

## **NOP report: introduction**

Between 23 May and 3 June 2005, NOP carried out interviews for quantitative research into the operation of competition in the home credit market from the customer's perspective. As part of its commitment to transparent conduct of the inquiry, the CC is making available the NOP report, setting out the results of this research. This follows below.

# Home Credit Customer Research

Report prepared for

COMPETITION  COMMISSION

August 2005

Prepared by NOP World

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## 1.0 INTRODUCTION

The Office of Fair Trading (OFT) referred the home credit (HC) market to the Competition Commission (CC) to identify whether any features of this market prevent, restrict or distort competition and, if so, what remedial action might be taken. For the purposes of the terms of reference, “home credit” was defined as

*“...the provision of credit, typically small sum cash loans, the repayments for which are collected in instalments (often weekly or fortnightly) by collectors who call for that purpose at the customer’s home<sup>1</sup>”*

The overall purpose of this project was to understand how competition in the home credit market operates from the customer’s perspective.

The methodology used by NOP is explained in the next chapter, followed by the main findings.

The questionnaire used is in the Appendix.

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<sup>1</sup> Quoted from Terms of Reference as detailed on the Competition Commission’s website [www.competition-commission.org.uk](http://www.competition-commission.org.uk)  
February 2005

## 2.0 SURVEY METHODOLOGY

The interviews were carried out by telephone from one of NOP's four call centres with the questionnaire scripted for use in Computer Aided Telephone Interviewing (CATI). Interviewing took place between 23<sup>rd</sup> May and 5<sup>th</sup> June 2005.

Contact details for a sample of customers were provided to the Competition Commission by Provident Financial– (hereafter Provident), Cattles Plc (hereafter Cattles), Park Direct Credit Ltd (hereafter Park), S&U Plc (hereafter S&U) and London Scottish Bank (hereafter London Scottish) and by several small and medium-sized home credit lenders<sup>2</sup>. Contact details were provided for customers with at least £10 remaining to pay on their loan. However there was a lag between provision of this data and the commencement of interviewing, which meant that some respondents had paid off this loan - some taking out subsequent loans.

All respondents were selected from lists provided by Home Credit providers. Of those contacted, approximately 2% claimed that they had never had a home credit product, which suggests either that some customers have been confused as to the type of product they had used, or did not want to admit to having held it, or that they held a different type of loan with the supplier. The full survey was only conducted amongst those who confirmed they currently held a home credit loan or had recently paid one off. Of those interviewed, 86% were currently paying off a loan, with the remainder having recently paid one off.

Quotas were set based on the home credit supplier. A main sample of 713 consisted of interviews in proportion to the estimated shares of supply. Boost samples were then added to ensure that each supplier or group of suppliers was represented by at least 100 interviews. The reason for this was to enable comparisons between suppliers. This brought the total sample to 1,000 interviews.

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<sup>2</sup> Mutual Clothing and Supply Company Ltd [hereafter Mutual] was asked to provide customer contact too late to be included – but some Mutual customers were interviewed in course of research

Chart 1: Sample structure

## Sample structure – suppliers providing contacts

Provider	Interviews would get if in proportion	Interviews conducted	% of interviews	Share of supply
Provident				
Cattles (Shopacheck brand)				
London Scottish				
S & U				
Park				
Medium suppliers				
Small suppliers				

The figures have been removed from the published version of Chart 1 on the grounds that it contains confidential information

Customers were included if they had a minimum balance of £10 in March 2005, several months before the fieldwork.

Share of supply is relative numbers of customers, estimated by CC from the number of loans issued.



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The interviews were weighted back to remove the effect of the boosts for most of the analysis, so that the results represent the incidence in the user population. For statistical purposes, this means that the effective base for most of the analysis is reduced from 1000 to 787.

A small number of respondents told the interviewer that they did have a home credit loan at the time of interview, but when asked who their most recent home credit provider is, they cited a brand not associated with home credit (such as a high street bank). In these instances, for the questions specifically about the most recent loan, these respondents were excluded from the analysis.

We monitored the distribution of interviews achieved to check it represented the distribution of customers' addresses. By region the total achieved interviews were:

**Table 1: Number of interviews by region**

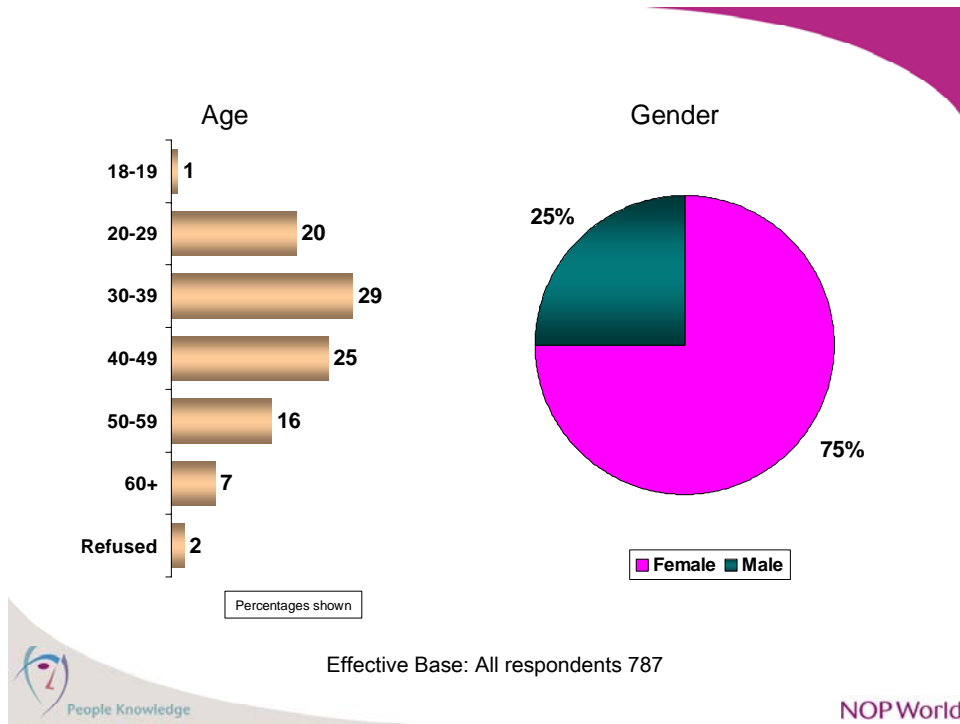
<b>Region</b>	<b>Number of interviews (Weighted)</b>
North East	88
North West	127
Yorkshire and Humberside	105
East Midlands	49
West Midlands	73
East of England	33
London	24
South East	42
South West	33
Wales	41
Scotland	92
Northern Ireland	6
<b>Total</b>	<b>713</b>

### 3.0 MAIN FINDINGS

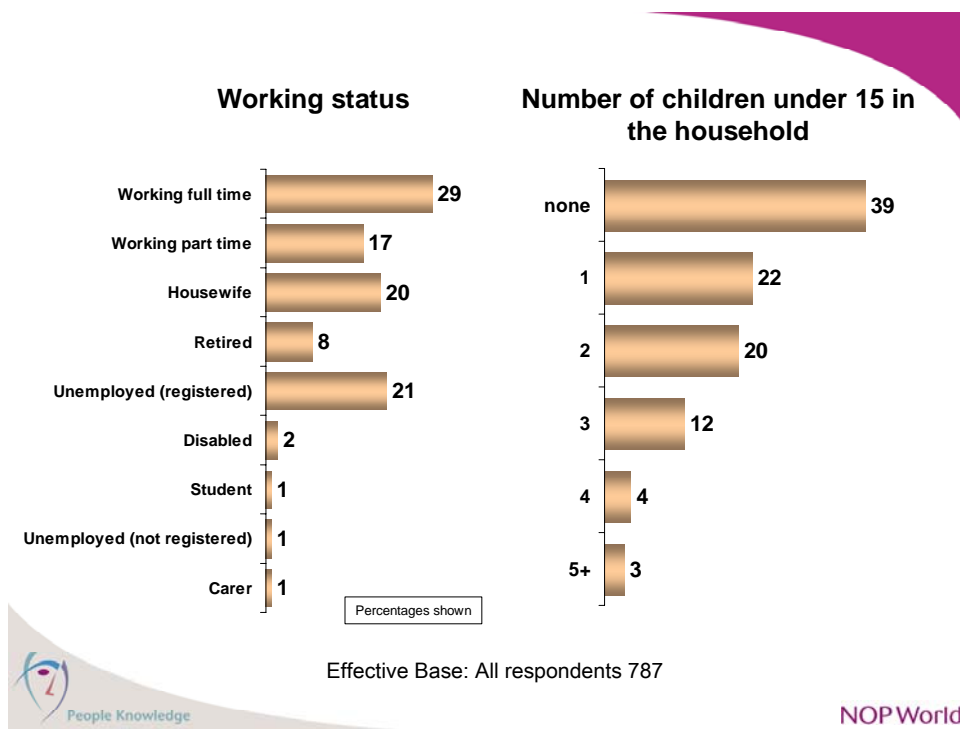
#### 3.1 Who uses home credit?

The demographic profile of those using home credit was as below:

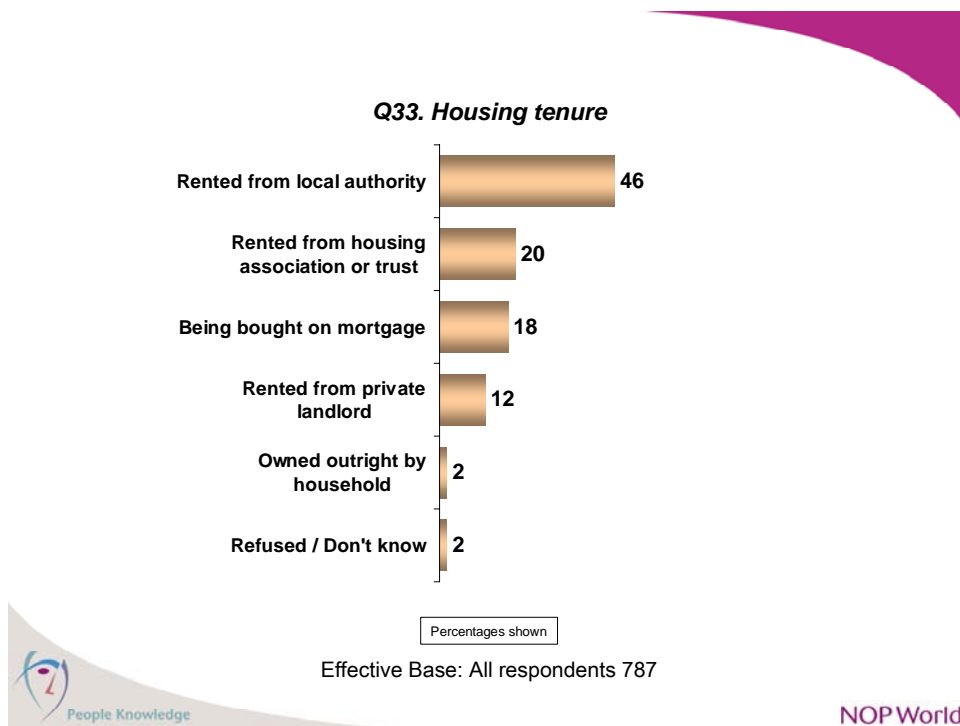
**Chart 2: Age and gender of survey respondents**



**Chart 3: Working status and presence of children under 15 in the household**



## Chart 4: Housing tenure



Most (81%) said that their household income is regular and predictable, with 13% saying that they can never tell what it is going to be, with a further 5% saying that they sometimes can and sometimes can't predict it.

7% reported that they do not have any kind of bank account. While we cannot make a direct comparison, because of the difference in question wording and methodology, this is in line with the 9% of the total population who do not have a current account (source: NOP's Financial Research Survey – FRS). FRS estimates show that the proportion of the population without a current account has declined from 13% in 2003 to 9% in 2005.

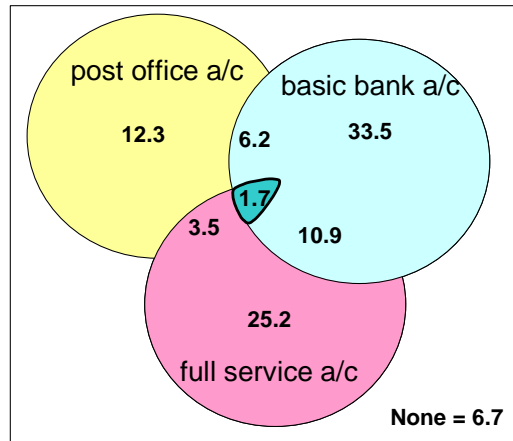
However, home credit customers appear to have much less “sophisticated” bank account holdings than the population as a whole.

Of all home credit customers, 52% stated that they had a basic bank account (FRS estimates 11% of the GB population), 41% a full service bank account (FRS estimates 70%) and 24% a Post Office card account (FRS 1%). Some respondents had more than one account type and the overlap of accounts is detailed below:

Chart 5: Types of bank account held

### Most have a bank account, with a mixture of types held

Q37. Can I just ask whether you have...?



Percentages shown

Effective Base: All respondents 787



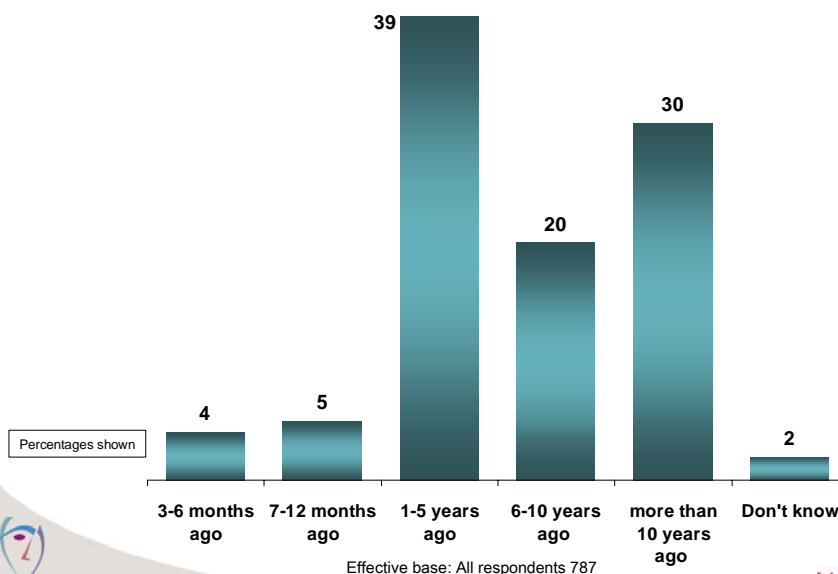
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### 3.2 How home credit is used

Half of those surveyed took out their first home credit loan six or more years ago.

Chart 6: Length of time since first home credit loan taken out

### Q1. When did you first start using home credit, that is, with any lender at all?



Percentages shown

Effective base: All respondents 787

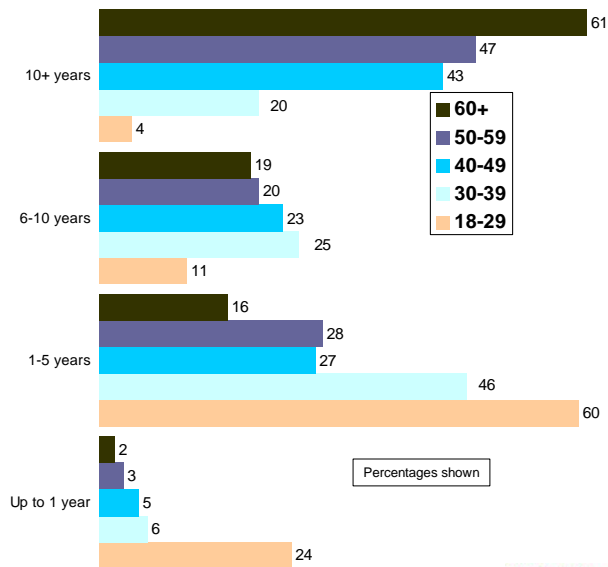


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Chart 7: Length of loan holding by age

## When did you start using home credit, that is, with any provider?

There is a clear link between length of time hc has been used and the age of the respondent, as would be expected.



Those who had been using home credit loans for longer periods:

- were more likely to say that they usually have loans with multiple providers (39% of those usually with “three or more” providers having had home credit for over 10 years, compared to 22% for those with one).
- were aware of more brands (naming an average of 2.4 compared to an average of 2.0).
- were more likely to invite the agent inside (those who “always” invite the agent inside have had home credit for an average of 7.6 years, compared to 5.0 years for those who deal with the agent “always at the door”).
- were more likely to say that they will use home credit in the future (average of 7.4 years for those saying “very likely” compared to 5.6 for those saying “very unlikely”).

As suggested above, most customers tended to have held home credit loans before their current one, with only 11% saying that their most recent home credit loan was their first ever. In addition:

- 53% stated that their most recent loan was a new one *after* completely paying off others with the same provider
- 10% said this most recent loan was their first with this provider (although they had held other loans with other providers)

- 26% said that this was a new loan was taken out with an existing provider *before* an existing one had been completed

26% said that this was a new loan, taken out with an existing provider before a previous loan had been paid off. Of these, 59% (i.e. 15% of the total base) said that this new loan was used in part to pay off the remaining amount on the previous loan.

Of the 15% of customers who took out a renewal loan, 64% thought of the idea themselves, 19% took out the loan when suggested by an agent and 16% when suggested by someone else.

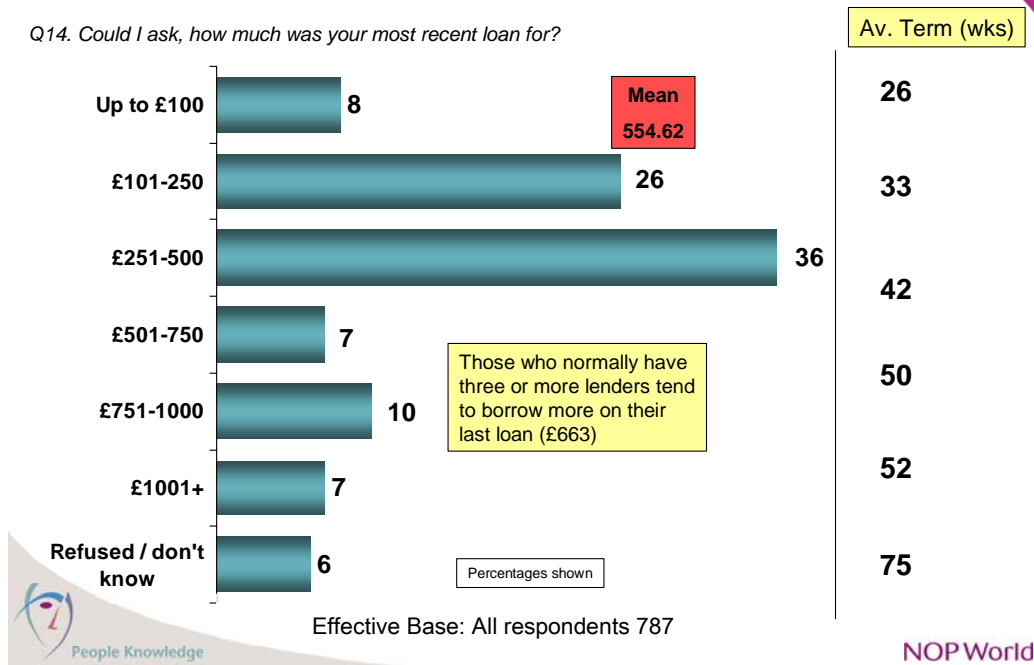
### 3.3 Amount of most recent loan

Customers were asked to put the value of their most recent loan into one of a series of bands. Estimated on the basis of the mid-point of these bands, the average loan value was **£554.62**, with the average term of the loan increasing with the value of the loan.

Chart 8: Amount of most recent loan

## Typical home credit loan is between £100 and £500

Q14. Could I ask, how much was your most recent loan for?

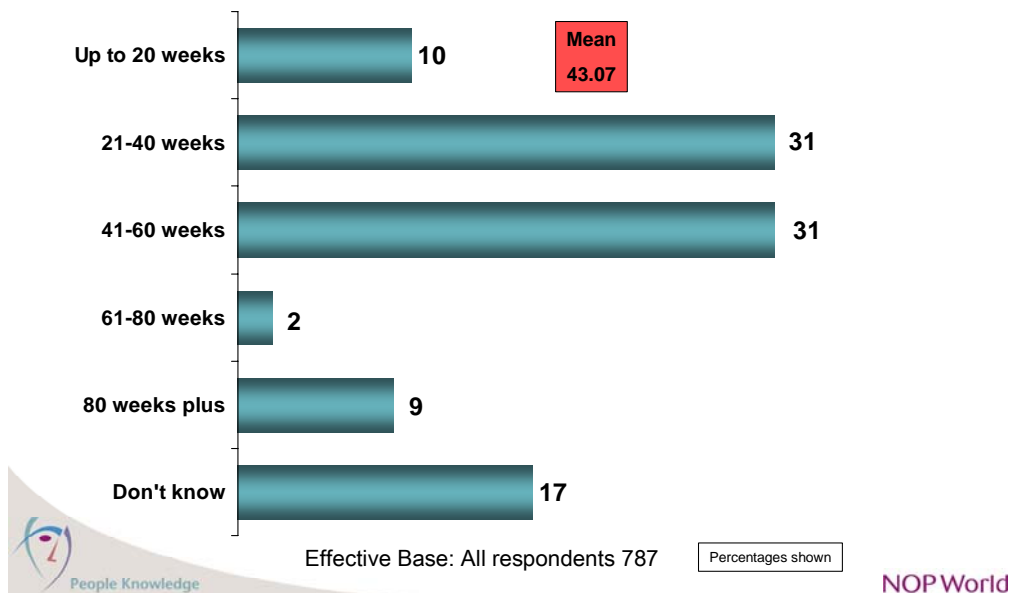


When asked the loan term on their most recent loan, most (83%) customers reported knowing the term of the loan, with the mean term being 43 weeks (based on a midpoint of bands).

Chart 9: Repayment term of most recent loan

## Loan term typically 21 to 60 weeks

Q15. How many weeks did you agree to pay back the loan?



When asked: “Which of the following best describes the amount you borrowed?” they answered in the following proportions:

“It was exactly how much you needed” (52%)

“You borrowed what you needed and a bit extra” (37%)

“It was less than you actually needed” (11%)

Those who said that their most recent loan included “a bit extra”:

- were more likely to be those who normally have relationships with more than one provider (this response given by 42% of those who normally have two or more suppliers, compared to 32% of those who normally have one),
- and were more likely to say they will use home credit in the future (stated by 44% of those “very likely” to use home credit in the future, compared to 29% of those “very unlikely” to do so).
- The higher the value of the loan, the more likely it was to be a “bit extra”.

### 3.4 Are payments missed?

Most (82%) of respondents had an up-to-date record of all their payments with their current or recent lender in their possession.

Two thirds (63%) said that they had not missed any payments, or made any late payments in the preceding two months. The distribution of missed or late payments is shown below:

**Table 2: Missed / late payments**

<b>Number of missed / late payments in previous two months</b>	
None	63%
1	11%
2	11%
3	6%
4	3%
5	1%
6	2%
Don't know	3%
Refused	1%

Base: All (effective base 787)

Missing or making late payments did not seem to be linked to the length of time the respondent had been using home credit, although those who usually had relationships with more than one provider were more likely to miss payments (57% had missed no payments, compared to 68% of those who normally have relationship with one provider).

Those missing payments were more likely than average to have children at home (71% of those with no children have missed no payments, compared to 60% of those with children). Those aged 50+ are less likely to miss payments (75% missed none, vs 59% under 50). there appears to be no link with the regularity of income, nor working status or housing tenure.

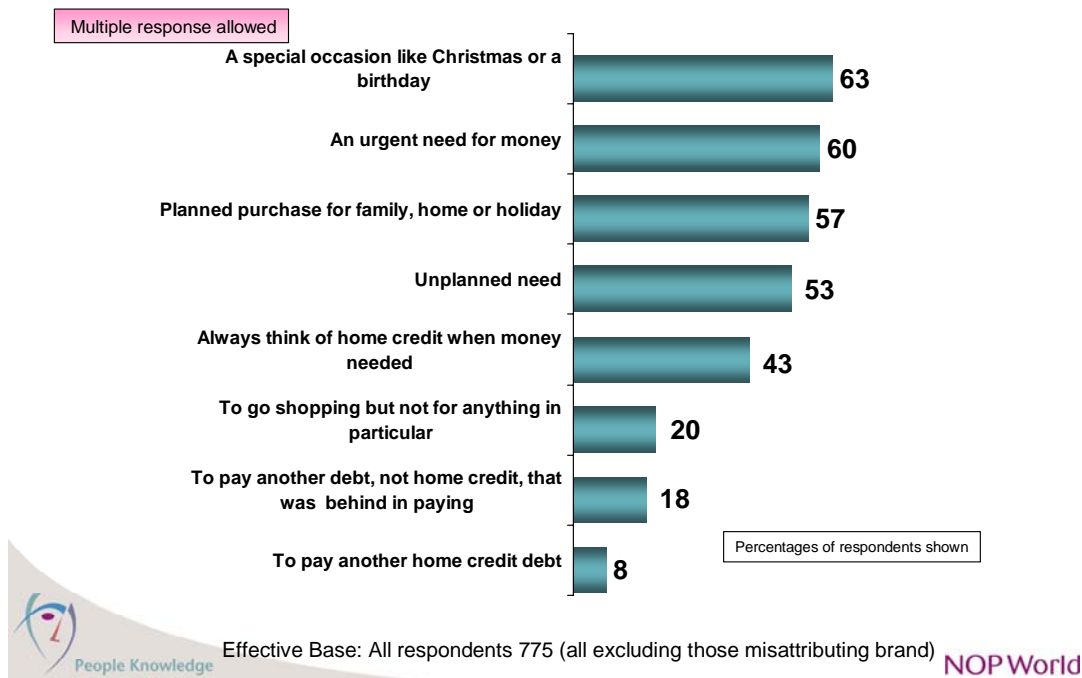
### **3.5 Why is home credit selected?**

Home credit customers cited a wide range of reasons for taking out their most recent loan, comprising a mixture of “planned” and “unplanned” reasons.

Chart 10: Key reasons to take out home credit

## Key drivers of taking out home credit

Q6. ...Which of the following were important reasons why you decided to get a home credit loan?



Of the top five reasons, two (special occasion and planned purchase) revolved around foreseeable or planned spending. Two others suggest unforeseen needs for credit. All four reasons suggest a specific need for funds. A fifth said that they wanted a loan for non-specific shopping. Just under a fifth (18%) said that they used home credit to pay a non-home credit debt.

Those who took out the loan to pay another debt have used a greater number of home credit providers on average over the past three years (using 2.0 providers, compared to the average of 1.6).

After providing reasons why the loan was taken out, respondents were asked to explain in their own words what was the main reason home credit was chosen as the source of funds. A wide range of responses were provided, with the top nine specific responses being:

1. "Easiest way / option / easy to borrow" (16%)
2. "Easier to pay back if the money is collected every week" (9%)

3. "Convenience / most convenient method at the time" (8%)
4. "The agent just happened to call when I wanted to borrow some money" (7%)
5. "Only way I could get the money" (7%)
6. "Been with them a long time" (7%)
7. "Quickest way I could get the money" (6%)
8. "It's difficult for me to get credit in other ways" (6%)
9. "Relationship with agent (trust / reliable) (6%)

A summary of their responses shows that convenience is the main reason for choosing home credit.

**Chart 11: Main reason for taking out most recent loan**

### **Convenience appeared as most often mentioned main benefit of taking out home credit**

Q12. What was the main reason you chose to use home credit instead of any other kind of borrowing - **SUMMARY?**



Availability of credit was also the main reason for a fifth of respondents, with answers such as "the only way I could get money" or "it's difficult for me to get credit in other ways". Availability was cited more by:

- those with 'small' providers (26% vs. 19% among those using large providers),

- those who normally have 3 or more providers (28%),
- those using the loan to pay off another debt (35%),
- those who always keep the agent outside their home (26%).

It was less likely to be said by those with regular incomes (15%)

We asked customers what other ways of raising the money they had seriously considered apart from home credit. Initially, we asked the question unprompted and 85% of respondents said they only considered home credit.

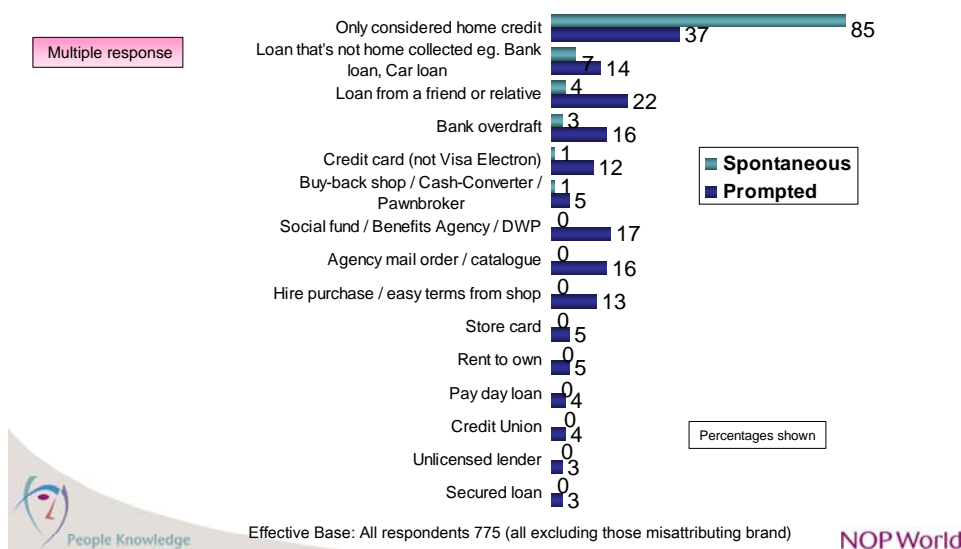
We then read out a list of other forms of credit. When prompted in this way respondents did say that some other options had been considered. The forms of credit most likely to have been recalled when prompted were a loan from a friend or relative, the Social Fund, benefits agency or DWP, agency mail order, bank overdraft, loan that is not home collected, hire purchase and credit card.

Even when prompted with other forms of credit, over a third said that home credit was the only source they had seriously considered.

**Chart 12: Alternative credit sources considered**

**Spontaneously, few alternatives are mentioned. When prompted, a range of credit sources are cited**

Q8. ...did you seriously consider any other ways of raising money when you took that loan, apart from home credit?— SPONTANEOUS / PROMPTED MENTIONS



Those who spontaneously mentioned alternatives to home credit gave an average of 1.2 alternatives. When we prompted with a list of alternatives, the average rose to 2.4.

When prompted, those who normally borrowed from more than one home credit lender were also more likely to consider other forms of credit; 74% of those who used more than one home credit lender seriously considered other forms of credit compared to 54% of those who borrowed from only one home credit lender. 74% of those who used other forms of credit said they considered other forms of credit when prompted.

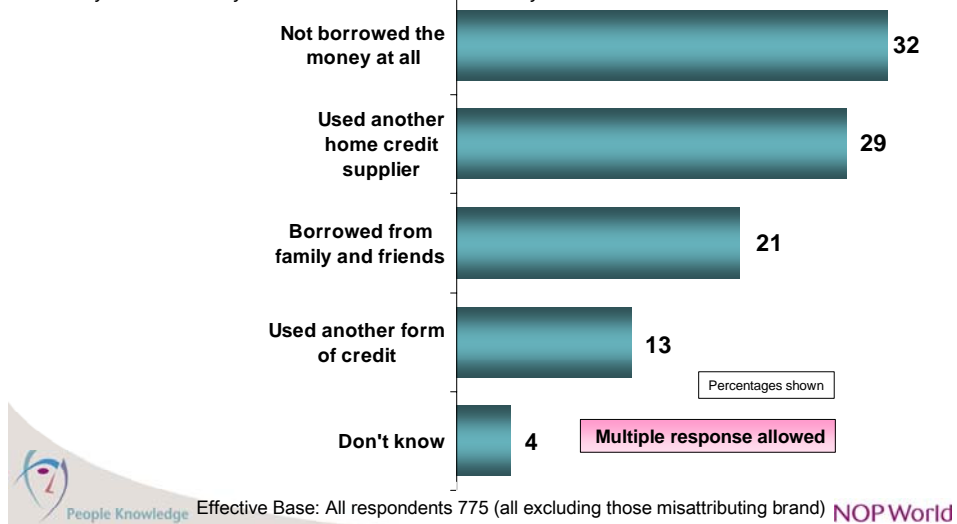
Respondents who considered a Social Fund loan as an alternative, tended to be aware of more brands of home credit than average (2.5 vs 2.0).

We also asked customers what they would have done if all the agents of their current lender had stopped calling in their area when they took out their most recent loan. Nearly a third (32%) said that they would not have borrowed money at all, especially those borrowing smaller amounts. A similar proportion (29%) would have used another home credit supplier, (38% among those who normally use more than one lender). A fifth would have borrowed from family or friends (21%) and 13% would have used another (different) form of credit.

**Chart 13: Behaviour if agent did not call**

**One third said that they would not have borrowed money at all if the agents of their most recent lender did not call**

*Q22. If all your lender agents had stopped calling in your area at the time when you took out that loan, so that you couldn't use your most recent lender what would you have done instead?*



On average, those who would have used another home credit supplier have used a higher number of home credit providers in the past three years (2.0 vs 1.6 average).

Those who said they would have used another form of credit were asked what type they would use. Table 3 shows the seven most popular answers.

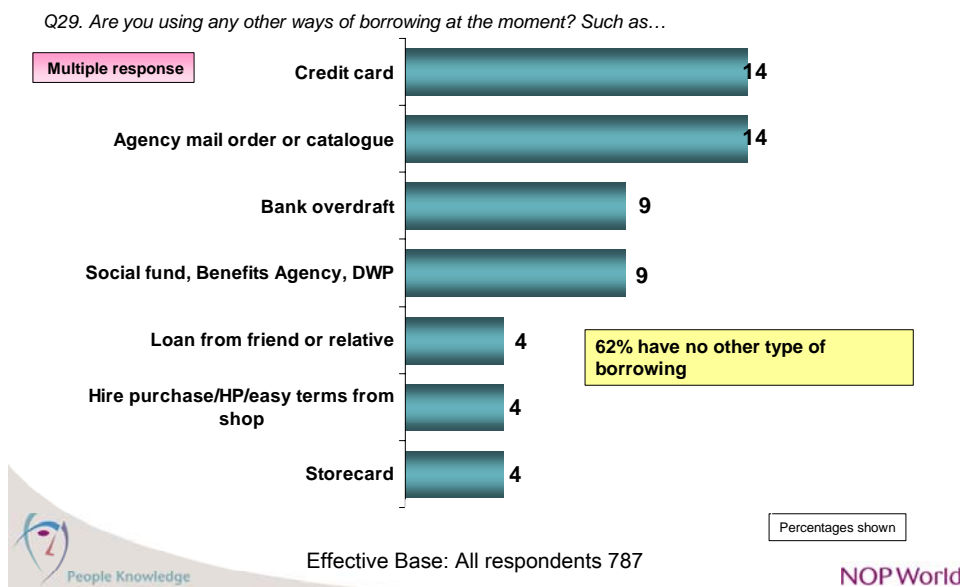
**Table 3: Type or types of credit respondents would have used instead**

	<b>% of those considering another form of credit</b>	<b>% of the total sample</b>
Loan that's not home collected	37	5
Credit card	22	3
Bank overdraft	17	2
Agency mail order or catalogue	9	1
Social Fund	9	1
Loan from a friend or relative	7	1
Hire purchase / easy terms from shop	2	<1

62% of respondents did not use any other ways of borrowing at the time of interview. The most commonly used alternative forms of credit were credit cards and agency mail order.

**Chart 14: Main other forms of borrowing used**

### Credit cards and mail orders catalogue are most often used alongside HC as a means of borrowing

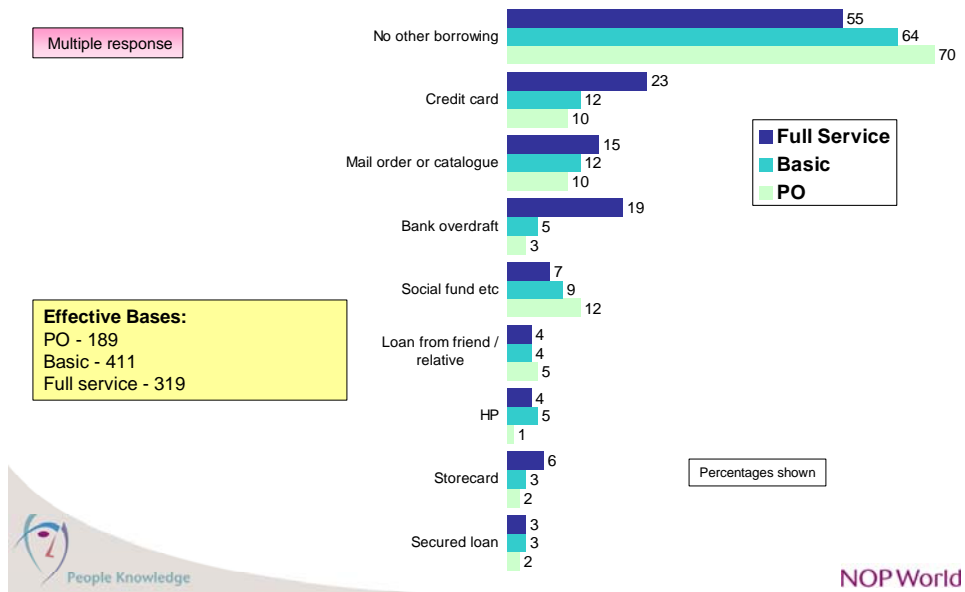


However the two issues, as to whether other credit was used and the type of credit that was used are dependent on the banking facilities held by respondents. Those with 'full service' bank accounts were more likely to use other forms of credit and, in particular, more likely to use credit cards and bank overdrafts. Those with post office accounts or basic bank accounts were more likely to have no other borrowing.

**Chart 15: Main other borrowing used by different account type**

**Other borrowing currently used, by those holding different account types:**

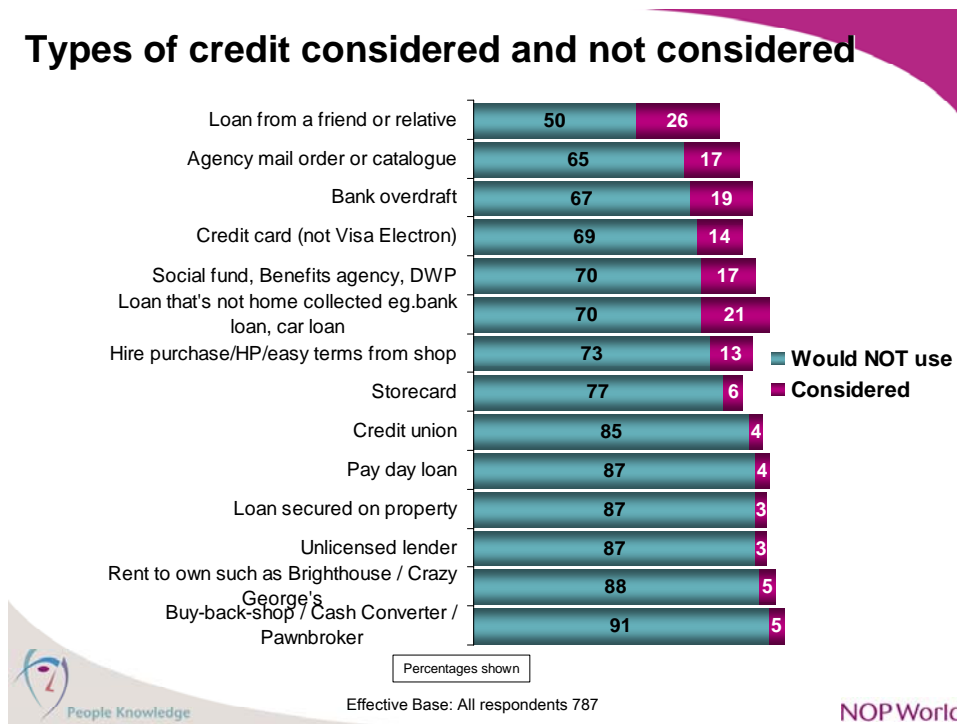
Q29 And are you using any other ways of borrowing at the moment? *PROMPTED*



We asked people which forms of credit they would not use from a list that was read out to them. Each form of credit was chosen by more than half of respondents. The following chart shows the percentage of respondents who said they would not consider each form, together with the percentage who said they had seriously considered this form of credit for their last loan.

**Chart 16: Comparing those forms of credit that would NOT be used with those seriously considered (spontaneous plus prompted mentions)**

**Types of credit considered and not considered**



Of the 63% of respondents who seriously considered other forms of credit when prompted, 22% (that is 14% of all customers) said they found out how much it would cost to borrow from another source. This rises to 31% of those taking out the loan to pay another debt. Of those who seriously considered an overdraft, 31% had looked into costs as did 29% of those considering a loan that was not home collected and 31% of the small number (38) who considered a pawn broker (all based on prompted consideration). Those who spontaneously mentioned other forms of credit that they had seriously considered for their most recent loan were no more likely to look into the cost than those who did not. Those who actually used other forms of credit were no more likely to compare costs than those who did not.

Looking to the future, over half of respondents said they were likely to use home credit again. Those who normally use more than one home credit lender, who have been using home credit for longer and who always invite the agent into their home were more likely to say they were likely to use home credit in the future.

Chart 17: Likelihood to take out home credit in the future

### Around 60% say they are likely to take out home credit again in the future

Q25A. Is it likely or unlikely that you will use home credit again in the future?

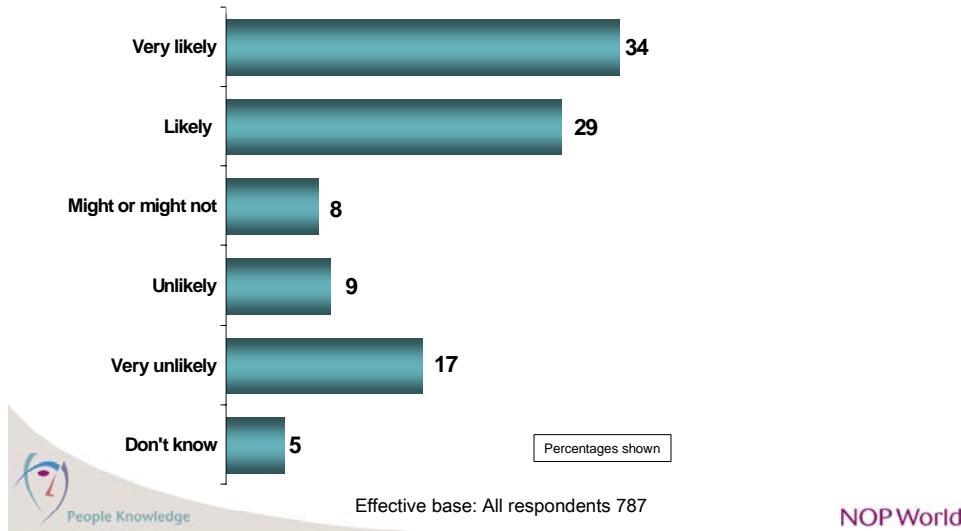
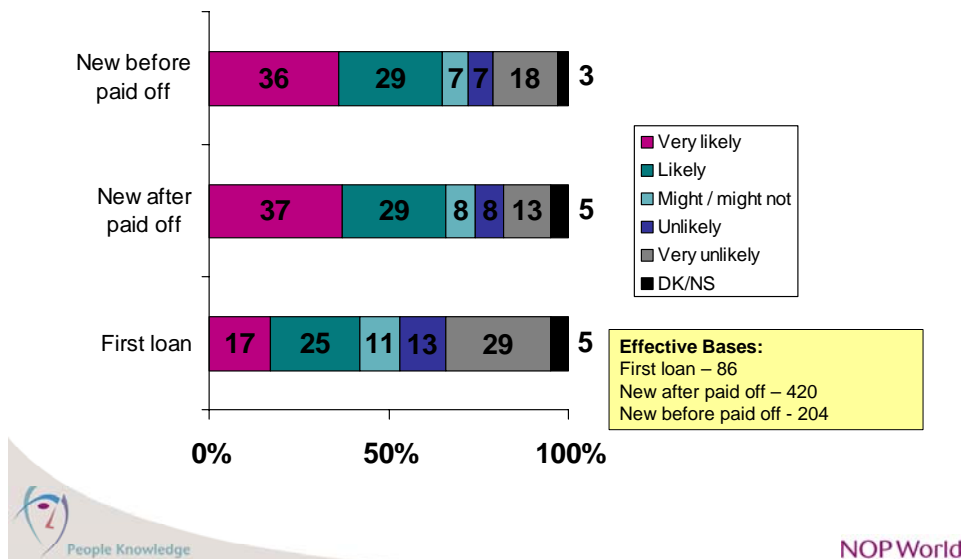


Chart 18: Likelihood to use home credit in the future split by loan type

### Likelihood to use HC in the future – by loan type

Q25. ...Is it likely or unlikely that you will use home credit again in the future...?



#### 4.0 CHOOSING A HOME CREDIT SUPPLIER

The sample from which the interview respondents were selected was provided by a number of home credit providers. However, while the sample provided by each company was most likely to yield current customers of that company, there was also a degree of cross-holding. The table below shows the current loan holding among the sample provided by each of the larger lenders. Over half the sample held a loan with Provident Personal Credit, and at least a third of customers of all the main brands held Provident loans.

**Table 4: Which home credit lender or lenders currently used by contacts provided by each large lender.**

Company providing	Provident	Cattles	London Scottish	S&U	Park
	*	*	*	*	*
<i>Brand:</i>	%	%	%	%	%
Provident Personal Credit	76	38	44	40	34
Greenwoods	17	10	24	9	22
Cattles / Shopacheck / Welcome	11	57	29	22	17
London Scottish / Morses	2	5	48	10	3
S&U / SD Taylor / Wilson Tupholme	1	4	3	47	3
Park Direct	1	1	4	2	37

\*NB: The effective base figures have been removed from the top line of table 4 on the grounds that it contains confidential information

#### 4.1 Brand usage and awareness

Over half the respondents had a loan with Provident. Shopacheck and Greenwoods (Provident) were the next most popular brands. This pattern was also shown for previous and overall awareness of loan holders.

**Table 5: Current holding, recent and past holding and awareness by brand.**

<b>Brand</b>	<b>Currently paying off a loan with this provider</b>	<b>Had a loan in the past, but do not currently</b>	<b>Total used</b>	<b>Never used but are aware of</b>	<b>Total awareness</b>
	%	%	%	%	%
Provident Personal Credit	48%	7%	55%	13%	69%
Cattles / Shopacheck / Welcome	20%	8%	28%	11%	39%
Greenwoods	14%	6%	19%	7%	26%
London Scottish / Morses	3%	3%	6%	3%	9%
S&U / SD Taylor / Wilson Tupholme	3%	2%	5%	1%	6%
Park Direct	2%	1%	3%	1%	4%
CLC Finance Ltd	2%	1%	2%	0%	3%
MMF	2%	0%	2%	0%	2%
KDS Finance	1%	0%	1%	0%	1%
Norton Financial Services	1%	0%	1%	0%	1%
Naylor's	1%	0%	1%	0%	1%
L and P	1%	0%	1%	0%	1%
PC Finance	1%	0%	1%	0%	1%
Schofields	1%	0%	1%	0%	1%

Base: All (effective base 787)

On average, respondents who had loans at the time of the interview had loans with 1.35 brands or 1.3 providers.

Customers had used an average of 1.5 providers over the previous three years and were aware of an average of 1.9..

Current Provident customers were aware of fewer providers (average of 1.6) than other large providers (Cattles 2.3, London Scottish 2.4, S&U 2.3, Park 2.5). Those who had been using home credit for longer were aware of more providers (2.3 for those with home credit for 10 years or more vs average of 1.9).

Awareness of brands, other than those which the customer had actually used, was quite low. Nearly two thirds were not aware of other brands in their area and slightly more (70%) would not consider any brands other than those they had used in the last three years.

## 4.2 Reason for choosing a provider

Respondents were asked why they borrowed from a particular lender, rather than another home credit lender. A wide range of responses were provided (respondents were permitted to give more than one reason), with the top eight responses being:

1. "It's easier to borrow from my usual lender" (30%)
2. "I just like dealing with my agent" (12%)
3. "Family / friend / recommended / suggested" (8%)
4. "I get good service from this agent" (6%)
5. "I know the lender I'm using is cheaper than the others" (4%)
6. "Only one I knew of" (4%)
7. "They came to my house / to my door and offered it" (4%)
8. "They suggested the loan" (4%)

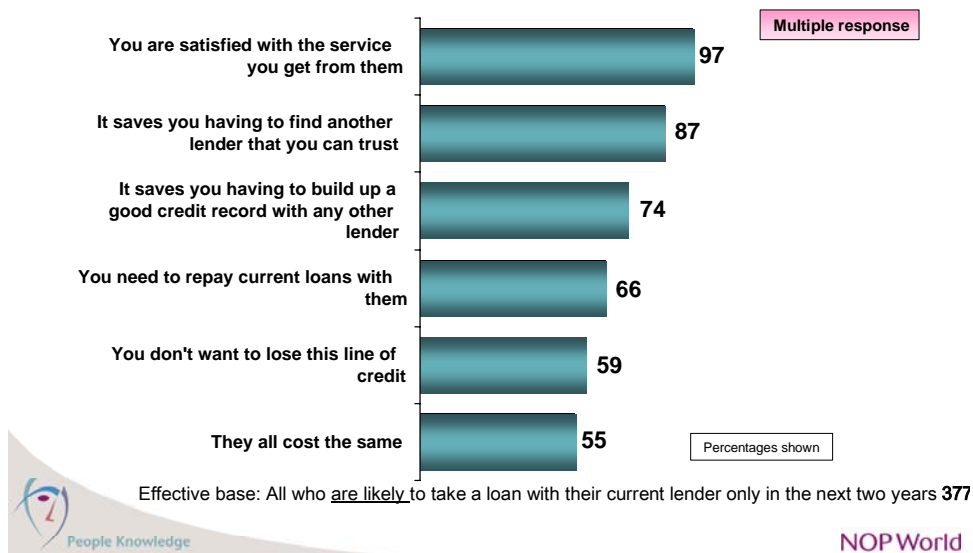
Groups of responses were collated into summary reasons. When it comes to choice of a provider, habit (in terms of it being easier to borrow from the current lender) and loyalty were key drivers, with 41% of respondents saying that they chose the supplier of their most recent loan through habit or loyalty. Over a quarter (29%) said that they chose because of the agent. Other reasons were recommendation (11%) convenience (8%) the availability of finance (8%), price or value for money (8%), good service (4%) and because of the advertising (1%).

The importance of habit and loyalty was borne out by people's expectations about the future. Of those who expected to use home credit in the future, over two thirds (68%) said they would use only their current or recent lender, with a further 23% considering a current or recent lender as well as others. 9% thought they would be likely to use a new lender only.

## Chart 19: Reasons to choose lender

## The reasons why they would choose to use their current or recent lender in the next two years

Q28. Which of the following are reasons why you would choose to use your current or recent lender in the next two years?



People had a range of reasons for using their current lender in the future. The vast majority were satisfied with the service they are receiving. In addition, using the same lender saves the time and effort that might be involved in finding a new lender or building a line of credit and keeping a line of credit open. Two thirds of those likely to stay with their lender said they needed to repay the current loan. Over half (55%) agreed with the statement that the cost was the same from different providers.

Of unprompted reasons put forward by the customer, the most popular was the relationship with the agent (2% spontaneously mentioned this factor).

About one in ten (11%) said they found out how much it would cost to borrow the same amount from another home credit provider. Those who took out their most recent loan with Provident were less likely to get comparative costs (8%). Those who normally had loans with more than one provider were more likely to compare costs (17%) than to those normally using one provider (6%). Those taking out a home credit loan to pay other credit were more likely to compare costs (20%).

### 4.3 Multiple loan holding

The majority of loan holders (55%) said they normally only hold loans with one lender. Just under a third (31%) said they normally use two lenders and 14% said they normally use three or more lenders.

Those who said they normally use more than one lender have two core characteristics:

- They were often experienced users. They were more likely to have had a loan at the time of interview, to have been using home credit for longer, to consider more brands and to shop around between brands. They were more likely to consider home credit in the future, and more said that they always think of home credit when they need money.
- In addition, they may be heavier borrowers; their home credit loans tended to be slightly higher value, they were more likely to say they would use other home credit providers if their current one were not available and were more likely to have borrowed additional funds beyond their specific need when they last borrowed. They were also more likely to use other forms of borrowing (51% of those who normally use three or more lenders are using other forms of credit compared to 34% of those using only one).

In addition, those who normally use more than one lender had more children on average and were more likely to have missed payments in the last two months.

Those who had a loan with Provident tended to use fewer providers in general than customers of other suppliers, with 63% saying that they normally only used one lender, compared to 55% for the total sample. Those customers who had used home credit for a longer period used more brands.

### 4.4 Extra borrowing

Over a third of users (37%) borrowed more than they needed when they took out their most recent loan. A small group (11%) borrowed less than they needed, with just over half (52%) borrowing to their exact needs.

## 5.0 RELATIONSHIP WITH THE AGENT

We asked respondents where they normally met their agent. The majority of home credit users invited the agent into their home, with this being much more common among those who have been using home credit for some time (74% among those using for 10 years plus).

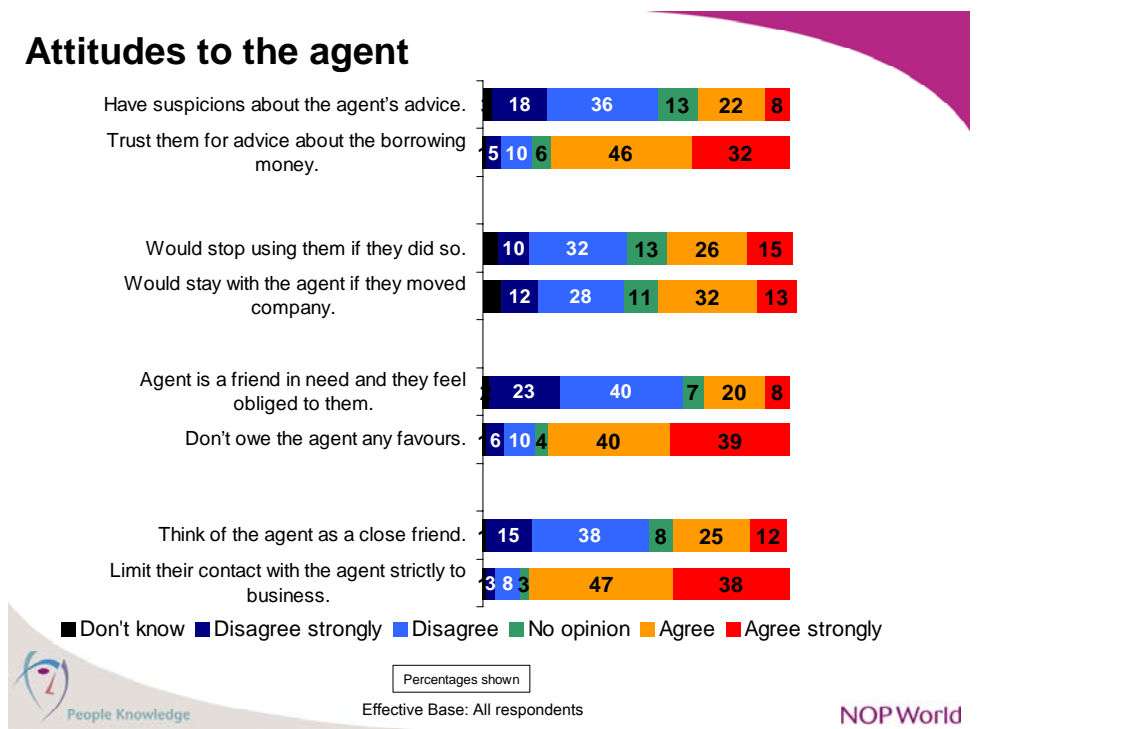
**Table 7: Do you usually invite him or her right inside your home or do you usually keep them at the door?**

	%
Always right inside	58
Usually right inside	8
Sometimes inside, sometimes at the door	8
Usually at the door	5
Always at the door	18
Don't know	3

We also asked a number of questions about customers' attitudes towards their agents.

- 85% agreed that they limit their contact with the agent strictly to business.
- 38% agreed they think of the agent as a close friend.
  
- 79% said they don't owe the agent any favours.
- 28% said that the agent is a friend in need and they feel obliged to them.
  
- 44% would stay with the agent if they moved company.
- 40% would stop using them if they did so.
  
- 78% trusted them for advice about borrowing money.
- 30% said they have suspicions about the agent's advice about which loans are the best for them.

Chart 20: Attitudes to the agent



Those who had been using home credit for more than 10 years were more likely to agree that they think of the agent as a close friend (50%) while this dropped to 25% among those using home credit for less than 12 months. Viewing the agent as a friend was also linked to age; 29% of 18-29s agreed with this statement with this rising to 47% of the over 50s. The oldest age group were also more likely to agree that they would expect to take out a new loan with that agent even if they moved to another company (47% for 50+, 39% for 18-29).

Those who had been using home credit for longer were more likely to trust the agent to give good advice about borrowing money (63% among those using home credit for the first time up to 12 months ago, 85% for those using home credit for more than 10 years). Those who borrowed less than they needed were less likely to agree with this statement (67%). This may be because those who are new to home credit do not always get as high a loan as they would like (17% of those who took out their first loan in the last 12 months borrowed less than they wanted, compared to 6% of those who had used home credit for 10 years or more). Those who are unlikely to use home credit in the future were also less likely to agree that they trust the agent's advice (64%).

Those who dealt with the agent inside their home were also more likely to view them as a friend (49% compared to 20% of those who always keep the agent at the door) and

to trust their advice on borrowing (84% compared to 60% of those who always keep the agent at the door). We find the reverse pattern for those agreeing that contacts are limited strictly to business; 84% of those who always bring the agent in agreed with this but 92% of those who always keep the agent outside their home.

**Table 8: Attitudes to the agent split by whether the agent is seen inside the home or at the door**

	Always inside home %	Always at door %
<i>Effective base</i>	458	145
85% agree that they limit their contact with the agent strictly to business.	84	92
38% agree they think of the agent as a close friend.	49	20
79% say they don't owe the agent any favours.	79	75
28% say that the agent is a friend in need and they feel obliged to them.	30	24
44% would stay with the agent if they moved company.	45	40
40% would stop using them if they did so.	41	54
78% trust them for advice about the borrowing money.	84	60
30% say they have suspicions about the agent's advice.	27	41

The small group (46 weighted base) who would not consider their current lender for a new loan were less likely to view the agent as a friend (26%) and less likely to trust their advice (64%)

Those who had larger loans, had them over longer repayment periods and had loans for consolidation were more likely to agree that they had suspicions about what the agent said are the best loans (46% among loans of £1001 plus, 45% among 61 weeks plus, 42% among those with loans for consolidation compared to 30% of the total sample). There was also more agreement among those who keep the agent always at the door (41%), use the Social Fund, benefits or DWP for borrowing (40%) and have missed two (39%) or three (44%) payments.

## 6.0 CALCULATING THE EFFECTIVE SAMPLE SIZE

The weights that are applied to any sample or panel will have the effect of reducing the accuracy of any estimates derived from that sample. The more extreme the weights that are applied, the greater the reduction in accuracy will be.

Clearly, the size of the weights applied to any sample in order to make it representative will be determined by how representative of the population the sample actually is. Generally in survey research, if a representative sample is drawn, then the weights applied will not need to be large, but simply sufficient to correct for what is essentially non-response bias. However, when a sample is constructed with deliberate in-built imbalances compared to the population, the weights required to make the sample representative will be fairly large.

The effective size of a sample is expressed as a percentage of the actual sample size. Thus, a perfectly balanced sample will require no weighting and so its effective sample size will be 100%. That is, the sample will yield the same level of accuracy as a perfectly balanced sample of the same size!

On the other hand, if we draw a sample which is disproportionate in terms of its regional spread, we may need to weight some regions fairly heavily to produce a nationally representative sample. In this case, the effective sample size may only be 70% of the actual sample size.

In the case of this study, the main sample consists of 713 interviews, representative of the sample provided, plus boosts for smaller suppliers taking the total sample to 1,000. This means that when we weight the sample down, to take away the effect of the boosts, we have an effective sample that is actually larger than the representative sample of 713. This effective sample is calculated at 787 for the total. We use this effective base, as statistical significance is best calculated on the effective base size and the larger the base, the easier it is to be clear whether any differences in answers are significant or not.

The formulas for calculating the effective base size are shown below:

$$\text{Effective sample size} = \frac{\left( \sum P_i W_i \right)^2}{\sum P_i W_i^2} \times N$$

Where

$n$  = actual sample size

$W_i$  – weight given to a cell

$P_i$  – proportion for that cell

$N$  = unweighted sample size

7.0 APPENDIX: THE QUESTIONNAIRE

**INTERVIEWER: Ask To Speak To Named Contact. If Not Available, Arrange Call-Back, But do not reveal the client or topic of research. If asked why - it is a requirement of the Data Protection Act.**

Hello, my name is \_ and I'm calling from NOP, an independent market research company. We're carrying out some research on behalf of the Competition Commission into home credit loans where someone, an agent or collector, calls at your home each week. We'd like to ask you some questions about what you think about these loans. We'd like to stress that we are completely independent and everything you say is completely anonymous – **so nothing you say will get back to any company that gives you a loan in a way where you can be identified.**

*Use the following as needed:+*

**IF RESPONDENT ASKS WHERE WE GOT THEIR CONTACT DETAILS FROM**

- The Competition Commission asked companies who provide these loans to give them the contact details of some of their customers. They were chosen completely at random, and your name has appeared on that list.

*Use the following as needed:+*

I can reassure you that:

- The only information we have is your name, address and telephone number.
- This is not a sales call
- The Competition Commission is an independent public body that looks after the interests of customers and & they are looking into the companies that give these types of loans. This is not a very well researched area so it is very important that we get your views.
- The Competition Commission is not linked in any way to Taxes or Social security (the Inland Revenue or DWP)
- Your answers will be completely confidential and anonymous.
- We are bound by a code of conduct for the Market research industry.

This interview will only take about 15 minutes, is it OK to go ahead now?  
Just to be clear, by home credit we mean a loan where someone collects your payments at your home, but not mail order or catalogues.

SCREENING

<p>S1. Can I just check that you do use home credit, and that you are either repaying a loan or you have recently paid up and finished using such a loan?</p> <p style="text-align: center;">Currently repaying (may also have recently paid up) Recently paid up (no current loans)</p> <p style="text-align: right;">No DON'T KNOW refused</p>		<p>Continue</p> <p>-----</p> <p>No DON'T KNOW Close</p>
<p>Ask if currently repaying</p> <p>S2a. And could I ask which home credit lender or lenders you have loans with at the moment?</p>		

<p>Ask if recently paid up</p> <p>S2b And could I ask which home credit lender or lenders you had that loan with?</p> <p><b>INTERVIEWER NOTE:</b> The name we are looking for is the name of the company, not the person collecting unless that person is a sole trader.</p> <p>[LENDER LIST] Other named (type in) (Do not read out) DON'T KNOW</p>	
<p><b>CHECK QUOTAS</b></p> <p>I'd like to begin by asking you about when you started using home credit and the companies you use ...</p> <p>Q1. When did you first start using home credit, that is, with any lender at all?</p> <p><b>DO NOT READ OUT. CODE TO PRECODE</b></p> <p>Just started within the last 2 months (From beginning of March) 3 - 6 months ago(Dec, Jan, Feb) 7 - 12 months ago (Sept, Oct, Nov) 1 - 5 years ago 6 - 10 years More than 10 years (Do not read out) Don't know</p>	
<p>Q2. At any one time, how many lenders would you say that you normally have loans from? Is it usually ...</p> <p>One lender 2 lenders 3 or more lenders (Do not read out) Don't know</p>	
<p>Q3. So, apart from [insert from S2a or S2b] are there other lenders that you have used in the last 3 years?</p> <p>DO NOT READ OUT</p> <p>No other [LENDER LIST] Other named (Do not read out) Don't know</p>	
<p>Q4. Which other home credit lenders, if any, do you know of that operate in your area?</p> <p>DO NOT READ OUT</p> <p>Q5. And which of those would you consider using for home credit??</p> <p>DO NOT READ OUT</p>	

	No other [LENDER LIST] Other named DON'T KNOW	
<p>I'd like you to think about the most recent home credit loan you took out, whether you have repaid that loan or you still have it. ...</p> <p><b>Q6.</b> First, we'd like to get an idea of why you took out the loan., Which of the following were important reasons why you decided to get a loan? You can choose as many or as few as you like ROTATE ORDER. READ OUT LIST AND THEN CHECK ALL THAT APPLY</p> <p style="padding-left: 40px;">You were planning a purchase for family, home or holiday A special occasion like Christmas or a birthday To go shopping, but not for anything in particular Something came up you hadn't planned for You had an urgent need for money To pay another home credit debt To pay another debt, not home credit, that you were behind in paying I always think of home credit when I need money</p> <p style="padding-left: 100px;">Was there any other reason? (Do not read out) Nothing in particular</p>		
<p><b>Q7.</b> Which of the following best describes the amount you borrowed?</p> <p>Single code. Read out</p> <p style="padding-left: 100px;">It was less than you actually needed It was exactly how much you needed You borrowed what you needed and a bit extra</p>		
<p><b>Q8.</b> Thinking back, did you seriously consider any other ways of raising money when you took that loan, apart from home credit... <b>DO NOT READ OUT</b></p> <p style="padding-left: 40px;">Agency mail order or catalogue Bank Overdraft Buy-back shop/ Cash-Converter / Pawnbroker Credit card (note not Visa electron) Credit union Hire purchase /HP/ easy terms from shop Loan from a friend or relative Loan secured on property Loan that's not home collected e.g bank loan, Car loan Pay day loan Rent to own such as Brighthouse or Crazy George's Social fund, Benefits Agency, DWP Storecard Unlicensed lender</p> <p style="padding-left: 100px;">Other [specify]</p>		

<p>(Do not read out) Only considered home credit</p> <p>Q9. Which of the following, if any, did you seriously consider as ways of raising money when you took that loan? SHOW THOSE NOT CHOSEN @ Q8. ROTATE ORDER AND READ OUT. MULTICODE</p> <p style="text-align: center;">Agency mail order or catalogue Bank Overdraft Buy-back shop/ Cash-Converter / Pawnbroker Credit card (note not Visa electron) Credit union Hire purchase /HP/ easy terms from shop Loan from a friend or relative Loan secured on property Loan that's not home collected e.g bank loan, Car loan Pay day loan Rent to own such as Brighthouse or Crazy George's Social fund, Benefits Agency, DWP Storecard Unlicensed lender</p> <p style="text-align: center;">Other [specify] NULL</p>		
<p>Q10. IF ANY OTHER THAN 'ONLY CONSIDERED HOME CREDIT' CODED @ Q8 OR Q9 Did you find out how much it would cost to borrow the same amount if you had used any of these other ways of borrowing?</p> <p style="text-align: right;">Y N</p>		
<p>ASK ALL</p> <p>Q11. Did you find out how much it would cost to borrow the same amount from another home credit company?</p> <p style="text-align: right;">Y N</p>		
<p>Q12. So, what was the main reason you chose to use home credit? DO NOT PROMPT – OPEN-ENDED. ENTER FIRST OR MAIN MENTION HERE, ENTER OTHER MENTIONS AT Q13</p>		
<p>Q13. Are there any other reasons? ... any other reason? DO NOT PROMPT. OPENED-ENDED. PROBE FULLY.</p> <p style="text-align: right;">NULL DON'T KNOW</p>		

Q14. Could I ask, how much was your most recent loan for?

DO NOT READ OUT. PROBE TO PRECODE RANGE. IF NECESSARY, REMIND THE RESPONDENT THAT THE INFORMATION IS CONFIDENTIAL.

Up to £100  
 £101 – 250  
 £251 – 500  
 £501 - £750  
 £751 - £1,000  
 £1,001 – £2,000  
 £2,001 - £3,000  
 £3,001 - £4,000  
 £4,001 - £5,000  
 £5,001+  
 DK

Q15. And over how many weeks did you agree to pay back the loan?

DO NOT READ OUT. PROBE TO PRECODE RANGE. IF NECESSARY, REMIND THE RESPONDENT THAT THE INFORMATION IS CONFIDENTIAL.

Up to 20 weeks  
 21-40 weeks  
 41-60 weeks  
 61-80 weeks  
 80 weeks plus  
 DK

Q16. Can I just check, which home credit company did you use for this loan?

DO NOT READ OUT

LENDER LIST From S2

Other enter \_\_\_\_\_

Q17. And was this ...

ROTATE ORDER. READ OUT FULL LIST BEFORE CODING ONE. CHECK ONE

Your first home credit loan with any lender  
 Your First home credit loan with this lender (but you have used others)  
 A new loan after you had paid up all your loans with them  
 A new loan before you had finished paying off your loan with them

ASK IF CODE 4 @ Q17

Q17A. And when you took on your most recent loan did you ...

ROTATE ORDER. READ OUT FULL LIST BEFORE CODING ONE. CHECK ONE

Take on a new loan and pay off an old loan at the same time  
 Take on an extra loan but keep paying an old loan with them

Q18. And why did you borrow from [LENDER], rather than from another

home credit lender?  
DO NOT PROMPT. PROBE FULLY

It's easier to borrow from my usual lender  
I just like dealing with my agent  
Another home credit lender wouldn't lend me so much because they don't know me  
I'd be worried that if I borrowed from another lender my agent wouldn't want to lend me  
any money the next time I needed credit  
I know the lender I'm using is cheaper than the others  
All the home credit lenders charge about the same so there's no point in changing  
I wouldn't know how to get credit from another home credit lender  
I'm not sure I could borrow from another home credit lender

Confidence that the credit would be available  
I trust / like the agent  
Best price offered by this lender  
They suggested the loan  
Other specify  
The length of the repayment period  
The easy application procedure  
I get good service from this agent  
They were the first to respond  
Other (specify)

ASK IF CODE 1 @ Q17A

DO NOT PROMPT – SINGLE CODE

Q19. Where did the idea of renewing the loan first come from, from you  
or from someone else?

Respondent  
Someone else

ASK IF SOMEONE ELSE @ Q19

DO NOT PROMPT – SINGLE CODE

Q20. And who was that?

Agent / collector  
Other person  
DON'T KNOW

Q21. Did anything in particular happen that made you think about using  
[LENDER] rather than any other?  
DO NOT PROMPT – CHECK ALL THAT APPLY

DO NOT READ OUT

Special voucher/card from agent/company to spend in certain stores  
Agent mentioned idea (e.g. that could borrow more/ was nearly paid up)  
Agent came with cheque or cash ready to hand over  
Company came with goods (e.g., towels, kids photos)  
Leaflet through door  
Advertisement (e.g. in paper, TV,)  
Other specify  
(Do not read out) Nothing in particular happened  
(Do not read out) Don't know

Q22. If all [LENDER] agents had stopped calling in your area at the time when you took out that loan, so you couldn't use [LENDER] what would you have done instead

READ OUT FULL LIST BEFORE CODING ONE

- Used another home credit supplier
- Not borrowed the money at all
- Borrowed from family and friends
- Used another form of credit
- Other (specify)

IF [Would have used another form of credit]

Q23. Which type or types of credit would you have used instead?

DO NOT PROMPT. MULTI CODES

- LIST AS AT Q8
- Agency mail order or catalogue
- Bank Overdraft
- Buy-back shop/ Cash-Converter / Pawnbroker
- Credit card (note not Visa electron)
- Credit union
- Hire purchase /HP/ easy terms from shop
- Loan from a friend or relative
- Loan secured on property
- Loan that's not home collected e.g bank loan, Car loan
- Pay day loan
- Rent to own such as Brighthouse or Crazy George's
- Social fund, Benefits Agency, DWP
- Storecard
- Unlicensed lender
- Other [specify]

IF [Used another home credit supplier]

Q 23A Which provider would you have used?

DO NOT PROMPT. MULTICODE

- LENDER LIST
- Other

Q24. I'd like to ask you a bit more about the person who collects your [LENDER] loan. I'm going to read out ways that some people might think about their agents. Thinking about your own [LENDER] agent, could you please tell me whether you disagree or agree with these ten statements and how strongly or whether you have no opinion ...  
 PROBE FOR STRONGLY DISAGREE STRONGLY OR AGREE  
 RANDOM ORDER

A1. You think of this person as a close friend

	Strongly disagree Disagree No opinion Agree Strongly agree DON'T KNOW		
A2. You limit your contact with them strictly to business	Strongly disagree Disagree No opinion Agree Strongly agree DON'T KNOW		
C1. If you were taking out a loan you'd expect to take out it with them even if they moved to another company	Strongly disagree Disagree No opinion Agree Strongly agree DON'T KNOW		
C2. You'd stop using them if they moved to another company	Strongly disagree Disagree No opinion Agree Strongly agree DON'T KNOW		
D1. You trust them to give you good advice about borrowing money	Strongly disagree Disagree No opinion Agree Strongly agree DON'T KNOW		
D2. You have suspicions about what they say are the best loans for you	Strongly disagree Disagree No opinion Agree Strongly agree DON'T KNOW		
F1. You don't owe them any favours	Strongly disagree Disagree No opinion Agree Strongly agree DON'T KNOW		
F2. They are your friend in need and you feel obliged to them	Strongly disagree Disagree No opinion		

	Agree Strongly agree DON'T KNOW	
Q25A. Do you usually invite him or her right inside your home or do you usually keep them at the door? Probe to precode DO NOT READ OUT	Always Right Inside Usually Right Inside Sometimes inside sometimes at door Usually at the door Always at the door DON'T KNOW	
Q25. Is it likely or unlikely that you will use home credit again in the future? PROBE FOR VERY LIKELY, VERY UNLIKELY	Very likely Likely Might or might not Unlikely Very unlikely DON'T KNOW	
Q26. DELETED		
ASK IF VERY LIKELY, LIKELY, MIGHT OR MIGHT NOT @ Q25  Q27. And if you do take out a loan in the next two years, is that likely to be with your current or recent lender, [lender], with another home credit lender, or with both  Current lender Another lender Both  ASK IF CURRENT LENDER or recently paid off lender <u>ONLY</u> CODED @ Q27  Q28. Which of the following are reasons why you would choose to use [lender] in the next two years? READ OUT CHECK ALL THAT APPLY ROTATE ORDER  You are satisfied with the service you get from them You don't want to lose this line of credit You need to repay current loans with them It saves you having to build up a good credit record with any new lender It saves you having to find another lender that you can trust They all cost the same Any other reasons? (specify) None of these		
Q29. And are you using any other ways of borrowing at the moment? Such as ..		

ROTATE ORDER. READ OUT

- Agency mail order or catalogue
- Bank Overdraft
- Buy-back shop/ Cash-Converter / Pawnbroker
- Credit card (note not Visa electron)
- Credit union
- Hire purchase /HP/ easy terms from shop
- Loan from a friend or relative
- Loan secured on property
- Loan that's not home collected e.g bank loan, Car loan
- Pay day loan
- Rent to own such as Brighthouse or Crazy George's
- Social fund, Benefits Agency, DWP
- Storecard
- Unlicensed lender
- Other [specify]

Q30. If you needed money now, which of the following are ways that you would certainly NOT use?  
READ OUT

- EXCLUDE FROM LIST MENTIONS AT PREVIOUS QUESTION
- Agency mail order or catalogue
  - Bank Overdraft
  - Buy-back shop/ Cash-Converter / Pawnbroker
  - Credit card (note not Visa electron)
  - Credit union
  - Hire purchase /HP/ easy terms from shop
  - Loan from a friend or relative
  - Loan secured on property
  - Loan that's not home collected e.g bank loan, Car loan
  - Pay day loan
  - Rent to own such as Brighthouse or Crazy George's
  - Social fund, Benefits Agency, DWP
  - Storecard
  - Unlicensed lender
  - Other [specify]

Thanks - I'd just like to ask you a few questions so we can group together answers from similar people.

Q31. How many children under 15, if any, are in your household?

NUMERIC 0 TO 10  
REF

Q32. Are you...?

READ OUT

- Working full time
- Working part time
- Housewife
- Retired
- Unemployed (registered)
- Unemployed (not registered)
- Student

<p>Q33. Is your home...?                  READ OUT</p> <p style="text-align: right;">Other REF</p> <p style="text-align: center;">Being bought on mortgage                  Owned outright by household                  Rented from local authority                  Rented from private landlord                  Rented form housing association or trust                  Other REF</p>		
<p>Q34. Is your household income regular and predictable or can you never tell what will be coming in?                  READ OUT</p> <p style="text-align: right;">REF</p> <p style="text-align: center;">regular and predictable                  can never tell                  some times can sometimes can't</p>		
<p>Q35. Which of the following age bands to you fall into?                  READ OUT</p> <p style="text-align: right;">REF</p> <p style="text-align: center;">18-19                  20-29                  30-39                  40-49                  50-59                  60+</p>		
<p>Q36.</p>		
<p>Q37. And can I just ask whether you have...?                  READ OUT CHECK ALL</p> <p style="text-align: right;">REF</p> <p style="text-align: center;">post office card account                  basic bank account (no chequebook and can't be overdrawn)                  full service bank account (with cash card or debit card and cheque book)                  None of these</p>		
<p>And two last questions ...</p>		
<p>Q38. Do you have an up-to-date record of all your payments with [LENDER Q16] in your possession?</p> <p style="text-align: right;">REF</p> <p style="text-align: center;">Y                  N</p>		
<p>Q39. Lots of people have problems finding the money for repayments these days. Have you missed or made any late payments on your home credit loans in the last two months?                  IF YES How many is that?</p> <p style="text-align: right;">REF</p> <p style="text-align: center;">1                  2                  3                  4</p>		

	5		
	6		
	more than 6		
	None		
	Pay monthly		
	DON'T KNOW / refused		
Q40. Code gender			
	Male		
	Female		
Thank and close			