionnaire worked well as an interviewing instrument.

The questionnaire was designed in full consultation with all stakeholders (HM Treasury, DWP, Financial Inclusion Taskforce) to ensure that the needs of all those with an interest in the study were addressed as comprehensively as possible. At the outset this involved a workshop at which all parties entered into a free-ranging discussion on the content of the questionnaire. A series of draft questionnaires were then submitted to stakeholders for subsequent feedback, until final agreement was reached.

This version of the questionnaire was then 'piloted' using cognitive piloting. Interviews were carried out in central locations in four areas to give a breadth of coverage. However, because no Growth Funds had been allocated at this point, there was no attempt to interview in the catchment areas of different lending bodies. The four areas were: Uxbridge, Manchester, Cardiff and Glasgow.

A total of 80 interviews were carried out, 20 per location. Respondents were screened to check that the met the income criteria for the main study. They were then asked to take part in the survey and offered an incentive to do so. The interviewer then took the respondent through the full questionnaire, as it would be administered in the main survey, but taking not of where the respondent hesitated or indicated problems with answering any questions. They then went back through the questionnaire asking the respondents for their input on the wording and meaning of the questions.

The four days of interviewing were held consecutively, so that feedback from each day was fed into the discussions for the next day.

This feedback allowed us to make final refinements to the questionnaire prior to the commencement of fieldwork.

A copy of the final questionnaire used is included in Appendix 1.

4.3 Sampling

4.3.1 Where the interviews were conducted

In drawing up a sampling frame, we used as the basis the list of 85 organisations being funded, as supplied by HM Treasury. From these 85 organisations, a sample of 18 was selected, designed to be representative of the group as a whole. This was determined using the following parameters:

- Age of organisation: New/ Old
- Funding: Funded (receive funding from other sources)/ Unfunded
- Location: City/ Urban/ Rural/ Urban-Rural
- Differential between size of funding request and size of eventual grant: Above average (ambitious)/ Below average (conservative)
- Proposed number loans: Low (1,000 or less)/ Medium (1,001-2,000)/ High (2,001+)

On this basis, six distinct types of organisation, or segments, were identified:

1. New institutions. Accounts for 11 out of the 85 institutions.
2. Established institutions. Ambitious. Accounts for 17 out of the 85 institutions.
3. Established institutions. Unfunded. Accounts for 9 out of the 85 institutions.
4. Established institutions. Funded. Conservative . Low number of proposed loans. Accounts for 17 out of the 85 institutions.
5. Established institutions. Funded. Urban locations. Accounts for 11 out of the 85 institutions.
6. Established institutions. Funded. Non-urban locations (city, urban-rural). Accounts for 20 out of the 85 institutions.

Institutions were them selected to ensure that each segment above was represented in the final sample. The following 18 institutions made up the final selection of catchment areas:

Capital Credit Union	Citysave Credit Union
Pollock Credit Union	Southwark Credit Union
Northern Oak CU	Ealing CU
Leeds Credit Union	City of Brighton and Hove CU
Barnsley Credit Union	Portsmouth Savers Credit Union
Wythenshawe CU	South Coast Money Line
Bacup CU & Mid Rossendale CU	First Dorset CU
North East Lincs CU	Clwyd Coast CU
Coventry & Warwickshire Reinvestment Trust (CDFI)	Credcer Credit Union

4.3.2 Who was interviewed

Within each catchment area, a minimum of 150 interviews were conducted, resulting in a total of 2,817 interviews with low income respondents. Respondents were screened to ensure they were at least 18 years of age. To qualify as being of low income, respondents had to claim at least one of the following benefits:

- Housing benefit
- Income support
- Working tax credit
- Job seekers allowance
- Council tax benefit
- Guaranteed pension credit

If respondents did not claim any of these benefits, they still qualified for inclusion in the survey provided they met one of the following earnings limits:

- A single person earning £220 or less per week
- A household with children earning £305 or less per week
- A couple without children jointly earning £305 or less per week

4.3.3 Sample point selection

Within each of the 18 credit union catchment areas, 31 distinct sample points were selected to ensure both a geographical spread, and coverage of areas of high financial exclusion, as defined by the Index of Multiple Deprivation (IMD), which measures multiple deprivation at the small area level. The IMD is calculated as a weighted index of the following measures: income deprivation; employment deprivation; health deprivation and disability; education, skills and training deprivation; barriers to housing and services; crime; and living environment deprivation (for more details on the IMD, please refer to the following document:

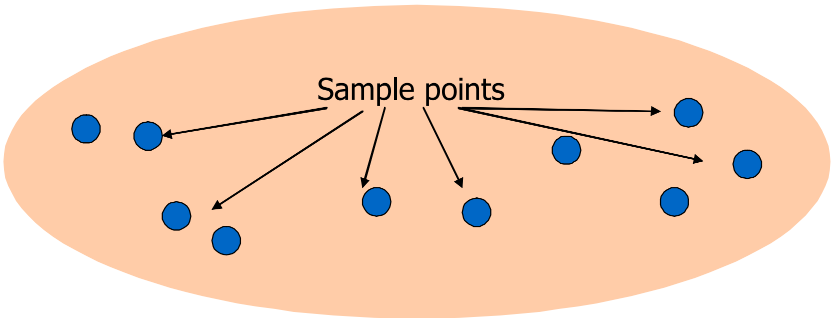
http://www.communities.gov.uk/pub/443/Indicesofdeprivation2004summaryrevisedPDF154Kb_id1128443.pdf).

Sampling points were chosen in the most deprived 50% of Census Output Areas as defined by the IMD, and 5 interviews were conducted at each of the sampling points so defined:

Identifying the target group

1 Identified the catchment area for each organistation
2 Identified the bottom 50% of Census Output Areas within each catchment area by IMD (Index of Multiple Deprivation)
3 Sample points chosen to give a spread geographically and by IMD

Catchment area



Where this did not provide sufficient number of respondents, due to the income profile being too high, we substituted with points in the bottom third as defined by the IMD, but keeping the same geographical distribution.

4.3.4 Quotas, weighting and sample profile

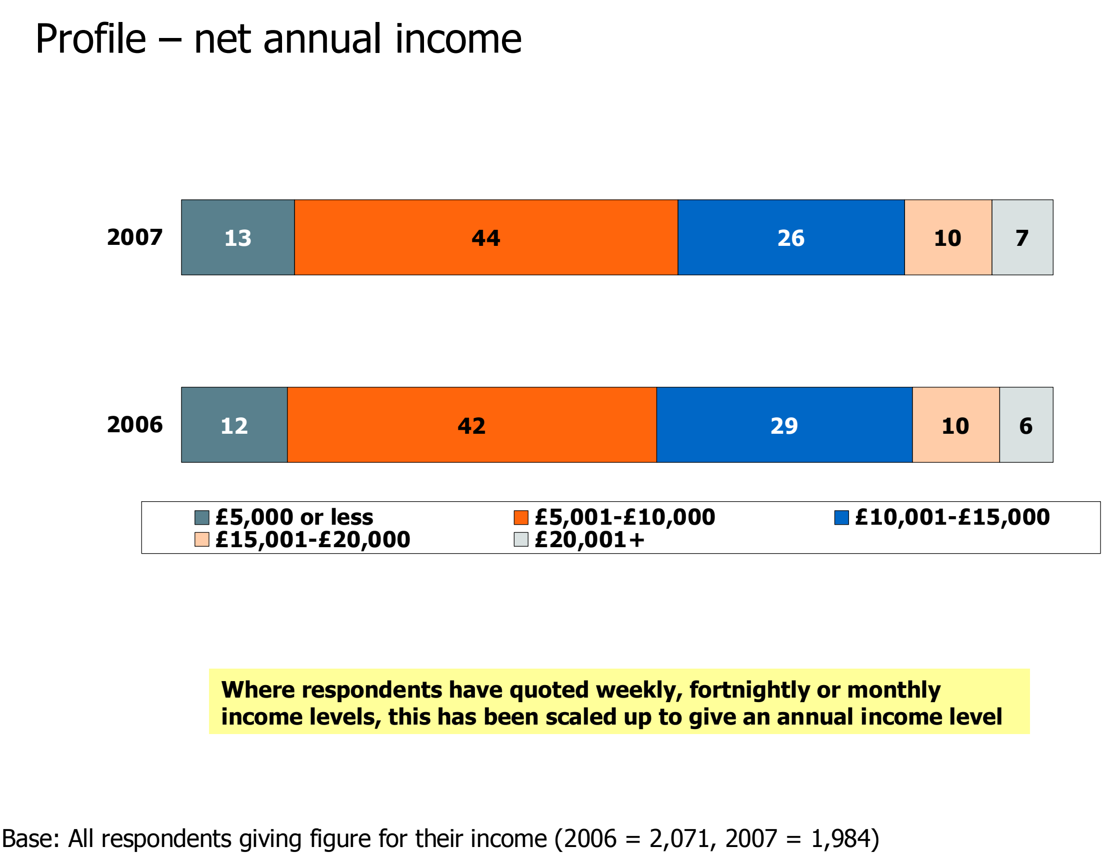
Quotas were defined on the basis of: gender, age and working status. These were based on the profile of low income households, defined as those households with an income of less than £17,500 per annum. GfK's Financial Research Survey (FRS)[3] was used to obtain the demographic profile of these households, on which quotas were set. However in order to ensure a sufficiently large representation among those of working age, the 55 years and over age group was undersampled; a limit of 33% was set on this age group. The final quotas set as shown in the middle column in the table below; these quotas were set uniformly across all geographical areas. Survey results were then weighted back to the FRS profile, as shown in the right-hand column in the table.

Quota group	Quota proportion	FRS profile
Men: full-time workers	18.2%	13.0%
Men: not full-time workers	25.3%	29.3%
Women: full-/part-time workers	21.5%	18.9%
Women: non-workers	35.0%	38.8%
Total	**100%**	**100%**
18-34 years	31.0%	23.3%
35-54 years	35.6%	27.7%
55+ years	33.4%	49.0%
Total	**100%**	**100%**

All survey results quoted in this report are based on the **weighted** data. Where charts show base sizes, these show the actual (unweighted) number of respondents.

[3] The FRS is based on a Random Location Sample designed to be nationally representative of the GB population. It therefore provides a good basis for setting quotas, assuming we can identify the target group on the FRS sample. This was achieved by setting quotas to reflect household income, a variable collected on the FRS.

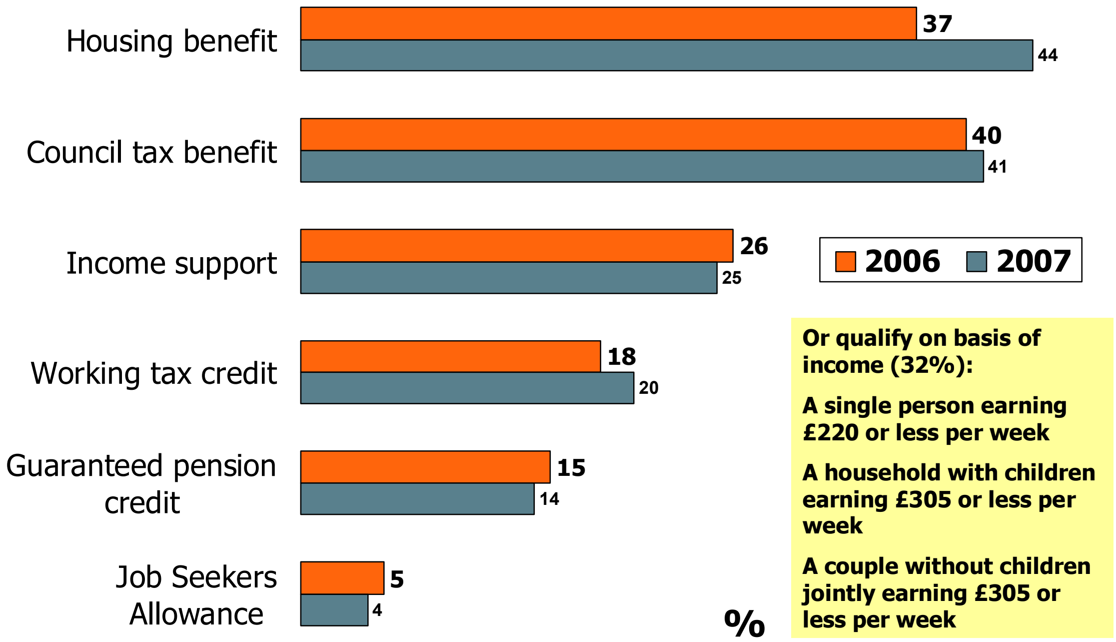
The income distribution of the final sample was as follows:



The following chart shows the breakdown of respondent survey qualification by benefit and income:

Benefits received (qualifying criteria for inclusion in survey)

S2. Could you tell me if you receive any of these benefits? (Prompted)



Base: All respondents (2006 = 2,805, 2007= 2,817)

GfK

5 Appendix 2: Questionnaire

J153262 Affordable credit

Version 12 (final – revised)
16 August 2006

INTRODUCTION

Good morning / afternoon / evening. My name is _________________ from GfK NOP. We're an independent research company working for the Financial Inclusion Taskforce. We're interviewing people about how easy or difficult it is for people to get access to loans and credit products.

IF RESPONDENT ASKS, the Financial Inclusion Taskforce was set up by the government to make sure that everyone has fair access to financial services like bank accounts, loans and so on.

The survey will only take about 15 minutes of your time and we would really appreciate your views.

REASSURANCES AS NECESSARY
Your answers will be treated in the strictest confidence. Apart from our own quality checks, you will not be contacted by anyone else as a result of taking part in the survey and we will not pass your personal information on to anyone.

S1 We want to make sure we talk to a cross section of the population, so could I ask your age?
SINGLE CODE

Under 18	1	**CLOSE**
18 to 24	3	**CONTINUE**
25 to 34	4	**CONTINUE**
35 to 44	5	**CONTINUE**
45 to 49	6	**CONTINUE**
50 to 54	7	**CONTINUE**
55 to 64	8	**CONTINUE**
65+	9	**CONTINUE**
REF	X	**CONTINUE**

SHOW CARD A (LIST OF BENEFITS AND INCOME BANDS)

S2 And also, could you tell me if you receive any of these benefits? They are typically available to households earning in the bands shown here.

READ OUT. MULTICODE

Housing benefit	1	**CONTINUE**
Income support	2	**CONTINUE**
Working tax credit	3	**CONTINUE**
Job Seekers Allowance	4	**CONTINUE**
Council Tax benefit	5	**CONTINUE**
Guaranteed Pension credit	6	**CONTINUE**
Qualifies on the basis of income bands	7	**CONTINUE**
None	8	**CLOSE**
Don't know	9	**CLOSE**
REF	10	**CLOSE**

RECRUIT TO QUOTA. MUST CODE ONE OF 1 TO 7 TO CONTINUE

S3 And are you the person in the household most likely to take make decisions about getting credit?

Yes, main decision maker	1	**CONTINUE**
Yes, joint decision maker	2	**CONTINUE**
No, someone else makes the decisions	3	**ASK FOR REFERRAL**

S4 Do you have a partner?

Yes	1
No	2
Refused	3

SHOWCARD B

Q1 On this card are a list of things that some people are worried about. Please could you tell me which, if any, of them are problems in this neighbourhood.

Anti-social behaviour....1
Drugs....2
Unemployment....3
Lack of access to good housing....4
Inadequate transport facilities....5
Poor educational facilities....6
Poor health facilities....7
Lack of banking facilities....8
Lack of access to low cost, affordable credit....9
Lack of access to free debt advice....10
Unlicensed lenders....11
Not enough police in the area....12
None of these....13

Q2 Which one of the following best describes your own approach to borrowing money?
READ OUT. CODE ONE ANSWER ONLY
Never a good thing – I like to save up or pay cash....1
Occasionally necessary – for expensive but essential things....2
A convenient way of buying things, without having to wait or save....3
None of these (DO NOT READ OUT)....4

THERE IS NO Q3

HIGH COST CREDIT SECTION

READ OUT
I'm now going to ask some questions about possible sources of credit which are available to you.
ASK LOOK FOR EACH ITEM. ROTATE ORDER.

Q4 Are you, or is your partner, using [insert item] at the moment? **(CODES 1, 5, 6, 8: IF NECESSARY, EXPLAIN THAT THIS IS THE CASE IF THERE ARE ANY OUTSTANDING PAYMENTS. CODES 2, 3: IF SOLD ANYTHING WHICH THEY WANT TO BUY BACK OR REDEEM)**
ASK Q5 IF NO @ Q4

Q5 Have you or your partner used [insert item] in the past?
ASK Q6 IF NO @ Q4 AND NO @ Q5

Q6 Is [insert item] a type of credit you'd prefer not to use?
ASK Q7 IF NO @ Q4 AND NO @ Q5 AND YES @ Q6

Q7 Could you use [insert item] if you had to, that is, could you get that type of credit around here?

	Q4	**Q5**	**Q6**	**Q7**
1. Agency mail order or catalogue				
2. Buy back shop for example Cash converter				
3. Pawnbroker				
4. Pay day loan or cheque cashing service for example from a company such as Money Shop				
5. Hire Purchase from shops run by Brighthouse (formerly known as Crazy George's)				
6. Home credit – where an agent or collector calls at your home to collect repayments, from companies like Provident or Shopacheck				
7. A credit card from a provider that is not a bank, such as Capital One or Provident				
8. Money borrowed from an unlicensed lender				

ASK Q8 TO Q25 BASED ON CHOICES @ Q4. IF MORE THAN 5 ITEMS CHOSEN @ Q4, USE 5 CHOSEN AT RANDOM.

ASK Q8 TO Q14 IF CODES 4 (PAYDAY LOAN) 6 (HOME CREDIT) OR 8 (UNLICENSED LENDER) CHOSEN @ Q4

Q8 Thinking about [insert from Q4] do you, together with your partner if you have one, have more than one of this type of loan at the moment?

Yes ....

No..

Q9 What sorts of things have you borrowed money for in this way in the last twelve months?

DO NOT READ OUT. PROBE TO PRECODE

To pay bills e.g. gas, electricity, water etc..................................1
Food/ groceries 2
Children's clothes..3
Children's shoes..4
Children's toys / games etc 5
School expense (uniform, trips, sports equipment etc) 6
Adults' clothes 7
Adults' shoes...8
Home improvement..9
Car / motorbike..10
Holidays 11
Gifts e.g. Christmas, birthday...12
Furniture..13
Beds/ bedding 14
Kitchen electrical (white goods)– to replace a 15
broken or stolen item..16
Kitchen electrical (white goods) – to get better 17
Home entertainment (brown goods)– to replace
a broken or stolen item...18
Home entertainment (brown goods) – to get better 19
Car/ motorbike-related expenses – e.g. tax,
insurance, repairs...20
To pay back other loans or credit card bills
(loan consolidation) 21
Other (specify)

Q10 Thinking just about your most recent home credit loan, how much did you borrow?

DO NOT READ OUT

Enter amount £___________

DK .... Y

Q11 And, starting from when you took that loan out, over how long will you be paying that back? (Again, thinking about the most recent loan)

INTERVIEWER NOTE: THE TOTAL TERM OF THE LOAN

ENTER VALUE IN WEEKS OR MONTH, AS PRESENTED BY RESPONDENT

Enter weeks _____

Enter months ____

DK

REF

Q12 How much is each repayment you make? (Again thinking about the most recent loan)

Enter amount £__________
It varies
DK .... O

ASK IF HOME CREDIT (CODE 6) CODED @ Q4

Q13 Are those repayments collected from your home or you paying by direct debit?
Home collected 1
Direct debit 2
Other 3

Q14 Could you tell me why you decided to use [insert Q4] in that instance?
DO NOT READ OUT. PROBE TO PRECODE
Convenient 1
How I always do it 2
Low repayments 3
Weekly repayments 4
Cash repayments 5
Local / easy to get to / don't need to make special trip to
get there 6
Offered by lender 7
Other (specify)... 8

ASK Q15 TO Q19 FOR CREDIT CARD.

Q15 You've said that you or your partner holds a credit card or cards from a supplier that isn't a bank or building society. I'd like you to think just about the non-bank card and ignore, for the moment any cards you might have from a bank or building society. First, what sort of things have you paid for on these cards in the last 12 months?

DO NOT READ OUT. PROBE TO PRECODE

To pay bills e.g. gas, electricity, water etc....1
Food/ groceries....2
Children's clothes....3
Children's shoes....4
Children's toys / games etc....5
School expense (uniform, trips, sports equipment etc)....6
Adults' clothes....7
Adults' shoes....8
Home improvement....9
Car / motorbike....10
Holidays....11
Gifts e.g. Christmas, birthday....12
Furniture....13
Beds/ bedding....14
Kitchen electrical (white goods)– to replace a broken or stolen item....15
Kitchen electrical (white goods) – to get better....16
Home entertainment (brown goods)– to replace a broken or stolen item....17
Home entertainment (brown goods) – to get better....18
Car/ motorbike-related expenses – e.g. tax, insurance, repairs....19
To pay back other loans or credit card bills (loan consolidation)....20
Other (specify)....21

Q16 About how much do you spend on it in a typical month?

DO NOT READ OUT

Enter amount £__________

DK....Y

Q17 Which of the following statements best describes how you pay your credit card bill?

You always or usually pay the entire amount due......................1
You sometimes pay the entire amount due and sometimes pay less than the entire amount due 2
You generally pay more than half but less than the full amount 3
You generally pay more than the minimum required amount but less than half the full amount 4
You generally pay only the minimum amount 5
Don't know 6
Refused...7

Q18 Roughly how much outstanding balance do you have on your non-bank credit card(s) in total?

(Outstanding balance is any balance not paid off at the end of the month.)

SINGLE CODE

Enter amount £__________
DK .... Y

Q19 Could you tell me why you use your non-bank credit card?

DO NOT READ OUT. PROBE TO PRECODE

Convenient 1
How I always do it 2
Low repayments...3
Weekly repayments..4
Cash repayments 5
Local / easy to get to / don't need to make special trip to get there 6
Offered by lender 7
Other (specify)..8

ASK Q20 FOR MAIL ORDER/ HIRE PURCHASE FROM SHOPS (CODES 1 OR 5 @ Q4)

Q20 Thinking about your most recent [if code 1: catalogue purchase; if code 5:hire purchase from Brighthouse], what was it?

ASK Q21 FOR BUY BACK SHOP/ CASH CONVERTER/ PAWNBROKER (CODES 2 OR 3 @ Q4)

Q21 Thinking about the most recent time you used [if code 2: buy back shop e.g. Cash Converter; if code 3: pawnbroker], what did you use the money for?

DO NOT READ OUT. PROBE TO PRECODE

To pay bills e.g. gas, electricity, water etc....................................1
Food/ groceries 2
Children's clothes...3
Children's shoes..4
Children's toys / games etc 5
School expense (uniform, trips, sports equipment etc)...............6
Adults' clothes 7
Adults' shoes...8
Home improvement...9
Car / motorbike...10
Holidays 11
Gifts e.g. Christmas, birthday...12
Furniture...13
Beds/ bedding 14
Kitchen electrical (white goods)– to replace a broken or stolen item...15
Kitchen electrical (white goods) – to get better 16
Home entertainment (brown goods)– to replace a broken or stolen item...17
Home entertainment (brown goods) – to get better 18
Car/ motorbike-related expenses – e.g. tax, insurance, repairs...19
To pay back other loans or credit card bills (loan consolidation)..20
Other (specify)..21

ASK Q22 FOR MAIL ORDER/ HIRE PURCHASE FROM SHOPS (CODES 1 OR 5 @ Q4)

Q22 How much was the purchase?

ASK Q23 FOR BUY BACK SHOP/ CASH CONVERTER/ PAWNBROKER (CODES 2 OR 3 @ Q4)

Q23 How much money did they give you?

DO NOT READ OUT

Enter amount £__________
DK .... Y

ASK Q24 FOR BUY BACK SHOP/ CASH CONVERTER/ PAWNBROKER (CODES 2 OR 3 @ Q4)

Q24 In how many days, weeks or months, if at all, do you think you will buy back what you sold or pawned?
ENTER VALUE IN DAYS, WEEKS OR MONTH, AS PRESENTED BY RESPONDENT
Enter days _____
Enter weeks _____
Enter months ____
Won't buy back
DK
REF

ASK Q15A FOR MAIL ORDER/ HIRE PURCHASE FROM SHOPS (CODES 1 OR 5 @ Q4)
Q25 And are the repayments made weekly, monthly, or with some other frequency?
Weekly 1
Monthly..2
Other (specify)..3

ASK ALL UNLESS CODE NONE OF THESE @ Q4
Q25a Thinking now about all your borrowing from [insert any chosen @], how much does that come to in total? Again, this is all confidential.
Amount ___________

LOW COST CREDIT SECTION

Q26 I'm now going to read out a list of other possible sources of credit. Could you tell me which of the following, if any, you are using at the moment?
READ OUT
A credit card from a bank or building society 1
A loan from a bank or building society (NOT a mortgage) 2
An agreed overdraft facility on a bank account 3
Hire purchase, HP or easy terms from a shop
(not Brighthouse, Crazy George's)...4
Loan secured on a property, sometimes called a
homeowner loan..5
Store card(s) 6
None of these 9

Q27 Which of these, if any, have you used in the past?
READ OUT THOSE NOT CHOSEN @ Q16
A credit card from a bank or building society 1
A loan from a bank or building society (NOT a mortgage) 2
An agreed overdraft facility on a bank account 3
Hire purchase, HP or easy terms from a shop
(not Brighthouse, Crazy George's)... 4
Loan secured on a property, sometimes called a
homeowner loan.. 5
Store card(s) 6
None of these 9

Q28 And which, if any, would you consider using in the future?
A credit card from a bank or building society 1
A loan from a bank or building society (NOT a mortgage) 2
An agreed overdraft facility on a bank account 3
Hire purchase, HP or easy terms from a shop
(not Brighthouse, Crazy George's)... 4
Loan secured on a property, sometimes called a
homeowner loan.. 5
Store card(s) 6
None of these 9

USAGE OF MAINSTREAM CREDIT (NOT CU / SOCIAL FUND)

ASK IF NONE OF 1,2, 4 OR 5 CODED ACROSS Q26 AND Q27
Q29 You say that you have not used a bank credit card, a bank loan, hire purchase from a shop or a homeowner loan. Could you tell me why that is?

DO NOT READ OUT. PROBE TO PRECODES
Was refused credit or a credit product 1
Think they would refuse credit or a credit product 2
There isn't a bank near here 3
Need to make an extra journey to get to a bank 4
There are extra charges if you miss a payment 5
Not for people like me / they won't lend to people like me 6
Need to have a job / regular income 7
Credit problems in the past 8
They're not flexible 9
They don't lend small amounts 10
Could run up big debts with a credit card 11
Not eligible 12
Don't want to use/ would rather not use this form of credit 13
Don't have a bank account.. 14
Other (specify)... 15

ASK IF OVERDRAFT (CODE 3) NOT CODED AT EITHER Q26 OR Q27 BUT AT LEAST ONE OF 1, 2, 4 OR 5 CODED AT EITHER Q26 OR 27

Q29a You say that you have not used an agreed overdraft. Could you tell me why that is?

DO NOT READ OUT. PROBE TO PRECODE

Was refused credit or a credit product 1
Think they would refuse credit or a credit product 2
There isn't a bank near here 3
Need to make an extra journey to get to a bank 4
There are extra charges if you miss a payment 5
Not for people like me / they won't lend to people like me 6
Need to have a job / regular income 7
Credit problems in the past 8
They're not flexible 9
They don't lend small amounts 10
Could run up big debts with a credit card 11
Not eligible 12
Don't want to use/ would rather not use this form of credit 13
Don't have a bank account.. 14
Go overdrawn when need to, but never organised an agreed overdraft... 15
Other (specify).. 16

ASK ALL CODED CREDIT CARD @ Q26 OR Q27

Q30 What is the outstanding balance on your **bank** credit cards in total?
(Outstanding balance is any balance not paid off at the end of the month)
Again, this is all confidential.
Amount ___________

ASK ALL CODED STORECARD @ Q26 OR Q27

Q30a What is the outstanding balance on your store card(s) in total?
(Outstanding balance is any balance not paid off at the end of the month)
Again, this is all confidential.
Amount ___________

ASK ALL UNLESS CODE NONE OF THESE @ Q26

Q31 Thinking now about all your borrowing from [insert any chosen @ codes 1 to 5 @ Q26], how much does that come to in total? Again, this is all confidential.
Amount ___________

USAGE OF CU / SOCIAL FUND BORROWING

Q26b I'm now going to read out a list of other possible sources of credit. Could you tell me which of the following, if any, you are using at the moment?

READ OUT

Credit Union [**INSERT NAME OF LOCAL CU ETC**]....................1
Another Credit Union or not-for-profit (or non-commercial) community lending organisation (SPECIFY NAME)....................2
A social fund loan..3
None of these...4

Q27b Which of these, if any, have you used in the past?

READ OUT THOSE NOT CHOSEN @ Q26B

Credit Union [**INSERT NAME OF LOCAL CU ETC**]....................1
Another Credit Union or not-for-profit (or non-commercial) community lending organisation (SPECIFY NAME)....................2
A social fund loan..3
None of these...4

Q28b And which, if any, would you consider using in the future?

Credit Union [**INSERT NAME OF LOCAL CU ETC**]....................1
Another Credit Union or not-for-profit (or non-commercial) community lending organisation..2
A social fund loan..3
None of these...4

USAGE OF CU / SOCIAL FUND BORROWING

ASK Q26C IF CREDIT UNION (CODE 1) CODED @ Q26B

Q26c You say you are using [**INSERT NAME OF LOCAL CU ETC**]. How many loans do you have with them at the moment?

One 1
Two 2
Three or more 3

ASK IF CREDIT UNION (CODE 1) CODED @ Q26B <u>AND</u> CODES 2-3 @ Q26C

QV Thinking about ALL your current loans from [insert name of local credit union], how much did you borrow?

DO NOT READ OUT

Enter amount £__________
DK .... Y

ASK IF CREDIT UNION (CODE 1) CODED @ Q26B

QW Thinking just about your MOST RECENT loan from [insert name of local credit union], how much did you borrow?

DO NOT READ OUT

Enter amount £___________
DK .... Y

ASK IF CREDIT UNION (CODE 1) CODED @ Q26B

QX And, starting from when you took that loan out, over how long will you be paying that back? (Again, thinking about the most recent loan)
INTERVIEWER NOTE: THE TOTAL TERM OF THE LOAN
ENTER VALUE IN WEEKS OR MONTH, AS PRESENTED BY RESPONDENT
Enter weeks ______
Enter months _____
DK
REF

ASK IF CREDIT UNION (CODE 1) CODED @ Q26B

QY How much is each repayment you make? (Again thinking about the most recent loan)

Enter amount £___________
It varies
DK .... O

ASK IF CREDIT UNION (CODE 1) CODED @ Q26B

QZ And how do you repay the loan?
By cash or cheque at the credit union 1
Direct debit 2
Home collected 3
By sending a cheque
Other 4

ASK Q32A IF CREDIT UNION (CODE 1) CODED @ Q26B

Q32a Thinking now about ALL your loan or loans from [insert name of local credit union], what is the total outstanding amount you owe?
(Again, this is all confidential.)
INTERVIEWER: BY THIS WE MEAN THE TOTAL AMOUNT LEFT OWING/ TO PAY OFF
Local Credit union: Amount ____________

ASK Q26D IF ANOTHER CREDIT UNION (CODE 2) CODED @ Q26B

Q26d You say you are using a credit union or not for profit for profit lender that is not [**INSERT NAME OF LOCAL CU ETC**]. Could you tell me how many loans do you have with them at the moment?
One 1
Two 2
Three or more 3

ASK IF ANOTHER CREDIT UNION (CODE 2) CODED @ Q26B AND CODES 2-3 @ Q26D

QVii Thinking about ALL your current loans from that other credit union, how much did you borrow?

DO NOT READ OUT
Enter amount £__________
DK .... Y

ASK IF ANOTHER CREDIT UNION (CODE 2) CODED @ Q26B

QWii Thinking just about your MOST RECENT loan from that other credit union, how much did you borrow?

DO NOT READ OUT
Enter amount £__________
DK .... Y

ASK IF ANOTHER CREDIT UNION (CODE 2) CODED @ Q26B

QX And, starting from when you took that loan out, over how long will you be paying that back? (Again, thinking about the most recent loan)
INTERVIEWER NOTE: THE TOTAL TERM OF THE LOAN
ENTER VALUE IN WEEKS OR MONTH, AS PRESENTED BY RESPONDENT
Enter weeks _____
Enter months ____
DK
REF

ASK IF ANOTHER CREDIT UNION (CODE 2) CODED @ Q26B

QY How much is each repayment you make? (Again thinking about the most recent loan)

Enter amount £__________
It varies
DK .... O

ASK IF ANOTHER CREDIT UNION (CODE 2) CODED @ Q26B

QZ And how do you repay the loan?
By cash or cheque at the credit union 1
Direct debit 2
Home collected 3
By sending a cheque 4
Other 5

ASK Q32B IF ANOTHER CREDIT UNION (CODE 2) CODED @ Q26B

Q32b Thinking now about ALL your loan or loans from a credit union or community lending organisation [if code 1 coded @ q26 insert: "apart from local credit union name"], what is the total outstanding amount you owe?
(Again, this is all confidential.)
INTERVIEWER: BY THIS WE MEAN THE TOTAL AMOUNT LEFT OWING/ TO PAY OFF
Another Credit Union or not-for-profit (or non-commercial) community lending organisation:
Amount ___________

ASK Q32C IF SOCIAL FUND (CODE 3) CODED @ Q26B

Q32c Thinking now about your social fund loan what is the total amount you owe on this?
(Again, this is all confidential.)

Social fund loan: Amount ___________

ASK THOSE NOT CONSIDERING CREDIT UNIONS (CODE 1) @ Q28B

Q33 When I asked you about where you would look if you were borrowing money, you didn't include Credit Unions. Could you tell me why that is?
PROBE AND CODE BELOW

Never heard of them 1
None round here 2
Won't lend if you don't save 3
Won't lend small amounts 4
They're not very flexible; you can't pay back as and when you need to. 5
They want you to pay back monthly and you prefer weekly........6
They don't lend to people on benefits 7
They don't lend to people who have poor credit rating 8
They are not welcoming 9
It's just easier to borrow from somewhere else....................10
It's just run by ordinary people, not professionals 11
Worry about extra charges....................12
It's not something I would normally do 13
Don't have a bank account....................14
Refused a loan by them in the past....................15
Other (specify)....................16

ASK IF CREDIT UNION (1) CODED @ Q26B (CURRENTLY BORROWING FROM)

Q34 You mentioned earlier that you currently have a loan from [INSERT NAME OF CU]? Could I check when you took that loan out?
Month / year

ASK IF CREDIT UNION (1) CODED @ Q26B (CURRENTLY BORROWING FROM)

Q35 Which of the following best describes that loan?

READ OUT

When you took it out, it was the only type of credit you had. 1
This was new credit in addition to other loans or types of credit you hold elsewhere 2

ASK IF Q35 CODED 2

Q36 And did you use some or all of the money you borrowed to pay off one or more other loans or types of credit you held elsewhere

Yes 1
No......2

ASK IF CREDIT UNION (1) CODED @ Q26B (CURRENTLY BORROWING FROM)

Q37 When did you join [insert name of credit union]?

At the time you took that loan out......1
Before you took that loan out 2
Since taking the loan out......3
Have not joined 4

SKIP Q38 AND Q39 IF SAMPLE POINT IS A CDFI

ASK IF CREDIT UNION (1) CODED @ Q26B (CURRENTLY BORROWING FROM)

Q38 Are you also saving at [**INSERT NAME OF CU**]?

Yes 1
No......2

IF YES @ Q38

Q39 And did you start saving before you got the loan, at about the same time as you got the loan or since you got the loan?

Before......1
Same time 2
Since 3

ASK IF CURRENTLY HAVE OR HAVE HAD IN THE PAST A LOAN AT A CU / CDFI (Q26B=1 OR 2 OR Q27B=1 OR 2)

Q39b Did you have a current account, that is a bank account used for day-to-day money management, when you first used the credit union or CDFI?

Yes had one already 1
No, but opened one since 2
No, don’t have one 3
Don’t know 4

IF NO @ Q38

Q40 How likely are you to start saving with [INSERT NAME OF CU] in the future?

Very likely 1
Likely 2
Unlikely 3
Very unlikely 4
Don't know 5

ASK ALL UNLESS CODE NONE OF THESE @ Q4 Q26 AND Q26B

Q41 Thinking now about how easy or difficult it is to make the repayments on your borrowing, including [insert any chosen @ Q4 and codes 1 to 7 @ Q26], a, which of the following is the best description?

READ OUT

I am keeping up with all credit commitments without any difficulties 1
I am keeping up with all credit commitments, but it is a struggle from time to time 2
I am keeping up with all credit commitments, but it is a constant struggle 3
I am falling behind with some credit commitments 4
I am having real financial problems and have fallen behind with many credit commitments 5

ASK ALL

Q42 As I'm sure you know, some lenders charge more for borrowing than others. Going back to the list we had earlier of different kinds of lenders, could you say for each whether you think their charges are high, are low or are somewhere in the middle.

	High	Middle	Low	Don't know
Agency mail order or catalogue	1	2	3	4
Buy back shop for example Cash converter	1	2	3	4
Pawnbroker	1	2	3	4
Pay day loan or cheque cashing service for example from a company such as Money Shop	1	2	3	4
Hire Purchase from shops run by Brighthouse (formerly known as Crazy George's)	1	2	3	4
Home credit – where an agent or collector calls at your home to collect repayments, from companies like Provident or Shopacheck	1	2	3	4
A credit card from a bank	1	2	3	4
A credit card from a provider that is not a bank, such as Capital One or Provident	1	2	3	4
Money borrowed from an unlicensed lender	1	2	3	4
Credit Union [**INSERT NAME OF LOCAL CU ETC]**	1	2	3	4
A loan from a bank	1	2	3	4
A loan secured on your property, sometimes called a Homeowner loan				
An agreed overdraft on a bank account	1	2	3	4
Going overdrawn, without arranging it with the bank first	1	2	3	4

ASK ALL

Q43 Do you or does your partner have a bank or building society account that is used for day-to-day money management, for example, to pay bills or access cash. Please do not include Post Office Card Accounts or business bank accounts

Yes 1
No...2
Don't know 3
Refused 4

Q44 And, do you or your partner have a savings account?

Interviewer add if necessary: By savings account we mean an account which is used for cash savings, and a higher rate of interest is usually paid than on a current account. It does not offer a cheque book, nor can be used for direct debits or standing orders.

Yes 1
No...2
Don't know 3
Refused 4

Q45 Are you the main income earner in the house, counting both wages and any benefits you receive?

Yes – main income earner 1
Joint main..2
Someone else is main earner 3
Don't know 4

Q46 Thinking about how often money comes into your household, does that tend to be daily, weekly, monthly or some other way?

Daily 1
Weekly 2
Fortnightly 3
Monthly..4
It varies..5
Other (specify)

Q47 In the past 12 months, how often have you or your partner run out of money before the end of the week or the month?

IF NECESSARY, ADD: Please include any times when you have run out of money and used your credit card or overdraft to get by. Would you say it was…

READ OUT. SINGLE CODE

Always...1
Most of the time...2
Sometimes 3
Hardly ever..4
Never...5
Too hard to say/varied too much to say (**DO NOT READ OUT**).6

I'd just like to ask you some questions which will help us analyse the results of the survey

ASK ALL

C1 Are you?

READ OUT. SINGLE CODE

Married, in a civil partnership or cohabiting..............................1
Single 2
Widowed 3
Separated / divorced 4
Refused 5

ASK ALL

C2 How many adults live in this household, that is people aged 16 or over?

C3 And how many children, that is anyone 15 or younger?

1
2
3
4
5
6
7
8
9
10
More than 10

ASK ALL

C4 And are you …?

READ OUT

Unemployed 1
Self-Employed 2
Working part-time 3
Working full-time 4
A student 5
Retired... 6
Unable to work though disability or long term illness 7
Other (specify)... 8

C5 I'd like to get an idea of your total household income after tax or other deductions? Please include any earnings, benefits, tax credits, maintenance that anyone in the household receives.

`Which would be easiest for you, to estimate your weekly, fortnightly, monthly or annual household income?

Weekly £_____.__
Fortnightly £_____.__
Monthly £_____.__
Annual £_____.__

SHOWCARD C

C6 Which ethnic origin do you consider you belong to?

READ OUT

White British 1
White Irish 2
White other 3
Mixed white and black Caribbean 4
Mixed white and Asian 5
Mixed white and other background 6
Asian or Asian British Indian 7
Asian or Asian British Pakistani 8
Asian or Asian British Bangladeshi 9
Asian or Asian British Other background 10
Black or black British Caribbean 11
Black or black British African 12
Black or black British other background 13
Chinese 14
Romany / Gypsy / Traveller 15
Any other ethnic group (specify) 16
Refused 17

C7 Which of the following best describes your home?

You own it outright 1
You are buying it, for example on a mortgage 2
Shared ownership 3
Rented from the council or a housing association 4
Rented from a private landlord 5
You live there rent free 6
A hostel 7
You are homeless 8
Other (specify) 9

CODE GENDER

Male 1
Female 2
