

Summary of feedback from home credit customers

The CC held an open meeting in Manchester on 19 May 2005 (further details available at: www.competition-commission.org.uk/inquiries/current/homecredit/manchester_hearing.htm). In the run-up to this meeting, the CC launched a campaign aimed at getting the views of home credit customers. Advertisements were placed in the local media which invited home credit customers to the meeting or alternatively invited them to ring the CC on a freephone line or write to a freepost address. Press advertisements were placed in: *Manchester Evening News*; *Salford Advertiser*; *Tameside and Glossop Advertiser*; *North East Manchester Advertiser*; *Oldham Advertiser*; and *Manchester Metro News*. A series of radio advertisements was run on the Manchester-based stations Galaxy 102, Key 103 and Magic 1152, from 9 to 18 May 2005. After the open meeting, over 12,000 posters were distributed via the Benefits Agency Publicity Register to be displayed in locations like GP surgeries, CABs, libraries and job centres, again asking to hear from customers of home credit. The following is a summary of responses to the advertisements.

	Issue 1: Profile	Issue 2: Rates/ awareness	Issue 3: Other practices	Issue 4: Missed payments/difficulties	Issue 5: Collectors/service	Issue 6: Competition/other companies
Caller 1	Agent (former). ([redacted] and [redacted])	The caller said that high rates of interest were such that [redacted] companies expected people to fall behind with their payments.	Practices included (i) selling a customer something else that would reduce the weekly payment (but [redacted] would take longer [redacted] to then pay off) and (ii) selling 'car stock'— goods in [agents] cars they would sell, but would not clearly identify what the actual costs of these goods were. The caller felt this trapped customers in	Missed payments did not show up automatically with the company for two to three weeks ... leading to the customer's debt increasing as they were paying less but increasing the length of time it took to pay the debt off.	Collectors were under a great deal of pressure from the companies to sell loans and products. Companies targeted and misled vulnerable people.	Customers tended to have loans from every company at the same time. The caller had never been aware of any undercutting by companies in terms of rates.

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			<p>debt.</p> <p>A lot of customers took out loans at Christmas and were then trapped for at least a year.</p>			
Caller 2	<p>Customer.</p> <p>Loan of £300, July 2004; [redacted]repaying.</p> <p>Previous loans, first around five years ago (shopping vouchers).</p>	<p>The caller said that the interest was far too high.</p>	<p>The caller was leafleted regarding shopping vouchers.</p> <p>Received mail shots from [redacted] but had never taken up loans from them or used their Christmas catalogue.</p>	<p>The caller had never been behind with her payments.</p> <p>Always paid off the current loan before taking out another.</p>	<p>Always used [redacted].</p> <p>Agents had always been polite.</p>	<p>If she needed money she might have to [take another loan out] as she had bad credit and could not get credit elsewhere.</p>
Caller 3	<p>Customer.</p>	<p>The caller felt</p>	<p>Received post</p>		<p>The caller liked her</p>	<p>[redacted] were the only</p>

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	<p>Loan of £1,000; [X] Repaying £1,650.</p> <p>Previous loans (first four to five years ago (shopping vouchers).</p>	<p>that the loans were not good value.</p>	<p>from [X], which aimed to encourage her to take out more loans. Did not use [these] or their Christmas catalogue.</p>		<p>[X] agent very much.</p> <p>Had loans from [X] and a sole trader, [X] (who she did not like very much).</p>	<p>company that would lend to her as she was a single mother who did not work.</p> <p>The caller said that she used other catalogues and that she saved for Christmas.</p>
Caller 4	<p>Customer.</p> <p>Loan of £4,000; [X] repaying. Previous loans, first four to five years ago (shopping vouchers).</p>	<p>The caller considered [home credit] a downward spiral. Cites repayments of £700 a month at one point.</p>	<p>Received post from [X] advertising other loans.</p> <p>Received Christmas catalogue from [X].</p> <p>Events such as shopping</p>	-	<p>Very polite and not pushy—the caller felt they befriended her, the result being she felt somewhat obliged to them.</p> <p>The agent was not happy when she asked to reduce the payments—though it was agreed.</p>	<p>Only ever used [X].</p>

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			evenings in [X], which were very tempting, especially around Christmas.		Agent encouraged her to pay off her previous loans with new ones.	
Caller 5	Customer. Loan of £300, August 2002; [X] repaying around £1,200 (disputed). Previous loans.	High interest rate.	-	-	The caller felt that the attitude of the agent who visited him had changed; there has been a dispute as to how much he had to pay off—he believed he owed £1,200 however they claim £1,450; he is currently taking the matter up with the agent’s manager.	Went with [X] because of [X] and they were the only company that would loan money to him. No other home credit company.
Caller 6	Customer.	The caller	-	The caller had missed a	Pleasant enough.	The caller once

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	<p>Loan of £500, 2003; [redacted] repaying.</p> <p>Previous loans. for £250, two years ago, paid off.</p>	<p>thought the rate was extremely high.</p>		<p>couple of payments in the past. The caller is self-employed.</p>	<p>Visit once a week.</p>	<p>applied for a [redacted] but did not take it up. The same company contacted him offering a loan of £2,000.</p>
Caller 7	<p>Customer.</p> <p>Used home credit companies for around eight years.</p> <p>Now with debt consolidation company.</p>	<p>The caller felt the loans were extremely bad value.</p> <p>Had three loans concurrently. Tended to take out further loans.</p> <p>Unclear</p>	-	<p>Had got into some debt.</p>	<p>Always polite. Visited at convenient times.</p>	<p>Used [redacted] [redacted] and [redacted].</p>

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		whether he repaid first loan, before taking up a new one.				
Caller 8	Customer. Loan of £800/900; 1999; ([REDACTED]); repaying.	-	-	The caller had problems keeping up the loan. Collectors started to call. The caller felt it was embarrassing to have collectors calling at his home.	Always had been polite.	-
Caller 9	Customer's husband. Loan of £50; around one year ago; [REDACTED] (a [REDACTED] sub?)); repaying.	The caller felt the interest was 'extortionate' (he estimated that it was around 1,250 per cent).	The lender also worked for one of the major Christmas club plans and used this as an entry route to offering other loans.	-	The agent convinced her to pay off her previous loan with a new one (adding unpaid principal and unpaid interest). Dispute as to three payments omitted	-

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					<p>from records.</p> <p>Husband forbade the lender from loaning any more money to his wife, but found out later his wife had borrowed more money. He instructed the lender not to call again. Subsequently the lender called, accompanied with an associate. They have received letters threatening court action.</p>	
Caller 10	<p>Customer.</p> <p>Loan of £500, 2000; (£); repaying. Initial</p>	<p>The only problem was the high amount of interest.</p>	-	-	<p>The caller was generally satisfied with the service.</p> <p>Renewals had been</p>	<p>The caller had a loan with a bank, but had never really looked at any other home credit.</p>

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	loan from an independent company.	<p>The rate was 45 per cent.</p> <p>The caller did renew the loans but only when there was a small amount left. She realized that she was paying interest on both the new loan and the remainder of the old one.</p>			suggested by the collector.	Her household is self-employed; she said that it could be hard for them to get credit from other companies.
Caller 11	Social worker for client who uses [X].	Interest rates very high.	The caller felt that the company coerced the client into taking out more than he/she	-	Agents tried to get the client to renew his/her loans before they were paid off.	-

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			could afford.			
Caller 12	Customer. Loan of £200, 2005; [X] repaying £300.	The caller felt [X] put people like her in a very difficult situation, but the caller's only complaint was about the high interest rates.	She called [X] to enquire about getting a loan— an agent arrived on her doorstep within a few hours.	-	The caller had no problem with the service. She said that there was a very high turnover of collectors; many only lasted only a few weeks.	She did not know of any other companies like [X]. The caller said that she could not get loans from elsewhere as she did not own her home and was on income support (unemployed).
Caller 13	Customer. Loan of £200, 2005; [X] repaying around £300.	The caller said that she did not have a problem with the interest rate.	She said that she needed some money (£200) quickly and they were able to let her have it within a couple of days.		Everyone the caller had dealt with at [X] was polite and friendly and she was satisfied with their service. She had the same collector through the duration of the loan.	The caller had not really looked into other credit sources because she needed the money quickly. She said a few other home credit companies operated in her area—but she had gone with [X]

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						because they had been recommended to her.
Caller 14	<p>Customer.</p> <p>Loan; 2003; ([redacted],[redacted],[redacted],[redacted],[redacted] and [redacted]); Repaying £18,000, and catalogue repayments (one with [redacted]).</p> <p>Previous loans. Initially took vouchers ([redacted]).</p>	The caller was 'amazed' by the rates of interest.	Has renewed and combined loans.	<p>The caller could not believe the situation he was in.</p> <p>The caller said that if he paid off the amount he should weekly, he would be paying around £300 a week. (Currently unemployed).</p>	-	<p>The caller had so much debt that in some cases he could not renew loans and get cash—he just rolled over the debt. When asked if he had ever been in touch with a credit union, he said no. When also asked if he had taken any advice from the [redacted] or the like, he said no.</p> <p>He said that his choices now were</p>

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						<p>either to go bankrupt or to try and find money from somewhere else.</p> <p>He had looked at a debt consolidation company ([redacted]) but had realized that he would have to pay them as well.</p>
Caller 15	<p>Customer (former).</p> <p>Loan of £1,000, 2005; (two with [redacted]); repaying. Initially £100 loan ([redacted] via their catalogue van.)</p>	<p>Thought that interest rates were far too high.</p>	<p>The caller disliked the companies' practice of suggesting renewals to existing loans—was aware of additional interest in this scenario.</p>	-	<p>The caller felt they took advantage of people in difficult circumstances.</p> <p>The customer said that home credit agents were very friendly—maybe too friendly—and that it was very easy and</p>	<p>The caller had a relationship with home credit companies ([redacted] and [redacted]) for around nine to ten years. [redacted] was recommended to him—he could not get money elsewhere. He had</p>

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					<p>convenient to get loans from them.</p> <p>The caller said that this was reason he stayed with them for so long.</p> <p>He thought they had a good reputation.</p>	<p>tried banks.</p> <p>The caller knew of other home credit companies operating in his area but had not considered using them. He had heard about credit unions, but these were not available in his area when he took out his initial loan.</p>
Caller 16	<p>Customer.</p> <p>Loan of £1,000, around 1995; ([X]); Repaying. Initial loan of £100 (£130 to repay).</p>	<p>The caller felt that credit loans were extremely poor value because of the amount of interest charged.</p>		<p>She was unaware that the agent was allowing her then husband to take out loans in her name amassing a debt of around £1,800.</p> <p>She dealt with a different agent and sorted out an</p>	<p>The caller believed that the companies targeted people, often on benefit, who could not get loans anywhere else.</p>	<p>The caller now does not use any form of credit, though she does use a debit card.</p>

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				amount that she could pay off weekly and cleared the debt.		
Caller 17	<p>Customer.</p> <p>Loan of £100, around 1995; ([redacted] and [redacted]); repaying £300.</p> <p>Initial £100 loan ([redacted] and loans also from [redacted] and [redacted]).</p>	The caller said that interest was too high and that the loans were too much hassle.	-	-	<p>The caller said that agents would call round once or twice a week offering loans.</p> <p>She said that the agents were quite irregular in their collections.</p> <p>Only one had stuck to a routine. The caller said that she had always found them polite enough but that there was quite a high turnover. This made life difficult for her</p>	The caller had not looked into using any other home credit companies other than the ones she has dealt with and she was unable to get a loan from the bank.

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					because, on occasion, when they did call round unexpectedly, she had spent some of the money she had allocated to pay them. The caller said she has not heard from [X] in a few months.	
Caller 17	Customer. Loan of £200; ([X]); Repaying £370.	The caller said that the interest rate was too high.			The caller found [X] service inconsistent—agents were friendly but sometimes did not turn up on time—this caused problems and inconvenience.	The caller could not get credit elsewhere at the time—nor could the caller get a loan from a bank. The caller did not consider credit unions.
Caller 19	Customer.		The caller	The caller did not like	The caller said	The caller said that

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	<p>Loan of £100; 2000; ([redacted],[redacted],[redacted]); repaying £400.</p>		<p>mentioned that [redacted] were selling life insurance policies as well—these should be backed by [redacted]but the caller said that her daughter had difficulties in getting [redacted]to recognize her policy—there was also an issue regarding the cost of the policy—she said there was a large mark-up on the cost.</p>	<p>home credit loans—and, in particular, had bad experiences with [redacted]—the caller had a dispute with them as to how much she owed—she has now resolved this but only because she involved management.</p>	<p>agents that called round were offering loans on a cold-call basis—she was not sure if this was legal.</p>	<p>for poor people these companies were the only way to get credit—she had been involved with a housing association which had an associated credit union in the past; while she thought credit unions were a good idea, they did not always work if people defaulted on their payments. The caller wanted to make the point that the Government needed to act to give people the opportunity to borrow small sums of money</p>

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						without high interest rates.
Caller 19	Customer. Loan of £500; 2000; ([redacted]); repaying £825.	The caller was not happy with the high interest rate.		The caller said that she would take out another loan from another home credit company if she had to—but not [redacted].	The caller found [redacted] agents difficult if she needed to lower loan payments at any point. The caller felt that they were taking advantage of vulnerable people.	The caller had looked at other companies—she mentioned [redacted]—but some of these would only loan to you if you had a job.
Caller 21	Agent (former). ([redacted] and [redacted].)		The caller said that the companies would push employees to confuse customers with jargon in an attempt to take more money from them.	The caller made only negative comments regarding home credit and the loan interest rates.		

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			The caller also felt that these companies encouraged their employees to ‘psychologically intimidate’ customers into paying.			
Caller 22	Customer. ([X]).	The caller said that the interest was ‘ridiculous’.	The caller chose to use home credit, because he had little money available at a time when they approached him at home.		The caller felt that he did not get a good deal. The caller also felt they took advantage of people.	
Caller 23	Customer. ([X]and [X]).	The caller said that the interest was way too much.			The caller was satisfied with the service from [X].	Home credit was the only option for the caller to get more money.
Caller 24	Customer’s	The caller said			The customer was a	

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	friend; works for [redacted]. ([redacted])	that the customer had an 'outrageous' loan and wrote a cheque that bounced, subsequently they raised another loan covering more charges, which increased the debt to 56 per cent on the original charge.			pensioner with mental health problems, who took out a loan.	
Caller 25	Customer: Uses catalogue loans ([redacted]).				The caller said that she did not get a good deal, but made no complaints about service.	The caller had to use them at the time as it was the only option the caller had to get money.
Caller 26	Customer: Originally used				The caller had good experience with [redacted].	

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	vouchers but has moved on to loans over ten years.					