

COMPETITION COMMISSION



# Home Credit: Results from the MORI Financial Services survey of Personal Finance

September 2005



## **Results from the MORI Financial Services (MFS) survey of Personal Finance**

MFS conducts a comprehensive continuous survey that is widely syndicated to many organisations operating in the personal finance sector.

The CC used this survey:

- a) to ask additional questions to those respondents who currently use or have ever used home credit (HC) and
- b) to explore and compare the profiles of current and paid-up HC users, non-HC users and users of mainstream credit products\*.

\*Defined here as overdrafts, credit cards and personal loans.



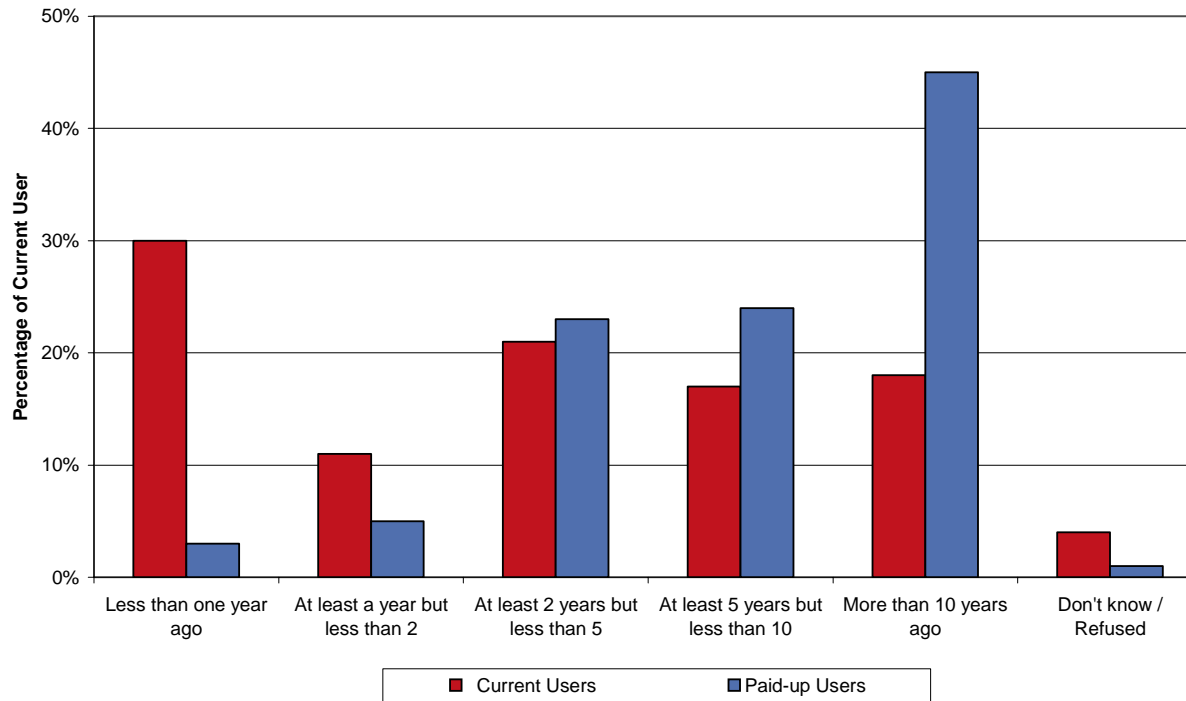
## The sample:

- MORI interviewed a total of 6,121 adults aged 16+ in their homes over a period from 23 June to 26th July 2005
- The 6,121 respondents can be classified into the following groups:
- Current HC users (160)
- Paid-up HC users (272)
- Non-HC users (5,473)
- 'Mainstream' credit users\* (1.453)

\*Defined here as overdrafts in use, credit cards and personal loans.



## Can you tell me how long it is since you took out your first HC loan?\*

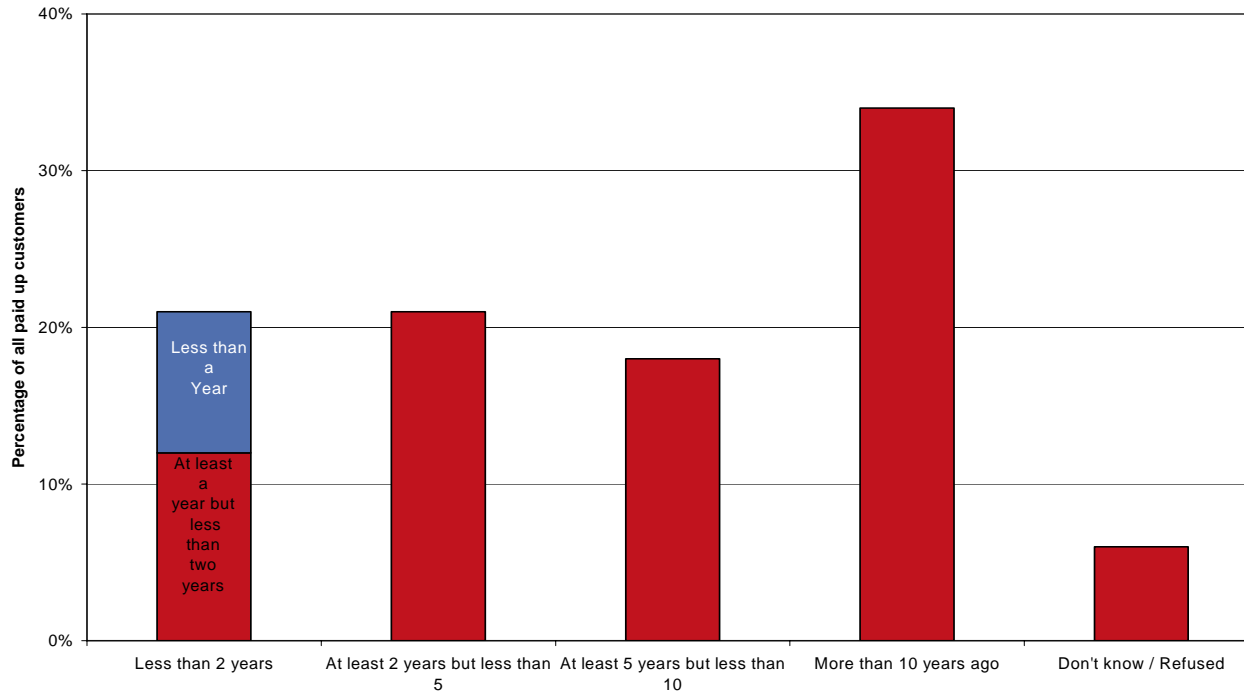


One third of current customers have used home credit for at least five years.

\*This question was asked of current and former HC users (432 responses in total).



## How long is it since you paid off your last HC loan?\*

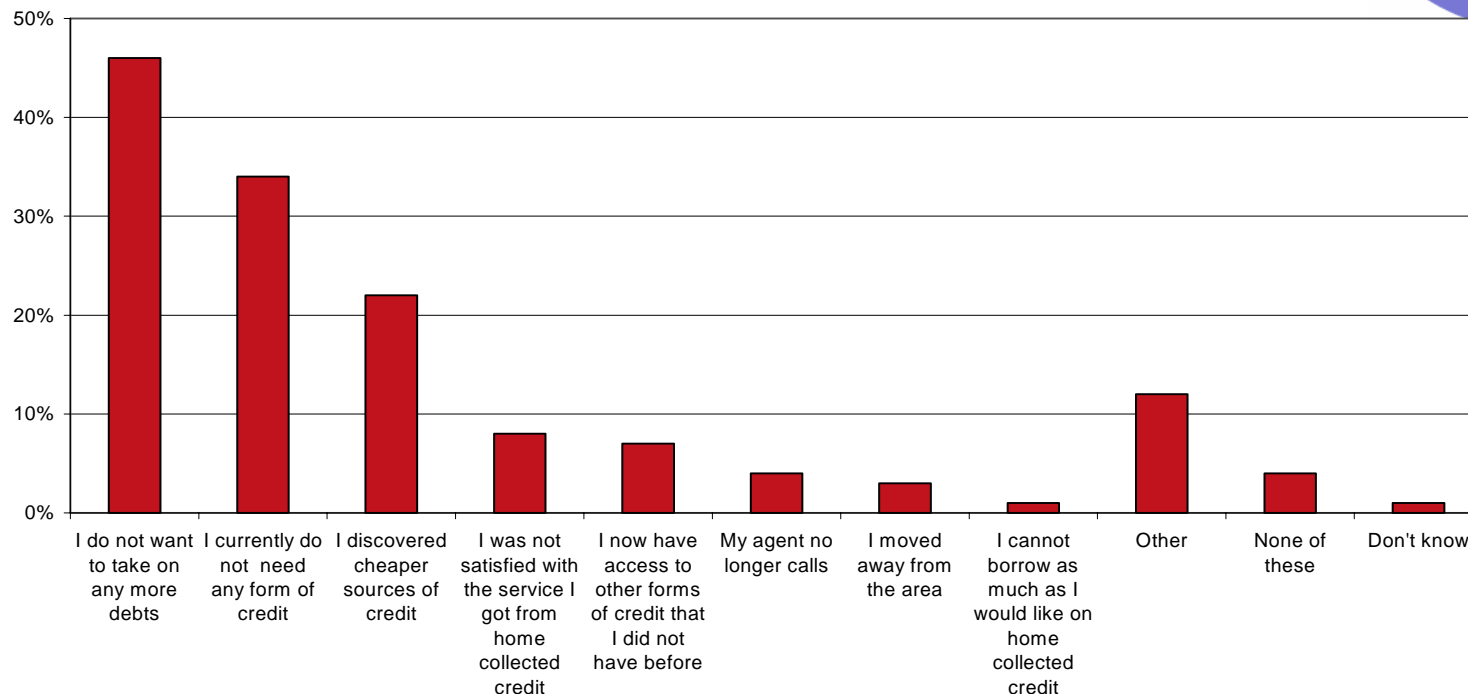


56% of paid up customers stopped using HC more than five years ago.

\*This question was asked of former HC users only (272 responses in total).



## Why did you stop using HC?\*



29%\*\* stop using HC because they found alternative sources of credit. 68%\*\*\* of former HC users stopped using HC because they do not require any form of additional debt.

Most respondents in the 'other' category say they stopped using HC because it was too expensive.

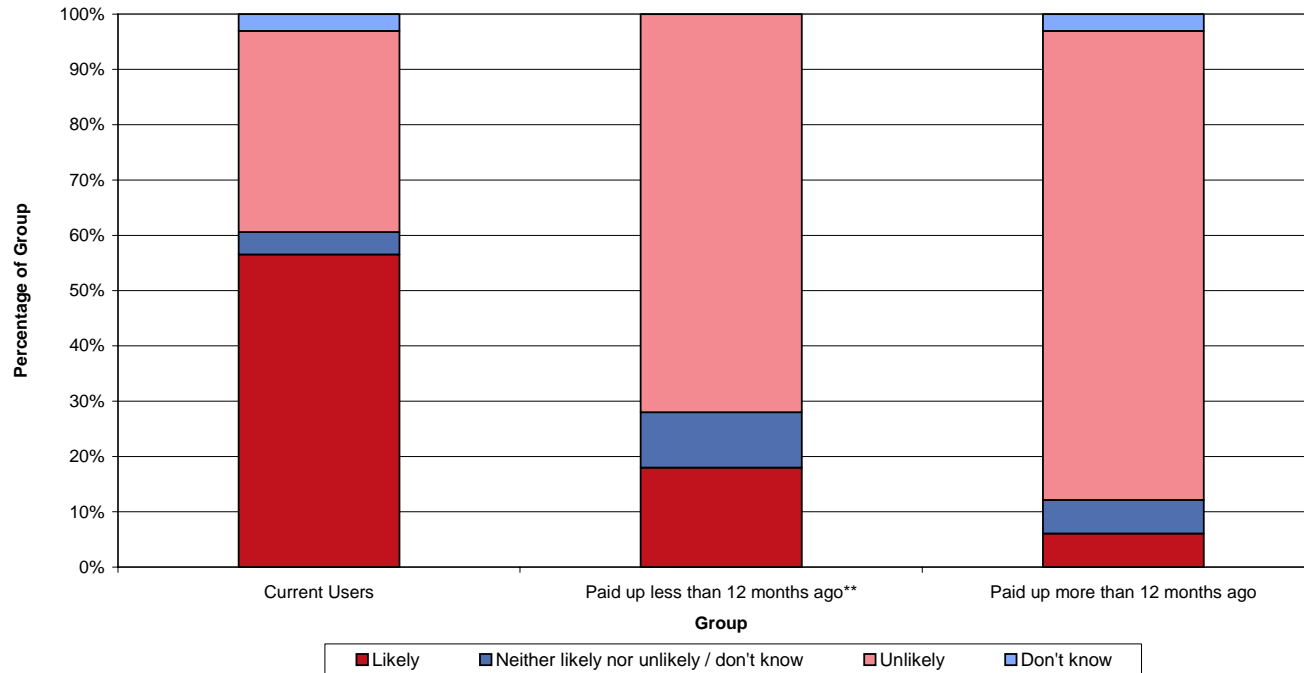
\*This question was asked of former HC user only (272 responses in total). Respondents were able to give multiple answers.

\*\* 22% answered 'I discovered cheaper sources of credit; 9% answered 'I now have access to other forms of credit that I did not have before.

\*\*\* Percentage of former HC users who answered either 'I do not want to take on any more debts' and/or 'I currently do not need any form of credit'.



## How likely is it that you will use HC again?\*



\*\* Number of respondents: 26 Note: Small Sample

Current customers say they are more likely to use HC again than paid-up customers.

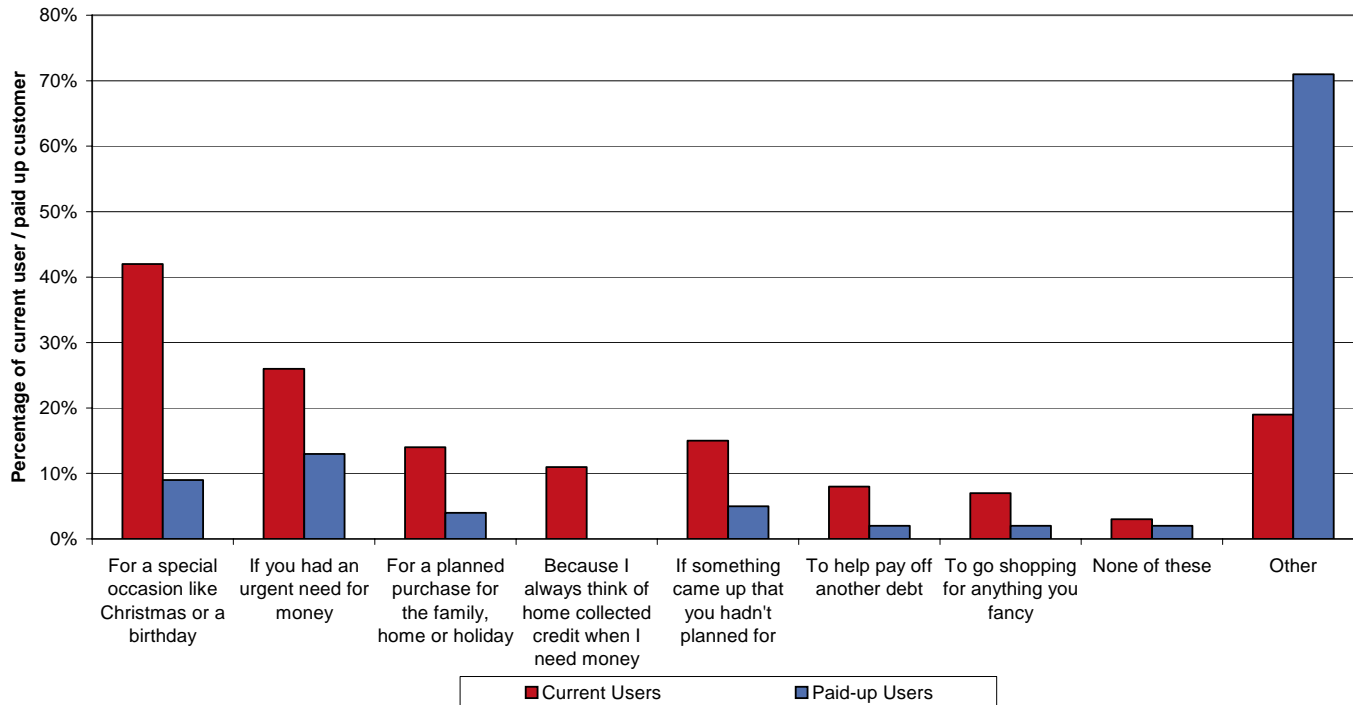
Over half of current customers are likely to use HC again.

81% of paid up HC users say it is unlikely that they would HC again in the future.

\*This question was asked of current and former HC user (432 responses in total).



## Why would you use HC again?\*

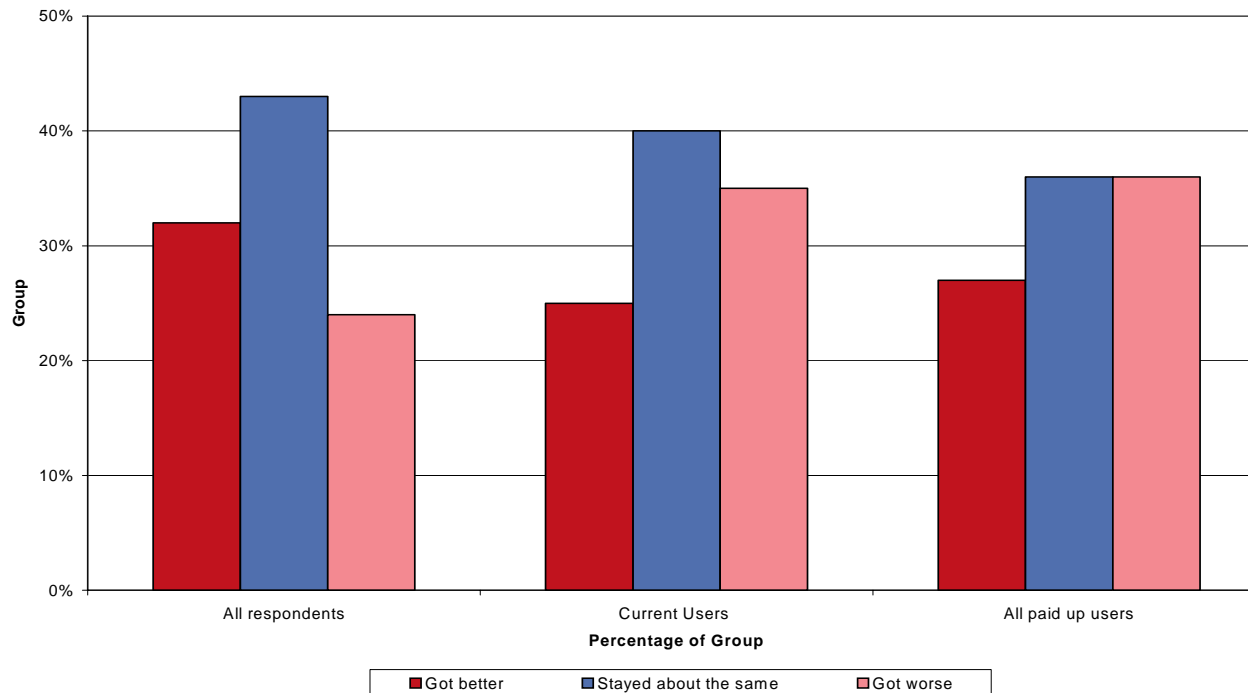


The most common reason for using HC again is 'Special Occasions' (for current customers) and 'Urgent Need' (for paid up customers).

\*This question was asked of current and former HC user (432 responses in total). Respondents were able to give multiple answers.



**Thinking about your personal finances in general, would you say that compared to two years ago they have got better, stayed the same or got worse?**



Current and paid up HC users were slightly more likely to say that their financial situation had got worse over the past two years.

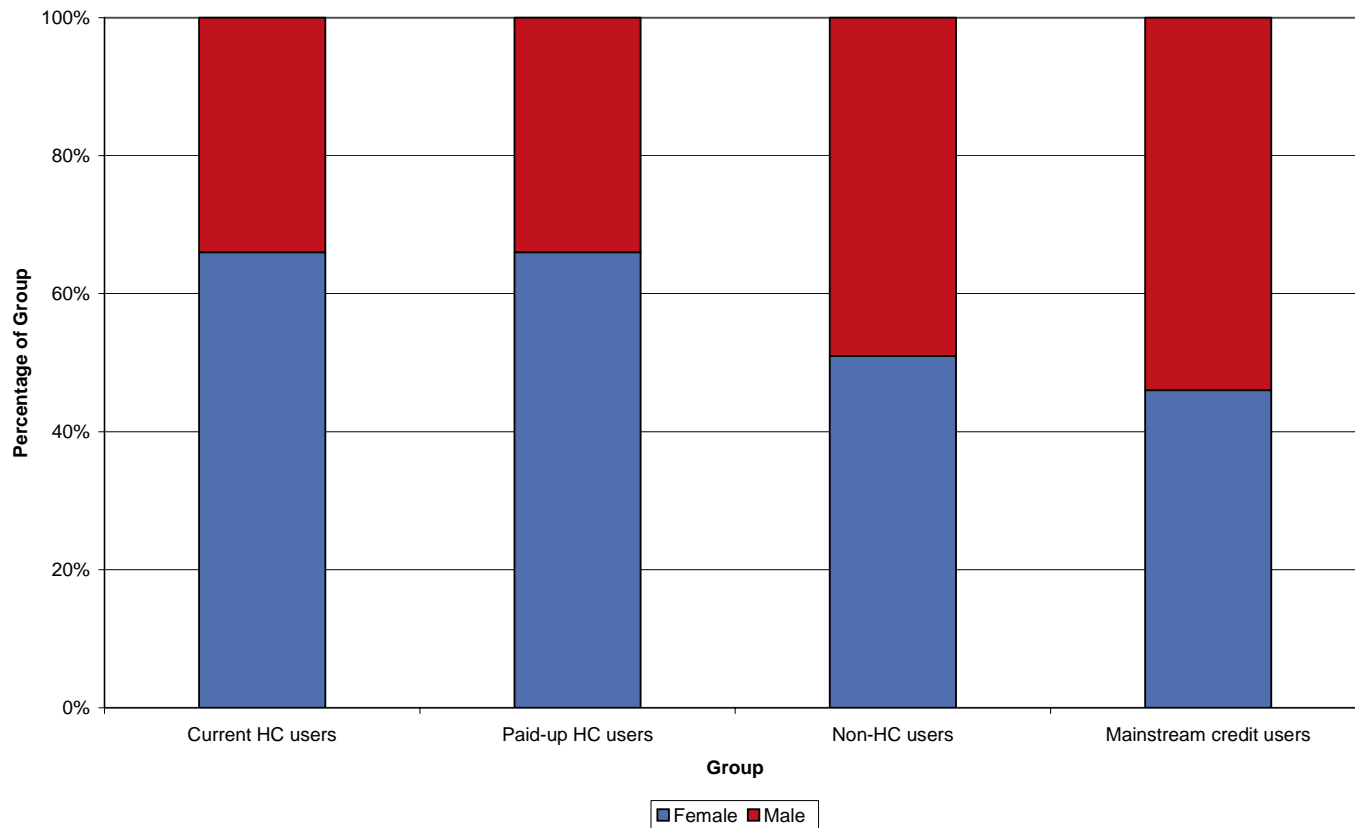
\*All participants were asked this question (6,121 responses in total).



## **Profile of HC users and other groups**



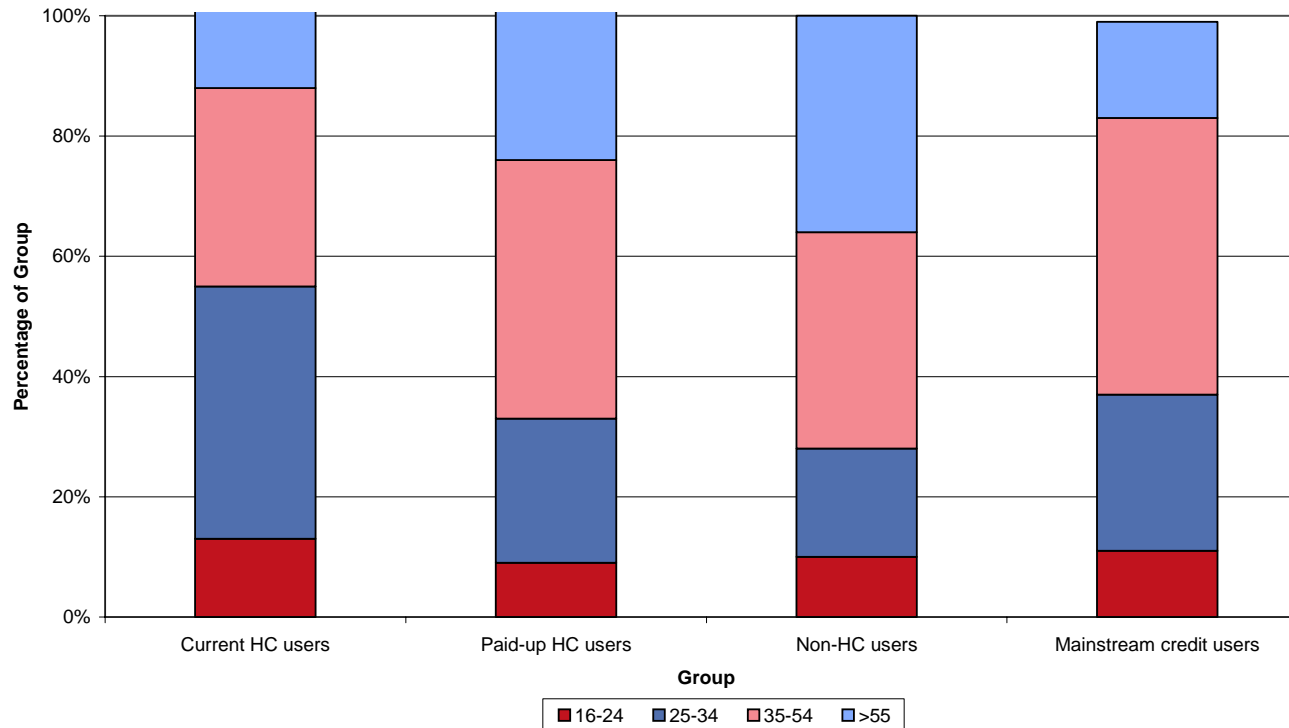
## Gender



HC users are more likely to be female than male. This is not the case for mainstream credit users.



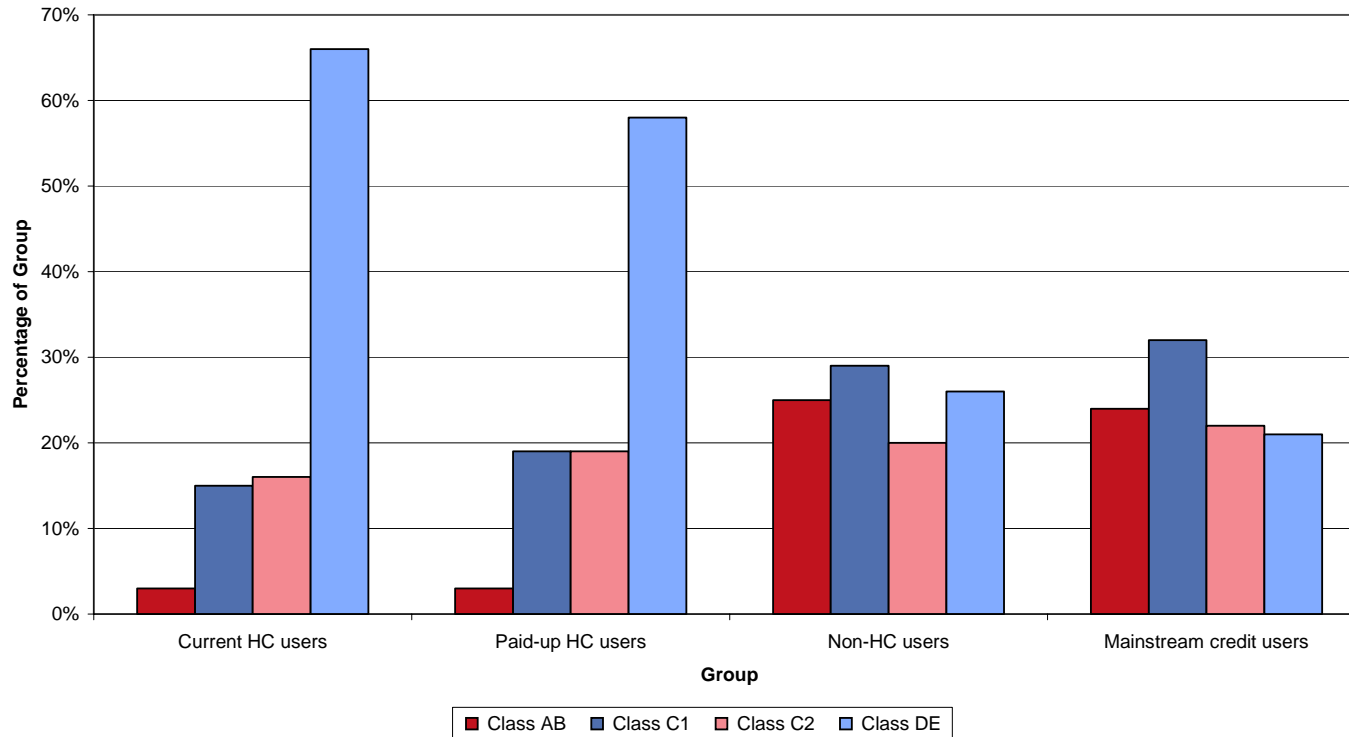
## Age



A higher proportion of HC users is below the age of 35, compared to non-HC users. This is also the case of mainstream credit users, although to a lesser extent.



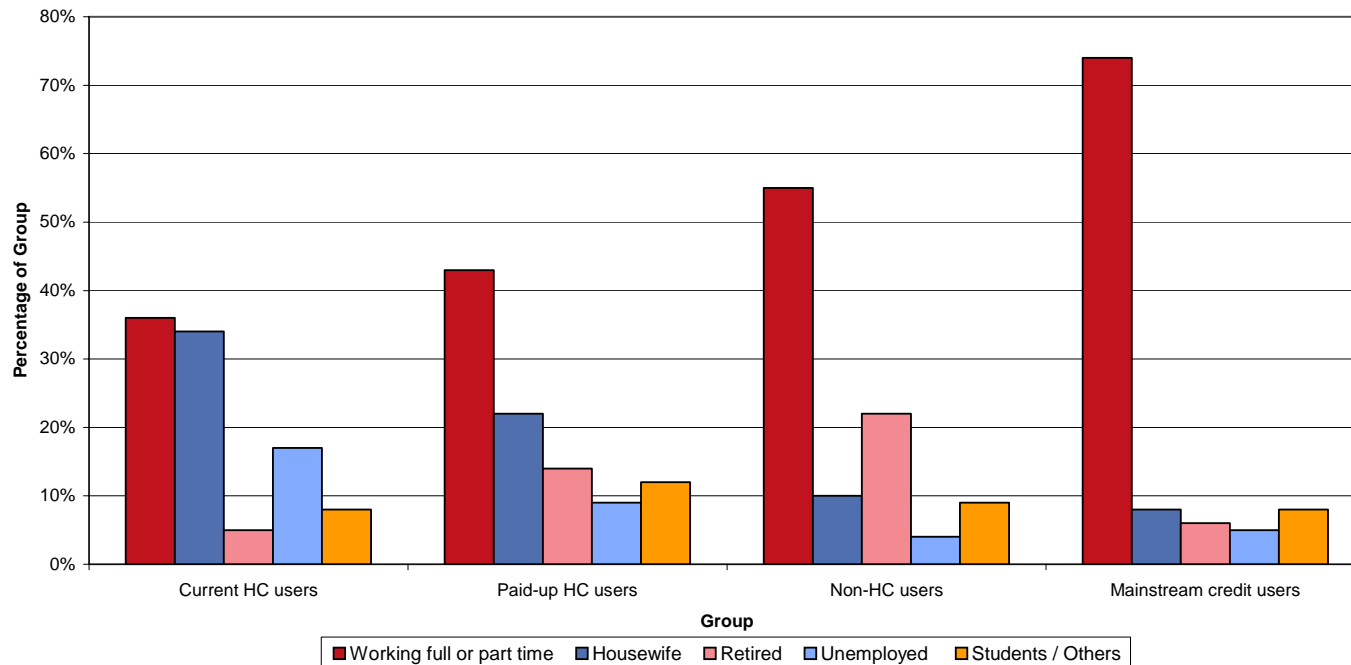
## Socio Economic Profile



A higher proportion of HC users fall into socio economic grades D and E, compared to non-HC users. The socio economic profile of mainstream credit users is similar to that of non-HC users. The socio economic profile of paid-up HC users is similar to that of current HC users.



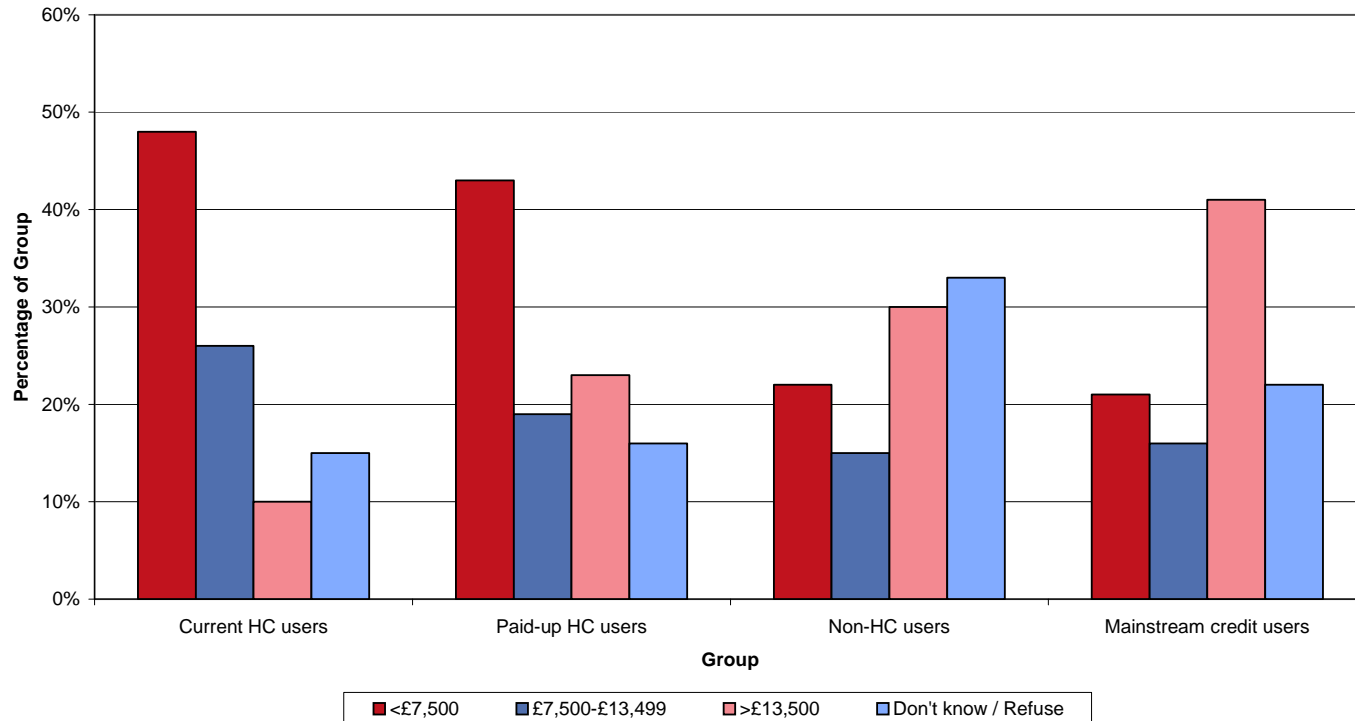
## Employment Status



Housewives and unemployed represent a higher proportion of HC users than main stream credit users.



## Personal Income

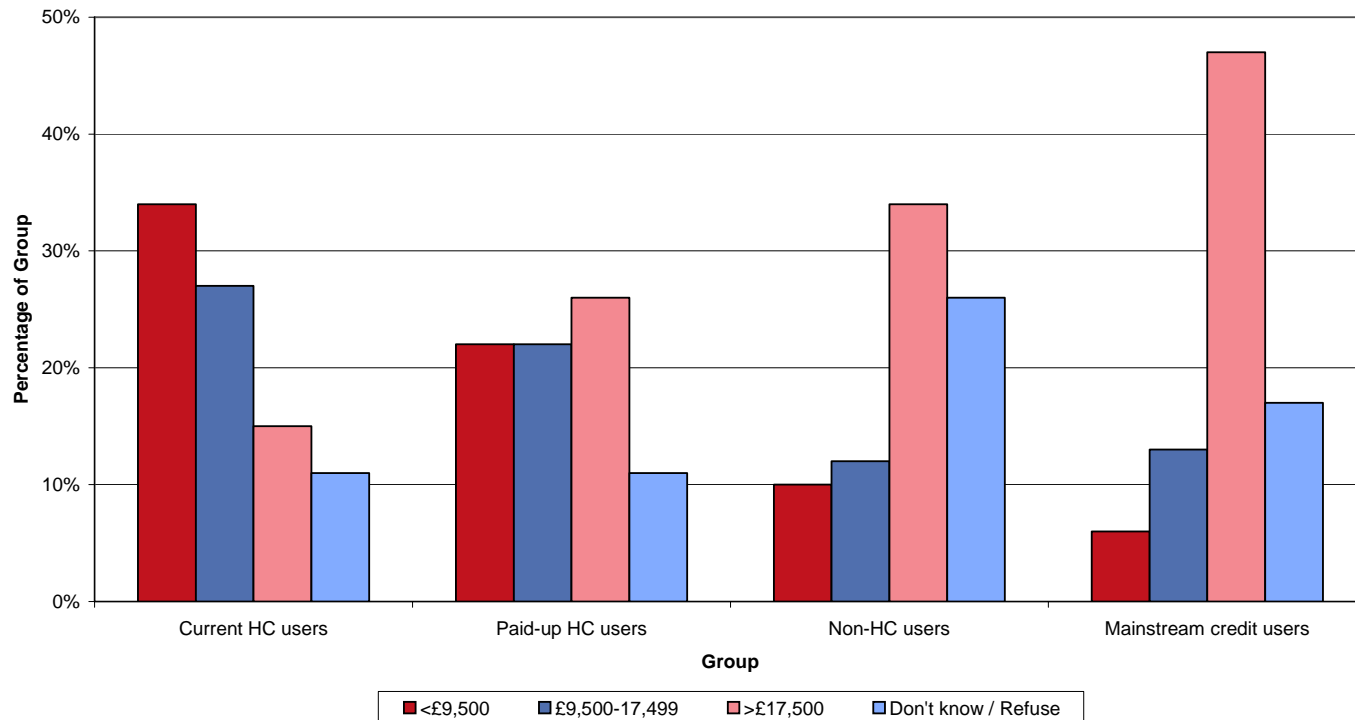


A higher proportion of current and paid up HC users fall into lower income groups, compared to non-HC users and mainstream credit users.

Note: high proportion of refuse / don't know.



## Household Income

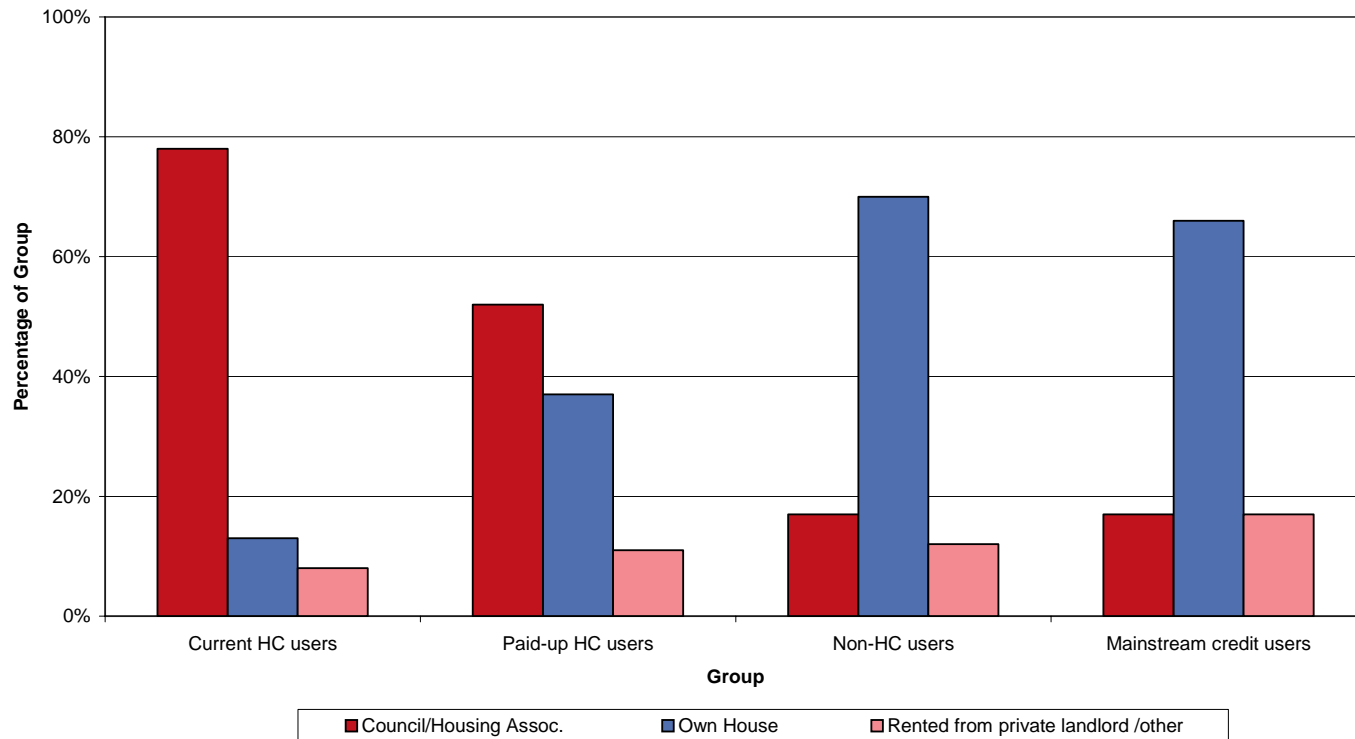


A higher proportion of current and paid up HC users falls into lower income groups, compared to non-HC users. A higher proportion of all mainstream credit users falls into higher income groups, compared to non-HC users.

Note: high proportion of refuse / don't know.



## Housing Tenure



A high proportion of current HC users rent from local councils or from housing associations, compared with paid up HC users, non-HC users and mainstream credit users.