

Project Credit Agreement
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Introduction

1 Background

- A Task Force tackling over-indebtedness was launched in October 2000.
- The Task Force aims to ensure consumers are better informed and protected when applying for credit. To this end a working group of representatives from consumer groups, the credit industry & trade associations has been considering what key 'prior information' should be clearly visible to consumers on credit agreement forms i.e. the forms consumers have to sign to take out a loan. This involves redesigning the layout of credit agreement forms to try to accommodate the prior information, and to make them clearer and easier to read and understand.
- A need for qualitative research was identified to evaluate consumer response to the proposed changes to credit agreement forms. Carne Martin, a specialist qualitative agency, were invited to conduct this research & this document details their findings.

2 Research Objectives

- The overall objective of the research was to evaluate consumer reactions to 2 candidate agreement forms (a Fixed rate agreement: Personal Loan form and a Variable rate agreement: Store card form) and to the 2 respective existing credit agreement forms, and to provide guidance for development.

 - Specifically the research aimed to evaluate consumer reactions to the candidate Personal loan & Store card forms in terms of...
 - Amount of information provided
 - Ease of use
 - Comprehension
 - Layout, design etc
- ... and to compare the candidate forms with the existing forms to understand the strengths and weaknesses of each and what, if anything, the new forms could learn from the old.

3 Method & sample

3.1 Method

- Mini-group discussions, containing 6 people per group, were the chosen methodology for this research. The benefit of the mini-group discussion (as opposed to a standard group discussion with 8 respondents) is that it is a more intimate forum, allowing for more individual feedback, whilst at the same time remaining interactive, ensuring that the research benefits from the cross-fertilisation of ideas that can occur within a group. The mini-group structure was felt to be particularly important here given the detailed nature of the research subject: it would allow more time to discuss the points of detail.
- The candidate agreement forms and current forms were all pre-placed with respondents before the group discussions. This was to allow respondents to take time to consider the forms before they came to the groups and develop their opinions of them.

3.2 Sample

- In designing the sample, we took into account those variables most likely to influence differences in attitude in an attempt to make the groups as homogenous as possible and thus enhance the group dynamic.
- The key differences were thought to be as follows:
 - **Age: 18 - 30 Vs 30 - 49 Vs 50+**
 - Previous research (*Cf Key Questions*) showed a difference across ages in terms of attitudes to debt/credit. It was therefore felt that groups split by age would be practical for this research.
 - **Sex: Male Vs Female**
 - Single sex groups tend to be more productive than mixed groups.
 - **Region: North Vs Midlands Vs South**
 - Though the sample was not large enough to tease out any real differences according to region, nonetheless it was felt to be important to achieve a certain regional coverage, so that the findings were not biased towards any particular region.
 - **Socio-economic grouping: (B)C1 Vs C2 Vs DE**
 - Given the potential differences in circumstances and attitudes across the sample, it was felt that the groups should be split according to SEG.
 - **Whether or not they had experienced a loan before**
 - The research aimed to understand any differences in expectations & comprehension between those who had experienced loans (& therefore loan agreements) in the past & those who had not

- Those who had experience of a loan were recruited as having taken out a loan in the past year so that they would have some recollection of the forms they completed when taking it out.
 - Those who had never had a loan were recruited as being interested in taking out a loan (rather than loan-rejecters) and had never been rejected for a loan.
- Across the different groups, all the respondents were recruited as decision makers in terms of finances and were non rejecters of credit (e.g. loans, credit cards, store cards etc).
 - This gave rise to the following sample structure:

Group	SEG	Experience of loan	Life stage	Sex	Region
1	(B)C1	Yes	18-30	M	North
2	(B)C1	No	31-50	F	South
3	C2	No	50+	F	North
4	C2	Yes	31-50	M	Midlands
5	DE	No	18-30	F	Midlands
6	DE	Yes	50+	M	South

The findings

1 Context & Overview

1.1 Context

- There was some evidence of a difference in attitudes according to age. The older groups (30+) tended to evince a slightly more careful attitude towards credit agreement forms, for example they often commented on the importance of the *information* on the forms. They also admitted that they tried to be careful where money was concerned and consequently where dealing with this type of financial contract. This age group were often aware that there are potentially loopholes with financial contracts and there was evidence that they want to be sure of what they are signing before they go ahead.

'It reminds you of that saying: always read the small print!'

[Female, C2, 50+, North]

- By contrast the younger respondents (<30) were typically less considered when approaching forms and more convenience-driven. Here there was evidence that time was of the essence: they often felt that once they had made their decision to accept the credit (e.g. loan, store card etc) they just wanted to be able to fill in the form quickly and easily. This was particularly true in the case of the Store card where they could perceive that this was a relatively small purchase for them, and as such was no big deal! They also felt that ease of filling in became a prime concern given the busy, often pressurised shopping environment – when they would be filling in a Store card form.
- The younger groups were also typically slightly less wary of the potential loopholes with financial contracts, which tended to support the findings of the earlier *Key Questions* research. We would suggest that perhaps this attitude was more marked among those who had not experienced problems with financial

contracts before. At the extreme, the younger groups could suggest that all they felt they needed to know before signing was the APR.

'If you know your APR you know whether you can afford the payments'

[Male, 18-30, BC1, North]

- Beyond this difference in attitude according to age, a difference also emerged according to experience. Those who had experienced a loan in the past tended to be slightly more aware of what to expect from the agreement form e.g. they expected a section on Personal Information. As a result they *could* have a slightly blasé attitude towards some of the information given on the forms, assuming this information would always be the same with any type of credit agreement. These respondents were therefore less likely to read all the information carefully.

'We all know they credit check you...that's nothing new is it?'

[Men, 30-49, C2, Midlands]

- There was also some sense with those who had experience that they had expectations of what a credit agreement form *should* look like: their key concern being that it is clear and easy to fill in. As a result they could give little consideration to the information provided: in their experience this has often been provided only in the small print and they could therefore assume it was unimportant.
- By contrast those with no previous loan experience tended to study the agreement forms slightly more carefully in the research. They were less sure of exactly *how* a loan might work in practice and because of their comparative lack of confidence they had greater potential to be confused by the forms, especially the financial sections. Therefore these people tended to prefer the information to be as simple and easy to read as possible.
- However, despite the differences in attitude according to age and experience, in reality there was evidence that all can fall

prey to the temptations of credit: the emotional desire for the money or the product could overcome rational concerns regarding the details of the loan or credit agreement and as a result respondents could admit that they may overlook the detail if they were actually in this situation. This evidence supports the rationale for improving the forms: to arm consumers better *before* they sign and potentially to induce greater caution.

- To summarise we would suggest that the key challenge is to make the agreement forms as likely to be read as possible by the different targets: both the more blasé, convenience-driven target and the more wary, less experienced and potentially confused target. With this in mind it appears relevant to try to engage interest in the forms from the beginning through the middle to the end – as the more blasé appear to be in danger of *selectively* reading sections (e.g. ignoring the information and going straight to the financial details) whereas the ideal is that they work their way *through* the form, even if they don't read the Terms & Conditions. At the same time it appears important not to overawe the more wary and to perhaps *guide* them through the form.
- To achieve the above it would appear that the optimum form would meet several criteria: first it would engage interest at the top of the form and provide a logical conclusion at the end. Secondly it would be as clean and structured as possible to look at i.e. it would give the consumer direction and be easy and straightforward to read and fill in. Finally it would provide clear information where required - but in brief. Otherwise the more blasé might skip over dense information, assuming they know it already whilst the less experienced might be overwhelmed and confused where the information was too dense.

1.2 Overview

- Obviously the candidate forms are a work in progress and as such their visual formatting is inferior to that of the current examples used in the research. This did have substantial impact on spontaneous reactions to the different forms. Respondents could find the candidate forms lacking, feeling that the areas to be filled in were not clearly marked and the forms provided nothing in the way of directional pointers (e.g. numbers showing where to go next). The candidate forms could also be criticised for lacking clear headings. In fact some could be very dismissive of the format, perceiving the new forms to be unprofessional, or even *'thrown together'*. They could feel that no consideration had been given to making it easy for consumers to fill the forms in.
- The most negative reactions tended to be among the more convenience-driven who often had experience of loans already and could assume that they were aware of all the relevant information. Therefore their key concern tended to be the ease and speed with which they could fill the forms in.
- To summarise we would suggest that there was clear evidence from the research that the candidate forms could benefit from clearer formatting: they were not felt to look as professional as the current forms, and respondents could feel that they were less 'legal' looking i.e. less serious or reputable. Further they were often thought to be comparatively difficult to fill in with consumers feeling that they might miss something out when completing them. There were also some issues with the ordering of the different sections within the forms, which will be discussed later.
- However there were some spontaneous positive reactions to the new forms based on the following: first the information provided was perceived to be relatively easy to read. Secondly some felt that the overall appearance of the forms was quite straightforward and thirdly the font size was felt to be far better

than the current examples.

- The most positive spontaneous reactions come from those with no experience of loans. They tended to have no expectations of what the forms should look like and they were often positively surprised by what they felt was quite an 'up front' style. They welcomed the obvious attempt to warn them of potential loopholes rather than hiding them away in the small print.
- Interestingly, on discussion, *many* felt that the candidate forms better equip the consumer with the information they need. They felt that they provided relevant information that consumers need to know before signing this kind of financial contract. As a result they were confident that they would know what they were doing in practise e.g. what they would end up paying. The style of the forms, giving the information first, and then providing the section for filling in the consumers' details was endorsed as a result.
- And many felt that providing clear information before requiring consumers to fill out their details was particularly important given the *circumstances* in which such forms might be filled out. For example for the Store card the consumer would more than likely be in a busy shop, and would want to fill out the form quickly. They might therefore feel slightly under pressure. On top of this the emotional pull for the purchase can be very strong and consumers could admit that they need something to bring them down to earth. Therefore the provision of brief, easy-to-assimilate information could be very welcome.
- In all, on examination many endorsed the aim to give clearer information to consumers, briefly and clearly signposting particular areas in the Terms & Conditions rather than providing too much information on the front page, which would be overwhelming.

2 Detailed findings

2.1 Store Card

2.1.1 Candidate Form: Strengths

- Many endorsed the basic structure of the form, with the information to be read running down the left side, and the section to be completed with consumer details on the right. They felt that it is natural to read from left to right and that they might actually read the information provided before committing their details and signing if the forms were laid out in this way. They also felt that this layout gives the consumer greater opportunity to assimilate the important information as they are progressing through the form and make a judgment as to whether or not they want to go ahead. By contrast with this they often reported previous experience of filling in their personal information first, and they suggested that in this case they could feel half-committed to the agreement before they actually knew the details involved.
- Many also endorsed the *Key Information* section up front, perceiving the information provided there to be highly relevant - what they need to know in the circumstances e.g. what the APR is and the fact that this is variable, the payment terms involved and what their credit limit would be. They thought that this information provided easily accessible answers to the questions they would be asking themselves at the time.
- Beyond this respondents often felt that the *Key Information* explains *how the agreement would work* in practice, with the result that they knew their account would be subject to APR and that the credit company could vary this APR. They also

knew that they would receive statements informing them of their balance and that their credit limit would be determined by the credit company. As a result they tended to feel that the agreement was relatively straightforward and that they would know what they were doing from the start. The font size was also felt to contribute to the feeling that the agreement form was straightforward, with the *Key Information* importantly being easy to read. This gave many the sense that the form was not trying to hide anything.

- Within the *Key Information*, there was support for the up-front statement of the interest rate, on the grounds that it gives the consumer an idea of whether the credit is good value or not and allows him or her to work out whether it is affordable. That said there was some confusion in the groups as to how much the rate could vary, and we suggest that consumers would welcome clarification here, where possible.
- The warning about *Additional charges* was also endorsed, with many finding this surprising: they felt that they wouldn't necessarily stop to think about any other charges that might be incurred and therefore they felt it was useful to be warned about these before signing. Here some supported the signposting to the appropriate clause in the Terms & Conditions, on the grounds that it briefly draws the attention to the possible charges on the front without going into detail - which could be off-putting when filling the form in. It also obviated the need to trawl through the entire Terms & Conditions to find the relevant section – consumers felt they knew where to look if they wanted to learn more. And in practice some did turn over and read the relevant clause in the Conditions, though others did not. Here though they did tend to acknowledge that they had 'been warned' and admitted that in practice they would have only themselves to blame if they were caught out by the extra charges.
- Some endorsed the fact that 'No right to cancel' is stated very clearly at the top of the form, and in the *Key Information* section. They felt that this is something they would need to know in advance of signing and for some there was evidence

that it could put them off the Store card altogether. Certainly it was something that respondents felt the need to know about before progressing.

- However, though they endorsed the very explicit warning that this agreement could not be cancelled, most questioned why they would have no right. They often felt unsure as to quite what 'no right to cancel' means, assuming that they could simply stop using their card or cut it up if they did not want to use it any more. Further many felt that the 'no right to cancel' statement seemed to be contradicted in the Terms & Conditions (*Closure of Account Section*) – although most were not generally reading the Terms & Conditions many had checked this point specifically in an attempt to find out why they had no right to cancel. Therefore we would suggest that consumers require more explanation on the front of the form about what 'no right to cancel' means.

2.1.2 Candidate form: Weaknesses

- The key barrier seemed to be the perceived difficulty of *filling in* the form, with many feeling that there was *not enough space* for writing their personal details. Here they assumed they would have to fill the form in very carefully and in small script, which they suggested would not always be convenient in a busy store environment. Further the lack of space could leave them feeling confused and not quite sure what to write where. This confusion could be exacerbated by the perceived illogical flow of the information required i.e. they were asked to give their present address, then their previous address, and then their current contact numbers. There was indication that greater use of headings could help make the form clearer, for example use of bolder headings in the consumer details section might give them a better sense of direction and reduce confusion.
- There was also evidence that the signature space could be improved. Most of the respondents expected to find this bottom right on the forms and as a result they could be confused by its current position on the left. This was felt to be particularly the case given most of the left side is information to be read and the right side of the form is the section to fill in. Many also suggested they would prefer the signature space to be boxed, as this would make it more eye-catching and they felt they would be less likely to miss it. We also suggest that positioning the signature space bottom right, as well as reducing confusion, might help to give a more logical 'end' to the form and perhaps draw the consumer through the forms slightly better, rather than allowing them to stop reading halfway through (a risk at present).
- In terms of the information provided, the more convenience-driven could suggest that there was too much to read, finding the weight of information up front off-putting. Here the overriding concern was to be able to fill the form in quickly and where faced with information they had a tendency to overlook it.

'A lot of people are only concerned about what they're going to be paying every month [Male, BC1, 18-30, North]

- The section on *'Your personal information...'* was slightly disjointed from the rest of the form and consequently respondents often did not read it. The disinclination to read this section seemed to be exacerbated by the fact that it is currently positioned *after* the signature space, so in practise, respondents suggested, they may have already signed up to the agreement before even considering this section. Interestingly many claimed that this section was quite important to them, because they felt that if they did not notice it and fill it in properly then they might end up receiving junk mail and sales calls. Therefore they argued that this section should be positioned before the signature space to make them more likely to consider it before signing.

- However, despite claiming that this section was important, in practise few had read it carefully before the groups and they had certainly not referred to the more detailed explanation on the back. In fact most missed the signposting to the Terms & Conditions completely. They also seemed to miss the reference to credit checking, and could assume that this section was just about junk mail and sales calls etc. Therefore we would suggest revisiting this section to make it clearer to consumers that there are 2 issues at play: first that they will be credit checked and that these details will be stored and may be passed on, and secondly that they may be contacted by this credit company or other companies with added sales. We would also suggest that this section could be made more obviously part of the 'middle' of the form – before the signature 'end', and in that way it may be less likely to be overlooked.

2.1.3 Current form: Weaknesses

- Where responses were negative, this was often based on the font size, which was perceived by many to be simply illegible, particularly in the information section at the bottom of the form. Many felt that the excessively small print suggested that the form must be trying to hide something e.g. the APR

'It needs to be more prominent...you really have to look for it'
[Female, DE, 18-30, Midlands]

- Further, the fact that the small print information is quite dense could also put people off. They often seemed to be overwhelmed and did not even *try* to read it as a result. And on comparison with the new agreement, the lack of *up-front* information was often remarked on, with people feeling that the old form seemed less *honest* than the new one. Consequently respondents felt that they could be less well equipped with the right information before signing in the case of the old agreement.

2.1.4 Current form: Strengths

- However some, typically the more convenience-driven, endorsed the existing form as being easier to fill in than the new agreement, feeling that it had been designed to *help you fill it in* and that it would be quick and convenient to complete. There was also support for the numbered headings, which were felt to be directional – respondents felt they would know which section to go to next.
- This form was also endorsed for having more space, which facilitates reading and navigation of it. The use of boxes to fill in made them feel confident that they wouldn't miss anything out if they were completing it. And many respondents claimed this form had a more professional look overall, owing to its clear formatting. However there was some sense that they were inclined to endorse this style because it fitted with what they were used to seeing on agreement forms.
- The 3 eligibility questions at the top of this form were endorsed as it was thought they might save the embarrassment of filling out the form and then finding that you were not eligible afterwards. These are also potentially a good way of engaging interest at beginning of form – as they require answers from the consumers themselves, without asking them to commit their personal details.
- Finally, there was also support for the store and account details at the very top of the existing form. These details were felt to be what you would need in practise e.g. if you lost your account card etc.

2.1.5 Implications

- We would recommend go-ahead with the *Key Information* section up front, as this arms consumers with the information they feel they need.
- We would suggest considering ways of making the consumer details section clearer and easier to fill in, potentially by using clearer, bolder headings to break up the different sections. Numbered headings might also serve to give more direction for consumers and help them to navigate their way through the forms easier. Boxes for them to fill in would also help here, providing slightly more structure for this section and giving consumers the confidence that they are not missing anything out. Where possible we would also suggest aiming for greater space around the different sections to make the form as easy on the eye as possible.
- In terms of the signature space, we would suggest moving this to the bottom right where they expect it to be and considering boxing it (as well as keeping the bold type) to draw attention to it. This may help to make it a more obvious 'end' to the form.
- We would also recommend revisiting the '*Your personal information...*' section to ensure that consumers understand the different issues at play. We would suggest including this section before the signature space and keeping the information as brief but as clear as possible. Clearer signposting to the relevant clauses in the Terms & Conditions might make people more likely to turn over and read it and it may be worth highlighting this section on the back of the form in order to make it more obvious e.g. putting it in a box (as with the Personal loan forms) or using bold type.
- Finally it may be worth considering creating a more obvious 'beginning' to the form to try to catch their interest from the start e.g. including eligibility questions such as are on the current Store card form.

2.2 Personal Loan

2.2.1 Candidate form: Strengths

- Some found the candidate agreement easy on the eye, as each section is clearly boxed off, and as such allows the reader to take in each bit separately. This was felt to be particularly helpful compared to the existing form, which could be perceived as lacking structure and providing little guidance for the eye.
- As with the Store card, many endorsed the *Key Information* up front, perceiving the information provided to be very relevant if they were considering a loan: they felt it would be highly useful to be informed of it at the beginning. And in fact many suggested that it was *more* important to read the *Key Information* with a Personal loan than with a Store card because there would very likely be more money at stake and they would therefore need to be more careful about the contract involved. The actual information provided was often supported for pointing out potential loopholes in the loan i.e. areas where they might be 'caught out' ordinarily if they didn't read the Terms & Conditions (e.g. Additional Charges section). This was felt to be in contrast with their experience of forms currently: these were often felt to hide away potential loopholes in the small print rather than warning consumers about them at the start.

'Its helping you out...you wouldn't normally expect them to tell you that you might have a claim!'

[Female, C2, 50+, North]

- As well as endorsing *what* information they were given, many also supported the *level of information* provided at this stage. They felt the form told them everything they needed to know but *in brief* rather than giving too much detail on the front of the

form, which could be overwhelming. To this end, some endorsed the use of signposting e.g. see clause X, as they felt it warned them that there are certain sections of the Terms & Conditions that they should read whilst keeping the facts on the front of the form as bare and as accessible as possible. Others, though, admitted that they would not actually refer to the Terms & Conditions although they had been pointed in that direction. They felt that this was simply too much effort and could assume that the Terms are always the same whatever form they appear on and that they probably knew all the key information through previous experience. In fact some admitted that all they really want to know is whether they can afford the monthly repayments.

- The use of bold type in the *Key Information* section was endorsed as providing guidance for the eye. It also serves to emphasise that this is an important section and therefore encourages reading.
- Overall comprehension of how the loan would work was good, with respondents being aware that they would make monthly payments and that the APR would be fixed. They also knew that they could take out PPI if they wished. Some found the '*Your Payments*' section particularly helpful: they felt the heading clearly signposts that this is the information about what you pay and when and the section also includes a reminder to the consumer that they must pay on time.
- The '*Personal Information*' section was found to be relatively successful here, compared with both Store card forms and the existing Personal loan form. It was perceived to look briefer and slightly clearer and so was felt to be less demanding on the reader. As a result the respondents were more likely to read it. That said, they still missed the signposting to the detail in the Terms & Conditions and we would suggest that more direct signposting (e.g. See Clause X) as used elsewhere would be clearer.
- The right to cancel was felt to be clear up front, in bold in the heading and in the *Key Information* section. However

respondents typically wanted more detail about their rights of cancellation at this stage, e.g. *exactly* how long they would have to cancel (how many days) as well as *how* they should go about cancelling if they wanted to. There was, however, a mixed response to the potential methods of distributing the cancellation rights information. Some preferred to have this information somewhere on the credit agreement form itself, perceiving that they would not use or read a separate leaflet as this would be too much hassle. Others claimed to prefer to be given a separate leaflet explaining their right to cancel, on the grounds that they could take this home and keep it to refer to if necessary. Though views differed here, most rejected the idea of receiving information about their right to cancel through the post, fearing that it might get lost in the post or that the cancellation period could be up before they actually received the information. Overall they felt that this method would be too risky.

2.2.2 Candidate Form: Weaknesses

- The key barrier of the candidate form was perceived to be the ordering of the different sections within it. In particular many seemed to be confused by the position of the signature box in the middle of the form. Some rationalised this as asking the consumer to sign to say they agree to the information that they have just read. The majority, though, could see no reason for it and simply felt that they might miss the signature box if they were filling out the form. In fact many admitted that they had mistaken the PPI box for the signature box owing to its position at the bottom right on the form – in reality they thought they may have signed for PPI thinking that they were signing the overall contract. We would suggest moving the signature box to the bottom right of the form to avoid this confusion and also to create a more obvious ‘end’ to the form.

- A second criticism on how the form was ordered was that the information sections (*Key Information* and *Your personal information*) were split. Across the sample respondents tended to prefer all the information to be read to be grouped together and all the sections to be filled in (including the signature box) to be grouped together. This layout was perceived as more user-friendly, being easier to follow and resulting in less risk of the consumer missing things out. There was also call for all the financial information to be presented in one column i.e. *Your Payments* directly underneath *Financial Details* on the grounds that figures are easier to read and understand if they are presented in one column.

‘That’s what you’re taught at school...you’re used to seeing all your figures underneath each other’

[Male, C2, 30-49, Midlands]

- Finally most suggested they would prefer boxes to fill in for the personal details section as they found it easier to write in boxes rather than freehand. Boxes would also enable them to check that they have filled in all their details.

2.2.3 Current form: Weaknesses

- Some found the appearance of the current form off-putting, because they felt it gave no directional guidance, e.g. no use of bold type and headings etc. As a result the form could appear to have little structure and respondents could be unsure which section to go to first. Further there was a sense that the information on the form is too densely presented, with no guidance for eye as to what is the most important information e.g. APR. Consumers could feel there was just too much to read and understand; many had not actually read the information before the groups but had just skimmed it.
- However despite the fact that the form could *look* off-putting, most people were aware of how the loan would work in practise, though here there was a sense that they had worked it out from the *Financial Details* box rather than the terms of the loan actually being explained anywhere on the form.

2.2.4 Current form: Strengths

- Where the current form received a positive response, this was mostly based on the perception that it was easy to fill out. There was a clear area for personal details at the top of the form and all the areas to be filled in were clearly marked with lines or boxes.
- Beyond this though, there was some support for all the financial information being grouped together in one column along with a description of the goods. Many assumed it would be easy to read this section if the figures were inserted and felt they would understand what they were paying. However some felt the financial details section appeared too complex – and found the references to a, b, c etc reminiscent of algebra!
- Some endorsed the inclusion of the cancellation slip on the actual form, suggesting that this was quite reassuring – it was felt to make the cancellation process very straightforward – the consumer can simply cut out the ‘coupon’ and send it in if they want to cancel.

2.2.5 Implications

- We suggest go-ahead with the *Key Information* section up front as this was felt to point out the potential loopholes to the consumer in brief and was easy to understand.
- However we would recommend considering a more uniform structure to assist the reader in his or her navigation of the form e.g. grouping all the information areas together (keeping the information as brief as possible to avoid overwhelming) and all the areas to be completed together. We would also recommend presenting all the financial details in one column, perhaps making it easier for the consumer to identify what they should be paying and 'check' that the sums tally.
- Further we suggest moving the position of the signature box, potentially to the bottom right where consumers seem to expect it. This would avoid confusion and perhaps provide a more obvious 'end' to the form.
- To assist the consumer with their completion of the form we suggest using boxes or lines to highlight the areas to be completed: most suggested it would be easier to write in boxes than free hand, and they would be able to check that they hadn't missed anything.
- The Personal Information section was slightly more successful here than on the other forms owing to its relative brevity. However we suggest that use of more basic signposting (e.g. See Clause X) might be more effective, and this section would be more likely to be read if it could be condensed even further.

2.3 Specific Questions

2.3.1 Signature box

The research was asked to evaluate 2 options for the 'signature box' statement. These were:

'This is a Credit Agreement regulated by the Consumer Credit Act 1974' (currently used)

... and ...

'Important – this is a legal agreement' (new version)

- *'This is a Credit Agreement regulated by the Consumer Credit Act 1974'* meant little to respondents in practical terms. At best some assumed that as consumers they would have some rights under this Act, on the grounds that it was a 'Consumer' Act. But for others the understanding was more basic than this, and they simply assumed the statement meant that the agreement was a legal document.
- However despite this apparent lack of practical meaning, the statement seemed to carry some weight with consumers. Most felt some sort of reassurance from it, though they often couldn't articulate why. There was a sense that the statement sounds very legal and as such has the effect of reminding them that they are about to sign a serious legal document. On examination, some also suggested they would potentially have something to refer to (i.e. Consumer Act 1974) if they ever had a real problem with their contract.
- The other potential statement researched (*Important – this is a legal agreement*) was less successful overall. Though it was felt to be more straightforward and respondents understood what it meant, it was somehow felt to be less binding for many

- and therefore it did not prompt in them the same amount of caution before signing. That said, many did like the reminder here to read the *Key Information* before signing.

2.3.2 Payment Protection Insurance

The research was asked to evaluate whether...

- **The 2 candidate forms made clear that PPI is optional**
 - **Consumers would prefer to *sign* to accept PPI or to tick a box to accept it (or both)**
- All the respondents were aware that on both the new forms, Payment Protection Insurance is optional. However the Personal Loan format was felt to make this slightly clearer. This was because here the PPI section was presented in a separate box which clearly signposts that this is a different section that they need to address. Further it very clearly states **OPTIONAL** in the heading for the section and also asks the consumer directly whether he or she wants insurance. The Store card format on the other hand was generally found to be slightly less clear: it doesn't appear in a separate box and so is less obviously signposted. Further the communication of 'optional' is more roundabout: it uses the statement '*only sign this box if you require Account Cover*', but this is in the body of the section rather than in the heading and the print is smaller and less bold than on the Personal Loan form.
 - In terms of how to indicate that they want PPI, most respondents preferred to *sign* to accept it, rather than just tick a box. The main reason they gave for this was that a signature could only be done by the consumer – so the shop assistant could not fill it in on the sly, which some thought might be the case if there was just a box to tick. Further some felt that if they were asked to sign, they might be more likely to consider *what* they were signing whereas if they were simply ticking a box they might be less likely to consider what they were ticking for: putting their signature to the document they thought was

slightly more serious. Therefore it could prompt a slightly more considered decision.

- In all we suggest that the new Personal Loan format works well. It clearly says OPTIONAL as well as asking the consumer directly whether they want PPI and it also requires them to sign to say they would like to accept it.

2.3.3 Personal Information

Where possible (given time constraints) the research was asked to explore consumer interest in how their personal information is handled.

- Response to the information provided on the forms about what happens to consumers' personal data tended to vary in accordance with experience of loans and/or credit. Those who were familiar with credit agreement forms (i.e. had taken out loans etc before) often felt that they already knew what happened to their personal data when they completed an agreement form: they assumed there would be some sort of credit check done on them and also that their personal details could be passed on to other sellers who might then contact them. As a result they could be quite dismissive of the information as it was provided, feeling that it was quite dense and laboured and would take time to read, when they knew what it was saying anyway. They tended to want the information to be briefer and easier to take in at a glance.
- Those who did not have previous experience of loans were often *surprised* by the fact that information on them and possibly also their family members would be recorded and potentially passed on. And in fact there was evidence that many did not pick up this message from the sections on the front of the forms entitled '*Your information*'. Takeout from the front of the forms tended to be more focussed on the warning of sales calls and junk mail etc. Therefore, since most admitted they would be very unlikely in practise to read the full Terms &

Conditions, we would suggest it is very important to heighten the message about personal data (credit checking etc) within the section on the front of the forms. Reducing the amount of information contained in this section but making it more direct could potentially address this. Clearer signposting to the relevant section in the Terms & Conditions might also persuade consumers to at least scan those sections, as long as they have understood the basic warnings from the front. Finally there was some criticism of the inconsistent tick boxes in the Personal Information sections on the front of the forms, and many felt that to avoid confusion all boxes should be tick to accept or all tick to reject (rather than a mixture of the two).

Conclusions & Recommendations

1 Conclusions

- The key challenge is to make the forms as likely to be read as possible by the different targets, that include at one extreme the more blasé, convenience-driven and at the other the more wary, less experienced and potentially confused.
- The ideal agreement form would engage the consumers' interest at the top of the form and provide a logical conclusion at the end: to try to guide consumers *through* the form and prevent the more blasé target cherry picking particular sections and the less confident target becoming confused. It would also be as clean and structured as possible to look at, again to allow the consumer to engage with the entire form rather than avoiding certain sections, as well as to enable them to fill it in quickly and easily once their decision is made. Finally the ideal agreement would provide clear information where it is required - but importantly it would provide the information *in brief*.
- Overall the new agreement forms seem to be moving in the right direction. They are aiming for a straightforward appearance e.g. using a far better font size than the current forms. They are also aiming to provide clear, easy to read and up front information, allowing the consumer to read and assimilate it *before* they commit.
- However there does seem to be an opportunity to further encourage interest in the form from beginning to end. Currently the *placement* of the signature box on both forms fails to draw the consumer through to the end of the form and as a result they can switch off after they have filled in that box. But beyond the placement of the signature box, other tools may also be worth consideration, to make the *beginning* of the form work harder as well.

2 Recommendations

- Firstly we suggest that both forms require clearer formatting, to ensure that they have both a professional and legal appearance so that consumers take them seriously. Formatting should also focus on making the forms quicker and easier to fill in and should make the information that is provided easy to read and assimilate rather than presenting it too densely.
- Specifically for the Store card, we recommend the following:
 - Go ahead with the *Key Information* section up front as this arms the consumer with the relevant information.
 - Consider ways of making the consumer details section clearer & easier to fill in e.g. potentially using clearer, bolder headings to break up the different sections, and possibly numbering the headings to give the consumer more direction. Providing boxes to be filled in could help give the form structure and would allow the consumer the confidence that they were not missing anything out. Where possible we also suggest aiming for greater space around the different sections to make the overall forms easier on the eye.
 - Consider revisiting the section on '*Your personal information*' to ensure consumers understand the different issues at play i.e. what happens to their personal data as well as the fact they could be contacted by sales staff. To achieve this we suggest keeping the information as brief but as clear as possible on the front and clearer signposting to the relevant clauses in the Terms & Conditions for the detail. We also suggest moving this section so that it appears *before* the signature box.
 - Potentially consider moving the signature space to the bottom right of the form, where consumers seem to expect it. This could also provide a clearer 'end' to the form.

- Specifically for the Personal Loan we recommend the following:
 - Go ahead with the *Key Information* section up front as again this gives consumers the information they feel they need.
 - Consider a more uniform structure to assist navigation of the form, e.g. grouping all the information areas together and all the areas to be completed together. We also suggest presenting all the financial details in one column, to allow the reader to assimilate the figures as easily as possible. Moving the position of the signature box to the bottom right would give a clearer end to the form and would prevent consumers missing it. Using boxes or lines to highlight areas to be completed would also make the form easier to fill in.
 - In the section entitled '*Your personal information*' consider more basic signposting (e.g. See Clause X) as well as further condensing the information where possible.

- Finally we recommend considering additional means of engaging consumer interest at the top of the form in order to try to pull consumers through from start to finish. We suggest a different title for the *Key Information* section may have potential to work harder at getting the reader to take notice e.g. '*Your obligations*'. Eligibility questions, as used on the current Store card form, may also be something that could draw the consumer in at the beginning.

Appendix