October 2006

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The Bill Sargent Trust
Research for Action

The Impact of Credit on the Financially Excluded Final Report

A REPORT BY: WM ENTERPRISE CONSULTANTS

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1. INTRODUCTION

1.1 BRIEF

WM Enterprise Consultants were commissioned by the Bill Sargent Trust to undertake research into the impact of credit upon the financially excluded in Portsmouth. Policymakers have increasingly realised the need to provide affordable credit to individuals that are refused credit by mainstream financial institutions. When these individuals have been able to access credit, it is usually from doorstep lenders, such as Provident Financial, and at very high interest rates. However in recent years, the establishment and expansion of both Community Development Financial Institutions, such as the South Coast Money Line (SCML), and Credit Unions, such as the Portsmouth Savers Credit Union (PSCU), have presented an alternative to doorstep lenders providing micro credit at affordable rates to individuals. The aim of this study was to evaluate the economic and social impact of credit on financially excluded individuals living in Portsmouth as a result of lending by the SCML and the PSCU. Essentially, this report will highlight the barriers to accessing finance for local people and to what extent the SCML and PSCU have countered these. In addition, the findings from this research are designed to establish the reasons for why local people in Portsmouth access loans with high interest rates from doorstep lenders. A fundamental aim of this work is to establish a number of recommendations that can be implemented to reduce usage of doorstep lenders and increase both access to and usage of loan finance from the SCML and the PSCU.

This report is split into a number of sections relevant to the various research stages. Following this brief introduction, there will be a section that provides some context to the research. This section will present a general overview of Community Development Finance activity with specific reference to the SCML and PSCU loan financing activities and also looks at previous research, which has studied the activities of doorstep lenders.

The second section of this report will describe the survey methodology we used to consult with recipients of finance from the SCML, PSCU and doorstep lenders while the third section of this report will provide the findings from the survey of recipients of SCML and PSCU loans. Following this in the fourth section of the report, in order to provide some comparable data, we provide the findings from the survey of doorstep lender recipients.

The sixth section of this report will provide a summary of the main findings to emerge from the stakeholder interviews undertaken with a number of referral organisations and representatives from the local authority. The final section of this report will provide conclusions and recommendations to inform both lending organisations and local authorities of ways in which to improve their support to the financially excluded in Portsmouth and establish mechanisms which would reduce usage of doorstep lenders.

Since research was conducted it should be noted that the situation with both the SCML and PSCU has changed. The PSCU now charge a maximum interest rate of 21.9%, which has increased from a fixed rate charge of 12.8%. In addition, both the SCML and PSCU have recently received significant funding provision for loans from the Department for Work and Pensions (DWP), which has increased their capability to offer services to excluded individuals both in the City and its surrounding areas.

1.2 CONTEXT

1.2.1 Financial Exclusion

Financial exclusion is growing in the United Kingdom on a considerable scale with over one and a half million (7% of the population) households lacking access to even the most basic of financial services such as a current account and home contents insurance. A further 4.4 million households (20%) are on the margins of financial exclusion using only one or two financial services (www.jrf.org, March 1999)[1]. More recent figures have found that around 11% of adults in the United Kingdom still do not have access to bank accounts compared with around 1-4% for most European countries. And, when reviewed against deprivation indices the figures for the UK are starker still - 35 per cent of people in deprived areas don't have bank accounts (Regeneration and Renewal, March 2006). In addition, research commissioned by SEEDA to map financial exclusion across an entire region of the country found that nearly one in 20 households in the South-East of England have no access to a current account with households in Portsmouth having the least access to banking and insurance facilities across the whole region. Indeed, thirty-seven of Portsmouth's super output areas fall within the 20% most financially excluded areas in the country (Regeneration and Renewal, June 2006).

Paradoxically, the financially excluded, usually low-income individuals or families are often charged excessive borrowing rates and are liable to financial penalties. Many are charged between 8-10% commission to cash cheques at 'money shops' and over three million households borrow from doorstep lenders who typically charge from 160% to 1,500% APR (www.neweconomics.org, December, 2004)[2].

1.2.2 Community Development Finance Institution (CDFI)

Community development finance initiatives have emerged to provide an alternative source of finance for financially excluded individuals. Community orientated finance has had a positive impact both in the U.K. and overseas through providing access to capital for those left behind by the market. Individuals and groups not considered bankable have been given financial service through community finance initiatives without recourse to above-market rates. They have demonstrated the ability to deliver financial services effectively, to reduce vulnerability and increase quality of life and have also demonstrated that there are non-conventional ways of delivering financial services, which reduce risks and operational costs (www.jrf.org.uk, November, 1998)[3].

CDFIs are essentially sustainable, independent financial institutions that provide capital and support to enable individuals or organisations to develop and create wealth in disadvantaged communities or under-served markets. The CDFI sector, which has its own trade association the CDFA, in the UK is approximately worth around £400 million. It has financed close to 10,000 businesses, created 10,000 jobs and has kept another 85,000 people in jobs and has contributed more than £106,000,000 to the economy. CDFIs provide loans from £50 to £500,000. The average loan to individuals is £500 (www.cdfa.org.uk).

CDFIs have, in various geographical locations, enabled those in socially marginal groups to engage with the imperative need for personal banking. The requirement for bank account details in employment and rented accommodation situations becomes problematic as a lack of identity documentation and impaired credit histories are barriers to obtaining these banking facilities. A myriad of initiatives have been successful in overcoming these difficulties. One such initiative is the Co-operative Bank Cashminder Account being piloted in Manchester. A joint initiative between the Co-op bank and the Big Issue, the scheme offers many of the facilities of a current account to its customers with the exception that they cannot become overdrawn. Saliently users do not have to undergo a credit check and the issue of providing identification is handled sympathetically with regards to the difficulty homeless people face.

Four Community Reinvestment Schemes have been established in the United Kingdom: South Coast MoneyLine, Salford MoneyLine, East Lancashire MoneyLine (ELM) and

[1] Reference to the article '**Kept out or opted out? Understanding and combating financial exclusion'** by Elaine Kempson and Claire Whyley accessed at www.jrf.org.uk.

[2] Reference to the article **'Community Banking Partnership: A National Demonstration Project'** by Pat Conaty, Mick Brown and Bob Paterson accessed at www.neweconomics.org.

[3] Reference to the article '**Community reinvestment in the UK'** by Ed Mayo, Thomas Fisher, Pat Conaty, John Doling and Andy Mullineux accessed at www.jrf.org.uk.

Derbyloans. Illustrating their success, the ELM scheme in Blackburn has assisted 2,000 financially excluded households in its first two years advancing over 1,800 affordable loans. Among its customers 95% were indebted to sub-prime lenders when help was sought, 89 per cent had no savings, and 40 per cent had no bank account. ELM regularly supports clients with opening basic bank accounts (www.neweconomics.org).

1.2.2.1 South Coast Money Line

The South Coast Money Line (formerly PART) was initiated by Portsmouth Housing Association and focuses on providing loan finance to people experiencing financial exclusion, those who do not have access to bank finance. SCML provide loans to people from Portsmouth, Gosport, Havant and Southampton and there are a high percentage living in social housing, on benefits and in single parent families. The SCML receive between 1000-1500 enquiries a year and just over 40% of these turn up for interviews.

In order to obtain a loan from the SCML the process involves an individual making an enquiry and providing their contact details after which they are sent an application form and booked in for a 30-minute interview. At the interview the applicant is expected to provide evidence of proof and address and their income and they are then assessed against lending criteria. Assessors look at the character of the individual, capability of repayment and the purpose of the loan and use experian to verify the applicant's details. If the loan is granted, the applicant attends a completion interview and during this process they will be offered assistance with budgets and referrals to other organisations

The SCML provide personal loans of between £500-£5,000. For personal loans up to £1000 individuals are charged 24% APR while for personal loans over £1000 individuals are charged 22% APR. An administration fee of 3% is charged on all personal loans. If the client does not meet repayment dates then arrears reports are produced and eventually debt collection agencies and solicitors are involved.

The SCML have good relationships with the credit unions based in Southampton, Brighton and Havant. However, its relationship with the Portsmouth Savers Credit Union could be stronger and tends to be affected due to the organisations being in competition for funding resources.

1.2.3 Credit Unions

Credit Unions offer groups with communal bonds the opportunity to save and borrow at low rates, offering affordable credit to those vulnerable to financial exclusion. According to the Association of British Credit Unions Ltd (ABCUL), credit unions have been characterised by impressive growth over the last ten years with membership of ABCUL credit unions having increased fourfold and the money saved by members increasing tenfold. Statutory obligation means credit union interest rates are limited to a maximum of 21.9% APR. At September 2003, 444 ABCUL credit unions provided financial services to approximately 365,100 people. Their savings totalled around £292,714,000 and their borrowing £239,757,000 (www.abcul.org). In 2002 credit unions supplied loans worth an average of £470 (www.jfr.org.uk, February, 2005)[4].

Credit union beneficiaries have received support in a number of ways: the purchase of household items, having a reliable destination for savings for the elderly, providing the means to gain home ownership and allowing borrowers to escape the burdens of high-cost lenders. For example, Glasgow Council Credit Union Ltd enabled Linda, a lowly paid toilet attendant, to purchase her council house with a loan of £48,000. Payments for the loan and other bills are deducted weekly at source, thus allowing Linda greater budgeting freedom (www.abcul.org).

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[4] Reference to the article '**Affordable credit: The way forward'** by Sharon Collard and Elaine Kempson accessed at www.jrf.org.uk.

Credit unions have been praised for their ability to liase with borrowers and to consider the amount and term of the loan against what they can realistically afford to pay (Whyley et al, 2000 cited in www.jfr.org.uk, February, 2005)[5]. Flexibility is a key requirement in the borrowing of low-income groups; both credit unions and community based loan schemes offer the rescheduling of repayments in times of financial difficulty.

However, credit union operational mechanisms are also characterised by the following barriers to access:

- The link between saving and borrowing was perceived as a drawback due to borrowing being conditional on a member's capacity to save, thus;
- Some people could not save regularly enough;
- Some people could not save enough to borrow the sums they needed;
- New members generally have to establish a saving record in the credit union before applying for a loan;
- The most cited barrier to access was that members' regularity of saving would be considered before they applied for a loan;

Financially excluded individuals tend to face the added burden of generally paying more through their method of bill payment, for example, the savings enjoyed by direct debit customers are not shared by many without access to this facility. However, Leeds City Credit Union have enabled their members to pay bills through direct debit, account holders make regular payments into a special bill-payment account and the credit union pays the bills on their behalf when due (www.jrf.org.uk).

1.2.3.1 Portsmouth Savers Credit Union (PSCU)

The PSCU provides access to savings deposits and loans and is available to those who live or work within the City of Portsmouth and the boroughs of Fareham, Gosport and Havant. In order to join the PSCU, individuals are required to complete an application form and provide two form of identification, such as a driving licence or a utility bill. Individuals are required to pay a small joining fee and must maintain a minimum account balance of at least £1. Once an individual has opened an account, they are able to apply for a loan. They need to make an application and then the credit union makes an assessment on the information supplied and uses an Equifax agency to verify the information e.g. checking people's accounts. The more an individual saves the greater amount they are able to borrow.

The maximum loan available is £5,000 and individuals can apply for top-ups even if the loan had not been fully repaid. The PSCU has a maximum interest rate of 21.9% APR with interest only being charged on the declining balance. This compares favourably with other lenders of loan finance such as mainstream banks like Natwest (20.6%). If individuals default on loan payments then money can be taken from their savings account. If rejected for a loan, individual can re-apply but will be informed how they would need to improve their score to ensure their loan application is successful.

The PSCU are seen as being on the 'cutting edge' of credit unions providing support and advice to a number of other credit unions. They have also disseminated information to other credit unions at various conferences.

1.2.4 Doorstep Lenders

The 2006 Financial Inclusion Task Force report found that many of the United Kingdom's estimated 2.8 million adults without access to a bank account prefer to pay high rates of interest to door step lenders than deal with high street banks. Indeed they prefer to create their own systems of managing their finances outside the mainstream financial services industry using friends, relatives and loan firms for financial support (Regeneration and Renewal, April 2006).

[5] Reference to C. Whyley, S. Collard and E. Kempson, **'Saving and Borrowing'**, Department of Social Security Research Report 125, Leeds: Corporate Document Services.

A study published by the Policy Studies Institute (www.jrf.org, December, 1994)[6] investigating the relationship between licensed moneylenders and their customers revealed the attractive qualities that creates a demand for high cost credit providers. Despite access to other cheaper forms of credit, moneylenders offer the benefits of small loans, weekly repayments, doorstep collection and the absence of default charges if some repayments are missed. At the time of the study there were 1,200 money lending companies in Britain imposing an APR on loans typically between 100% and 500% compared to a bank loan of 20% APR. Many users of moneylenders were found to give limited thought to alternative sources of credit and a significant proportion found the cash repayments, absence of large monthly repayments and doorstep collection advantageous. This type of credit lending, at the time of the study, was estimated at 1,200 lenders who visited three million customers per week.

The **Competition Commission** has voiced concerns over the lack of competition within the doorstep lending industry and its subsequent adverse effect on the price of its service and has conducted an inquiry into customer satisfaction levels of home credit companies. The widespread opinion prevails that these financial service providers lend money at extortionate rates. Indeed, presently the industry is expensive and uncompetitive. However, emerging findings from the Commission suggests low-income borrowers are happy with the service offered by home credit companies. Valued relationship can be built up with collection agents, payment is conveniently collected from the home, there were no penalties for late payment and advice organisations had received few complaints about over-indebtedness. In addition, it was felt that loan application forms tended to be very complex and that there were over stringent ID requirements. Balancing the debate, the Commission did highlight that APRs averaged 177% and that various barriers to doorstep lending did exist:

- Method of collection is expensive;
- Risk of bad debt is high;
- Barriers to expansion in the market limiting competition.

The Commission has established some preliminary recommendations to counter doorstep lenders and increase competition. These included:

- Improved access to affordable credit through identifying community-based initiatives to provide affordable alternatives to home credit and building the capacity of credit unions.

- Better Regulation: standard APRs, responsible lending requirements, investigation of rollover loans and early settlement fees should all be considered.

- Lenders sharing data on customer payment records given that doorstep lenders do not usually share information on credit histories of their customers. This means that client cannot demonstrate their creditworthiness to other potential lenders, effectively trapping them in a relationship with one company. If lenders were obliged to share data with each other and banks it would liberate a large number of clients from the sub-prime market.

- Lenders should be obliged to provide better price information and comparable products to customers. There is also a requirement for firms to provide customers with financial statements to make clear the cost of their loans.

- Imposing price caps on the total amount repayable on loans.

Debt on our Doorstep (DooD) are an organisation whose aim it is to lobby the government to put a ceiling on interest rates, and to give more backing to community finance schemes such as CDFIs and credit unions. They have constantly argued the need for government to link better regulation of the credit industry with initiatives to encourage credit union development, to create greater access to affordable credit and for measures to be introduced to end extortionate lending by organisations such as the Provident. They have established a national

[6] Reference to article **'Moneylenders and their customers'** by Karen Rowlingson accessed at www.jrf.org.uk.

strategy (Scaling up for Financial Inclusion 2005) for increasing access to affordable credit and financial services. DooD found that organisations such as credit unions and community finance institutions did not provide the range of services required by the financially excluded. The DooD strategy highlighted the following:

- There needs to be a 'width' (area served) and 'depth' (range of financial services to tackle financial exclusion. Basic financial services should include:
  - Access to affordable credit;
  - Advice and budgeting services;
  - Basic bank accounts;
  - Savings facilities;
  - Financial literacy courses;
  - Access to an ATM network; and
  - Access to insurance products and card accounts.

- Models of partnership working need to be scaled-up and replicated in all deprived neighbourhoods – e.g. the Community Banking partnership in Birmingham. Collaborative or partnership working needs to be a feature of future delivery mechanisms.

- Local Authorities need to act as overall 'drivers through Local Strategic Partnerships to ensure financial exclusion is being addressed, Regional Development Agencies should play this role in rural and non-metropolitan areas.

2. SURVEY METHODOLOGY

2.1 LOAN RECIPIENT SURVEY RESEARCH STAGES

The methodology for delivering this survey research comprised of the following stages of work:

- The survey stratification was agreed. A survey of 331 recipients of loan finance from the SCML and the PSCU would be undertaken. This would involve a mixture of face-to-face and telephone interviews.

- A questionnaire for the survey was then drafted, which reflected the issues of greatest interest to the Bill Sargent Trust. The questionnaire contained a range of topics, including: (A copy of the questionnaire is in Appendices I and II)

- ***Demography***
  Age, sex, ethnicity, family status, economic status.

- ***Financial Details***
  Type and amount of finance, other sources of finance, reasons for using doorstep lenders

- ***Process of Obtaining Finance***
  Information required, Perception of accessibility to finance, barriers to finance, support from other organisations

- ***Impact of Obtaining Finance***
  Impact on individual's quality of life

2.2 DOORSTEP LENDER RECIPIENT SURVEY RESEARCH STAGES

The methodology for delivering this survey research comprised of the following stages of work:

- The survey stratification was agreed. A telephone survey of 83 individuals would be undertaken and this would comprise of a mixture of individuals that had been refused SCML or PSCU loans and had acquired loan finance from doorstep lenders and also individuals that had received both SCML/PSCU and doorstep loans. Initially, we proposed to carry out a survey of Portsmouth Housing Association tenants who had been customers of doorstep lenders in the past. However, we were unable to gain access to this database of customers.

- A questionnaire for the survey was then drafted, which reflected the issues of greatest interest to the Bill Sargent Trust. The questionnaire contained a range of topics, including (A copy of the questionnaire is in Appendix III):

- ***Demography***
  Age, sex, ethnicity, family status, economic status.

- ***Financial Details***
  Type and amount of finance, other sources of finance, reasons for using doorstep lenders

- ***Process of Obtaining Finance***
  Perception of accessibility to finance, barriers to finance, support from other organisations

- ***Impact of Obtaining Finance***

Impact on individual's quality of life

2.3 FOCUS GROUPS/INTERVIEWS WITH RECIPIENTS OF SCML/PSCU LOANS AND DOORSTEP LOANS

In order to provide greater substance to findings from the survey undertaken during December 2005, it was agreed that a number of semi-structured interviews would be carried out in order to explore some of the issues that emerged from the survey. It was decided that a series of focus groups would be undertaken with recipients of loans from the South Coast Money Line (SCML) and the Portsmouth Savers Credit Union (PSCU). In addition, it was agreed that discussions would take place with both users of doorstep loans and individuals who had accessed both doorstep loans and SCML & PSCU loans.

The aim of these discussions was to establish further local people's understanding and awareness of the loans available to them, individual's experience of doorstep lenders and how lending organisations could compete more effectively with doorstep lending organisations, such as the Provident.

Hence the focus group discussions encompassed the following:

- Impact that receipt of benefits has on individual's accessing loans;
- Whether age has an impact on access to finance;
- Understanding of commercial interest rates;
- Types of non-financial services accessed by clients;
- How clients become aware of the loan services;
- Positive and negative experiences with doorstep lenders.

By way of an incentive, respondents were given a £20 voucher for participating in the discussion.

Target Groups

It was agreed that the following should be target groups for the focus groups:

- Older SCML and PSCU borrowers;
- Younger SCML and PSCU borrowers;
- SCML and PSCU borrowers who have also used doorstep lenders;
- SCML and PSCU borrowers who have not used doorstep lenders;
- Users of doorstep lenders who have not used PSCU or SCML.

Numbers

Four focus groups were carried out and twenty recipients of PSCU/SCML loans were consulted with in total. Initially, 31 clients were to take part in the focus groups. However, this number fell due to the following reasons:

- People refused when given a second reminder;
- People did not turn up on the day of the focus group;
- There were also late cancellations because people said they were now too busy.

In terms of users of doorstep lenders who have not used the other loan funds these were being consulted through the Welfare team at the Housing Association.

3. LOAN FINANCE RECIPIENT SURVEY FINDINGS

3.1 Introduction

A total of 331 customers who have received finance from either the Portsmouth Savers Credit Union (PSCU) or the South Coast Money Line (SCML) were surveyed during December 2005. Of these, 172 respondents had received loan finance from the PSCU and 159 from the SCML. The survey looked to research the impact of lending on recipients as well as explore respondents' experiences in obtaining finance. Specifically, the respondents were questioned on the following:

- Demographic detail, such as age, gender and economic status;
- The type and amount of finance received;
- The process through which the respondent went through to obtain finance;
- Barriers that exist to accessing finance;
- The impact on individual's quality of life of obtaining finance from the lending companies.

3.2 Demographic Profile

Overall, the majority (64%) of those sampled were female, compared to 36% male. For the South Coast Money Line (SCML), 30% of respondents were male, and 70%, female compared to 43% male and 57% female for the Portsmouth Savers Credit Union (PSCU). In terms of ethnicity, 93% of the overall sample was of white UK origin, with 2%, from 'other' white origins.

As seen in figures 3.1 and 3.2, the majority of respondents were aged between 30 and 59 (64% PSCU and 69% SCML). Overall, there was a wider age range of respondents from the PSCU; for example, 19% of the PSCU sample was aged 20-29, compared to 15% of the SCML sample, and 16% of the PSCU sample were aged 60 and over, compared with 13% of the SCML respondents.

Figure 3.1: Age of respondents who had used the PSCU

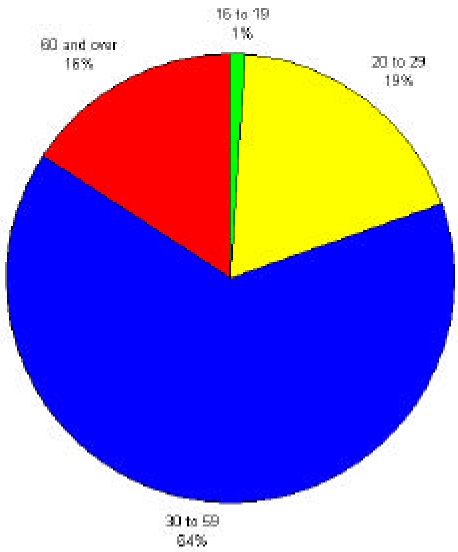
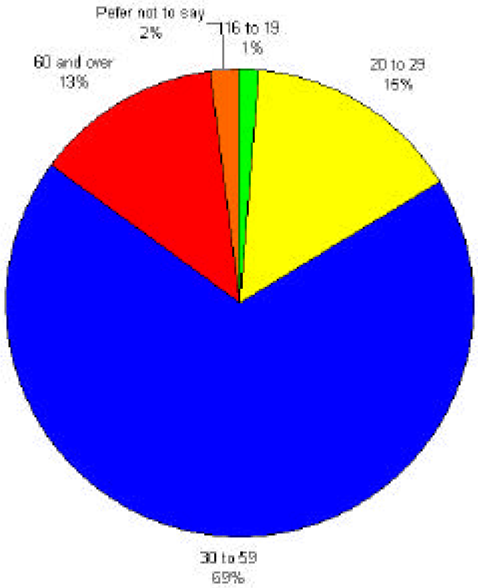


Figure 3.2: Age of respondents who had used the SCML



In terms of health, 11% of respondents had a health problem, 9%, a disability and 7%, a long-term limiting illness. There were a greater proportion of respondents with health problems from the SCML; 81% of PSCU respondents did not have any health problems, compared with just 63% of SCML respondents. Furthermore, 14% of SCML respondents have a disability, compared with 5% of PSCU respondents.

Figure 3.3 demonstrates that a quarter of respondents (26%) live alone; furthermore, there are a much higher proportion of respondents from the SCML (33%) than the PSCU (20%) within this same category. The majority of PSCU respondents are married and living with a partner and dependents (21%), compared with just 13% of those from SCML. Of those who had received under £1000 of finance, the majority (28%) of respondents were single and living alone. Comparatively, the majority (almost a third) of those who had received over £1000 of finance were married and living with a partner and dependents. Of those who had borrowed from doorstop lenders, 31% of respondents were lone parents and 24%, single and living alone. This data provides a useful indication of how family status can influence the amount of borrowing required by beneficiaries as well as who people approach for the money.

Figure 3.3: Family status

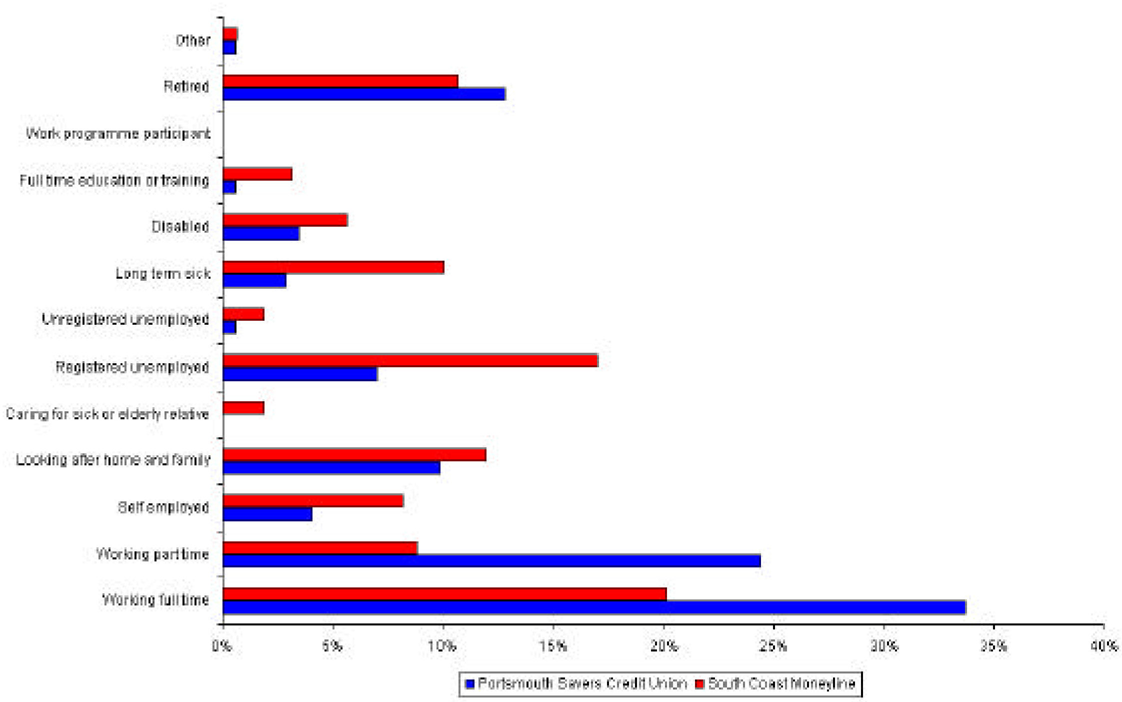
	Overall	PSCU	SCML
Single living alone	26%	20%	33%
A lone parent	20%	18%	23%
Married living with a partner with dependents	17%	21%	13%
Married living with a partner with no dependents	16%	19%	13%
Single living with family	16%	18%	13%
Single living with friends or sharing	3%	3%	3%
No reply	2%	1%	2%

Overall, half of all respondents are either employed on a full or part time basis or work for themselves. Over a quarter (27%) of respondents were employed full time, with 17% working part time. Overall, 41% of respondents have been in their particular economic status for over 2 years. Figure 3.4 indicates the differences in response between the two lenders, specifically that:

- 34% of PSCU respondents work full time, compared with just 20% of SCML respondents;
- Almost a quarter (24%) of PSCU respondents work part time, compared with 9% of SCML beneficiaries;
- 17% of SCML respondents are registered unemployed, and 10% are long term sick; the equivalent figures for PSCU respondents are 7% and 3%.

These findings indicate the SCML provide loans to a larger proportion of employed people than the PSCU while the PSCU provide loans to a larger proportion of unemployed people than the SCML.

Figure 3.4: Economic Status



3.3 Type and amount of finance received

Overall, the most common amounts of loan received by respondents were £501-£1000 (33%), £251-£500 (27%) and £1001-£5000 (25%). As seen in Figures 3.5 and 3.6, there were differences in proportions of loan amounts between the moneylenders. The majority (36%) of respondents from the SCML had borrowed between £501-£1000, compared with the majority (33%) of those from the PSCU who had borrowed £1001-£5000. In contrast, just under a fifth (17%) of respondents from SCML had borrowed £1001-£5000. To summarise, 34% of PSCU respondents had borrowed amounts over £1000, compared with 18% of those from SCML. Despite this finding it should be noted that both organisations provide loan finance of between £500-5000.

Of those respondents that are working, 38% had borrowed over £1000, compared with 11% of respondents not working. In terms of age, younger respondents borrowed lesser amounts of money, with the majority of 16-29 year olds borrowing £251-£500, compared with both older age groups mainly borrowing £500-£1000.

Figure 3.5: Amount of finance received from the PSCU

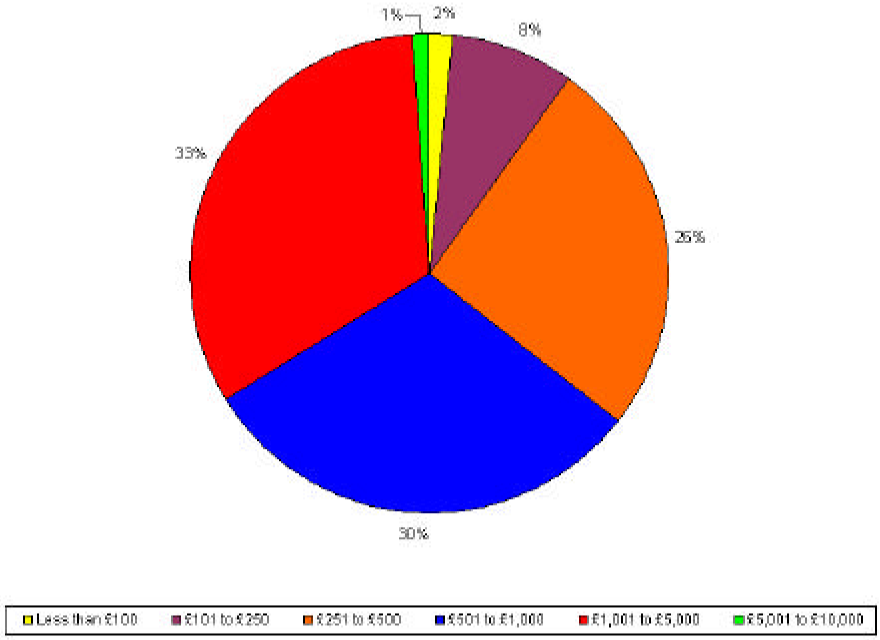
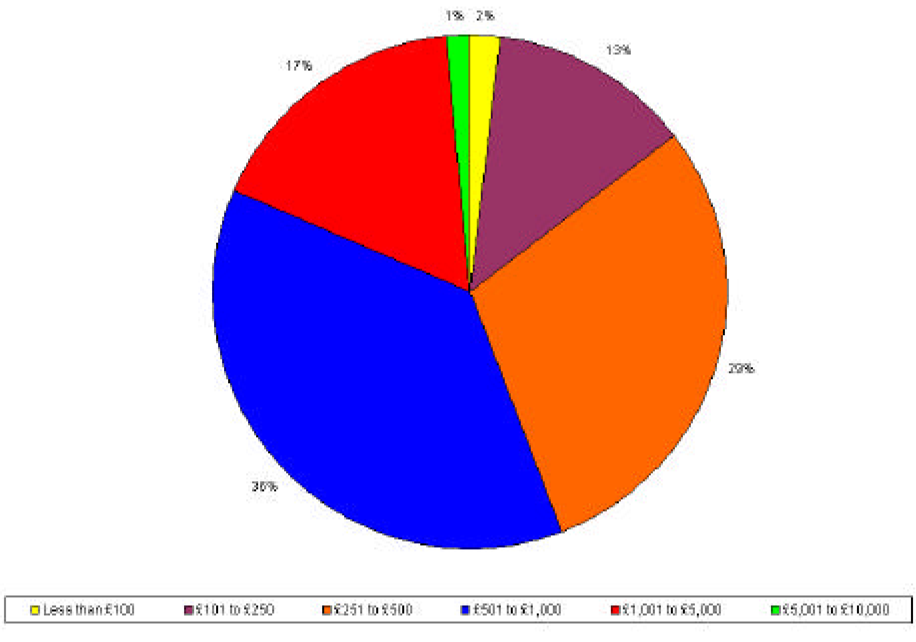


Figure 3.6: Amount of finance received from the SCML



To determine the level of respondents understanding regarding interest rates, they were asked whether the loan they received was at a 'commercial' or 'reduced' rate. Overall, 42% of respondents stated they had received a loan with a commercial rate of interest, while 39% claimed to have received a loan with a reduced rate of interest. Unsurprisingly, given its interest rate charge on loans is between 22%-24% depending on amount borrowed, SCML respondents (47%) claimed to have received a loan with a commercial rate of interest, whilst more PSCU respondents (40%) stated they had received a loan with a reduced rate of interest. However, given at the time of this research the PSCU charged a standard fixed interest rate of 12.7% APR on all loans, the figures would suggest its client's perception regarding the definition of commercial and reduced rate loans is misunderstood as 38% of PSCU respondents perceived they had received loans with a commercial rate of interest.

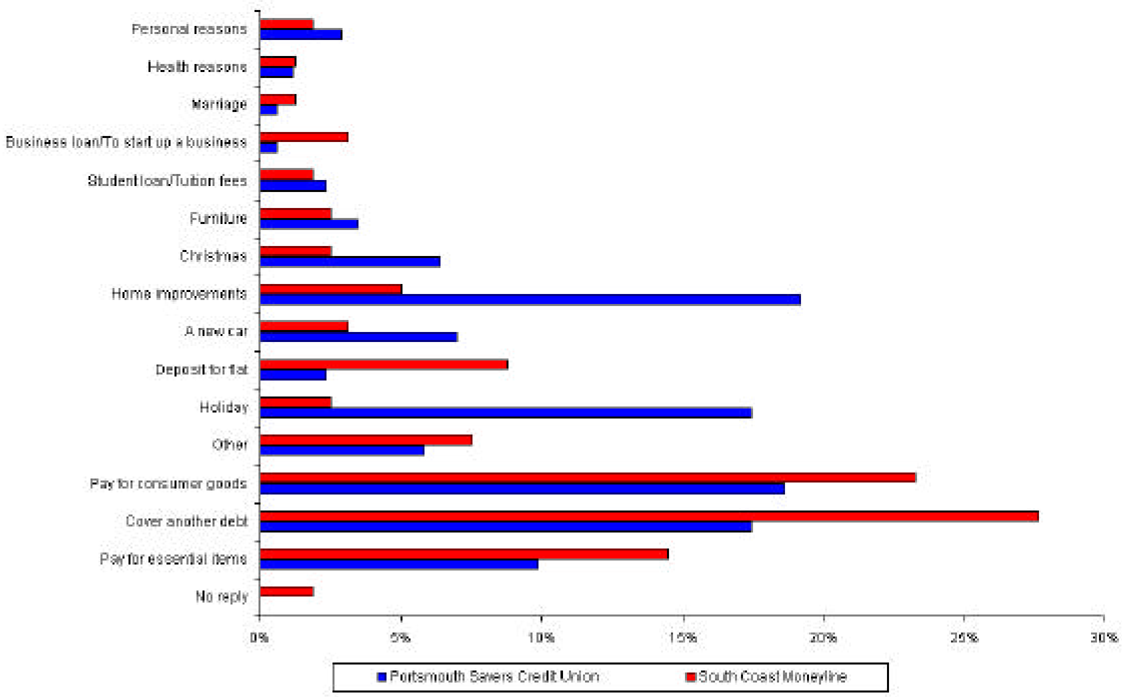
This was further confirmed through the focus group discussions with SCML and PSCU respondents where it was apparent there was a general lack of understanding amongst respondents of the terms 'APR' and 'Commercial Rate'. There was also an observation that borrowers were more concerned about repayments than interest rates, that is the weekly/monthly outgoings rather than the total cost of credit. Although some respondents were aware of the high rates charged by organisations such as Brighthouse and the Provident their situation required them to do whatever was necessary to borrow.

Those respondents that understood the rate of interest they were paying on SCML and PSCU loans felt the levels of repayment were acceptable and genuine, especially respondents that had used PSCU loans.

Overall, most respondents took out a loan to cover an existing debt or to pay for consumer goods. As Figure 3.7 depicts, there are differences between respondents from each organisation. The largest proportion (19%) of PSCU respondents obtained finance for home improvements or to buy consumer goods, followed by 17% of respondents obtaining finance to cover existing debts. Comparatively, the largest proportion (28%) of respondents who have used SCML, take out finance to cover existing debts. 23% use the money to pay for consumer goods and 14% to pay for essential items. Other interesting points to note are:

- For most of those who have taken out a loan of less than £1000, it is used to pay for consumer goods or cover existing debts;
- For the majority of those who borrow more than £1000, the loan is used to cover existing debt, pay for holidays or home improvements;
- 28% of those who have borrowed from doorstep lenders have done so to cover existing debts, and a further 28% to pay for consumer goods;
- Only 14% of respondents were allowed a repayment holiday as part of their loan;
- 91% of respondents overall were able to make scheduled repayments. The main reason given for not making repayments on time was a lack of finance;
- Some of the focus group participants mentioned they had used the loan to repay back other loans such as those from the Provident. A recipient of a SCML loan stated the loan had enabled her to move away from particularly difficult personal circumstances and set up a new life for herself.

Figure 3.7: Purpose of obtaining finance



Respondents were asked about how they first became aware of the SCML/PSCU. Overall, as depicted in figure 3.8, most respondents stated they became aware of the two organisations via recommendations (word of mouth). However, there were a much greater proportion of SCML respondents (42%) than PSCU respondents (30%) that had accessed the organisation thorough recommendations. Interestingly, the greatest proportion of the PSCU respondents (36%) had been referred to the organisation through a third party. These findings suggest the SCML has a higher success rate through word of mouth recommendations. Young people (16-29) were more likely to access the organisations via recommendation while people aged 30-59 were more likely to be referred by a third party.

Making reference to the focus groups, the majority of respondents that had taken out loans from either the Credit Union or South Coast Moneyline had heard about the services via word of mouth. It was mentioned that the Portsmouth Housing Association and City Council had previously given out leaflets advertising the PSCU savings facility, if not directly advertising its loan service. It was also mentioned that information about access to loans in Portsmouth had also been available at access points, created through the SRB scheme, when they had been in operation.

Almost all of the focus group participants felt both loan organisations should provide greater marketing of their service to encourage increased uptake of the service. Types of marketing mentioned included using leaflets and posters at churches, community centres, libraries, radio and Internet cafes. It was also suggested that a more pro-active marketing approach might be more productive such as door knocking.

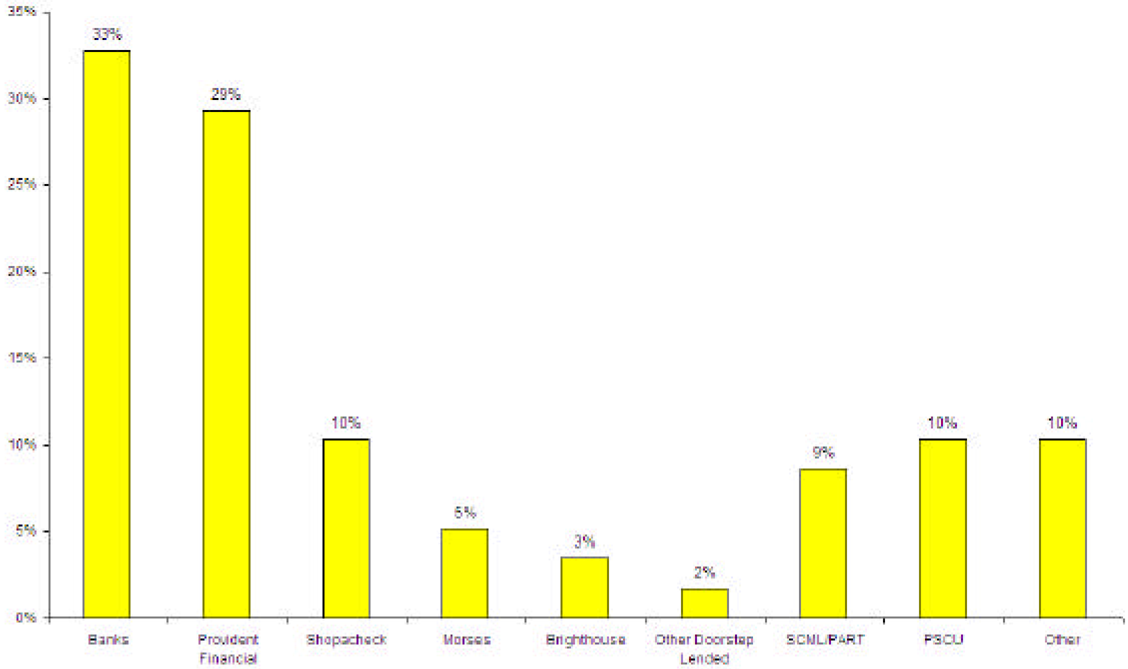
Figure 3.8: Initial awareness of organisation

	Overall	PSCU	SCML
Via recommendation	35%	30%	42%
Referred by third party	34%	36%	31%
Responded to an advert	25%	25%	26%
Other	11%	13%	8%
No reply	1%	1%	1%

Overall, 18% of respondents received finance from other organisations (15% of PSCU and 20% of SCML respondents). Interestingly, 15% of those who had borrowed under £1000 had sought finance from other organisations, compared to a quarter (24%) of those who had borrowed over £1000. Unsurprisingly, people in work used banks (46%) to a greater extent to the Provident Financial (18%). In contrast, people out of work used the Provident Financial (50%) to a greater extent to banks (18%).

As seen in figure 3.9, most respondents received their extra finance from banks (33%) or Provident Financial (29%). The majority of PSCU respondents, who had received finance from another source, had done so from a bank, yet the majority of SCML respondents had received extra money from Provident Financial. Similarly, there were distinct differences between age categories; 55% of those in the 16-29 categories had received extra finance from banks. This fell to 30% and 22% in the 30-59 and 60+ consecutively. The majority of those in the 30-59 age category had received their extra finance from the Provident Financial.

Figure 3.9: Other organisations respondents received finance from



Overall, 9% of respondents had used a doorstep lender. Of these, the majority of respondents had used a doorstep lender as they needed the money quickly (38%), or purely for convenience (24%) while being refused bank loans and not knowing where else to go were also mentioned. 79% of respondents that had used a doorstep lender were made aware of the interest rate and other conditions of the loan. However, given the focus group discussions suggested a limited understanding of the terms APR and commercial rate it is debatable whether survey respondents are truly aware of the interest rate conditions.

Almost half (48%) of the respondents that received a loan from a doorstep lender felt it had a positive impact on their lives although 48% felt the loan did not have a positive impact on them. Although employed respondents felt the loan had a positive impact on them (80%), in contrast the majority (67%) of unemployed respondents did not see a positive impact. The main reason given for this was the high level of repayment required.

Although there was an acknowledgement amongst focus group participants that doorstep lenders provided a valuable resource to deprived neighbourhoods, there was nonetheless resentment at them because of the high level of interest rates that they charged. A number of those who had used doorstep lenders had done so because of absolute necessity, for example, there may have been an urgent household item that needed purchasing or in one case because they had misplaced the money they had received from their benefits.

The main reasons given by focus group participants for using doorstep lenders was the ease of access to their loans for all members of the community, including individuals on benefits and those who had just been released from prison. Organisations, such as the Provident, were highlighted as not requiring any paperwork from individuals when negotiating loans. These findings tie in with those in the desk research section of this report.

A number of respondents mentioned that they had received several offer letters from organisations, such as the Provident. In addition, doorstep lenders tended to make face-to-face approaches to respondent households often providing people with credit on the first meeting. Respondents who saw credit being too accessible highlighted this as a concern as it led to individuals embroiling themselves in even greater financial difficulty.

Focus group participants mentioned the extremely high interest rates charged, the Provident charge rates around 75%, as the main reason by focus group participants for why they would not use doorstep lenders in the future. There was a feeling amongst respondents that doorstep lenders had no ethical limit to their customers borrowing habits with organisations like the Provident 'not bothered' with how much debt an individual build up. In many cases, borrowers were not given information about the APR and were not aware of the rates of interest they were repaying. Doorstep lenders tended to frame lending conditions in terms of weekly repayment amounts and the total amount to be paid with APR not being mentioned. In other circumstances there can be weeks when the collector does not turn up to collect repayments hence increasing the debt.

It was felt education could be the key to people switching from the Provident to either the SCML or the PSCU. In addition, it was felt there was a general lack of awareness amongst local people of alternatives to doorstep lenders. It was felt that greater marketing of these alternative lending organisations would highlight the advantages to accessing these and the limitations with using doorstep lenders.

3.4 The Process of Obtaining Finance

Of those that had not received finance from other organisations (273 respondents), 76% had not even considered alternative sources of finance to PSCU or SCML loans. 16% of respondents had considered applying to a bank, and 5% to Provident Financial. With regards to banks, respondents stated that a poor credit rating and high interest repayments were the main reasons for why they were unable to access finance.

When asked to indicate all of the information needed by respondents to make an application to either the PSCU or the SCML, 92% of respondents overall stated that they were required to show evidence of their address, 83%, evidence of their bank account and three quarters, their application form.

Figure 3.10: Information required for finance application

	Overall	PSCU	SCML
Evidence of address	92%	90%	94%
Evidence of bank account	83%	82%	84%
Application Form	75%	77%	73%
Other	2%	3%	2%
Do not know	0%	1%	0%

Overall, 59% of respondents found it to be 'very easy' or relatively easy' to access finance in their local area. Only 13% of respondents found it either 'difficult' or 'impossible' to access finance. However, respondents did mention it was easier to access finance in Portsmouth due to the service provided by the SCML and the PSCU. The focus groups provided generally positive feedback with regards to the SCML and PSCU methods for lending. It was felt that their approach was through and more flexible than mainstream banks such as the Abbey National. Another advantage of the SCML and PSCU loans was their ability to provide micro loans, such as £50 and £100. Mainstream banks tended not to provide loans of this size.

A number of the surveyed respondents stated that before obtaining loans from these organisations it was much more difficult to access finance in the area. Focus group participants felt the main barriers to accessing loan provision were down to refusals by mainstream high street banks. It was mentioned individuals that came under groups such as single parent families, non-homeowners, on low wages and on benefits faced major drawbacks in terms of trying to access loan credit from banks. It was also mentioned that banks perceived customers who were unable to make repayments as 'not wanting' to make repayments rather than them simply being unable to pay. These findings tie in with recent research undertaken by SEEDA that found households in Portsmouth have least access to banking and insurance facilities across the whole region.

It would appear that an individual's age has an impact on their ability to access finance in Portsmouth. 50% of people aged 16-29 found it 'very easy' or 'relatively easy' to access finance which is significantly below the proportions for people aged 30-59 (60%) and people aged 60+ (67%). The focus groups displayed a mixed reaction amongst respondents when asked if they felt age had a bearing on ones ability to acquire a loan. Several respondents felt an individual's age had no effect on their chances of receiving a loan. However, some respondent's felt that people aged between 25-55 was the prime age group for receiving a loan where in some circumstances a 55 year old would probably be seen as a more reliable borrower. It was felt that individuals under the age of 21 and over 65 found it most difficult to acquire loans given that both age groups had poor credit ratings in the view of banks. One participant's experience of borrowing when she was 18 informed her view of age as a barrier. She did not have a long enough credit history to be eligible for a loan whereas older people have assets and could effectively sell property, thus making them credit-worthy. Several respondents felt that the circumstances of an individual rather than their age had a larger bearing on the likelihood of them receiving a loan.

It was also mentioned by focus group participants that young people needed to be encouraged to save money to a greater extent because at present they are encouraged to enter into debt i.e. through take-up of university loans and credit cards.

As illustrated in figures 3.11 and 3.12, there are a couple of notable differences in respondents from each organisation's opinions regarding access to finance, which perhaps indicates the type of client group with which each organisation awards finance. Firstly, 38% of PSCU respondents stated that access to finance in the local area was 'very easy'. This compares to just 20% in the same category for SCML respondents. It appears that SCML customers have had more difficulties accessing finance than PSCU customers; 20% of respondents from the SCML commented that finance was either 'difficult' or 'impossible' to access, compared with just 9% from PSCU. Given that a larger proportion of SCML respondents were unemployed this may explain why it is more difficult for them to access finance in comparison to PSCU respondents.

Figure 3.11: Ease for PSCU respondents to access finance in the area

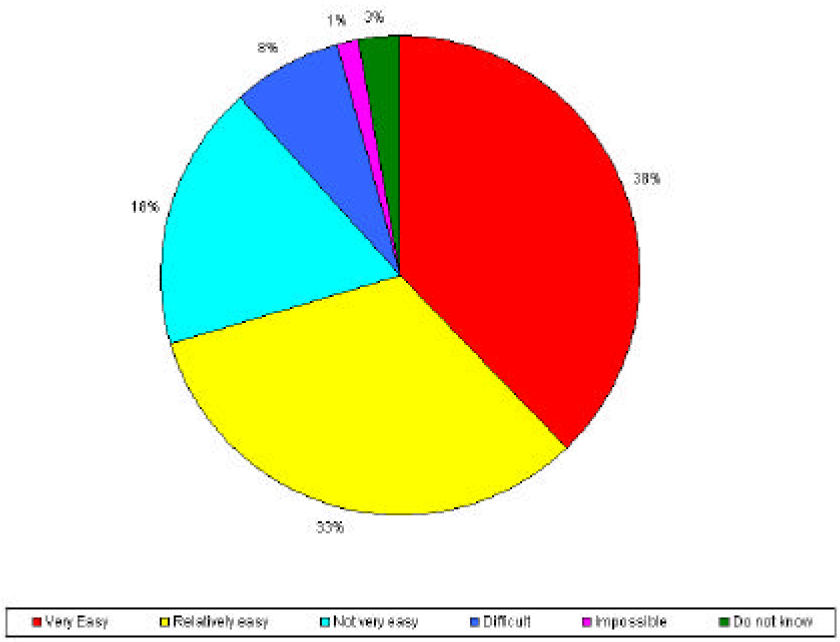
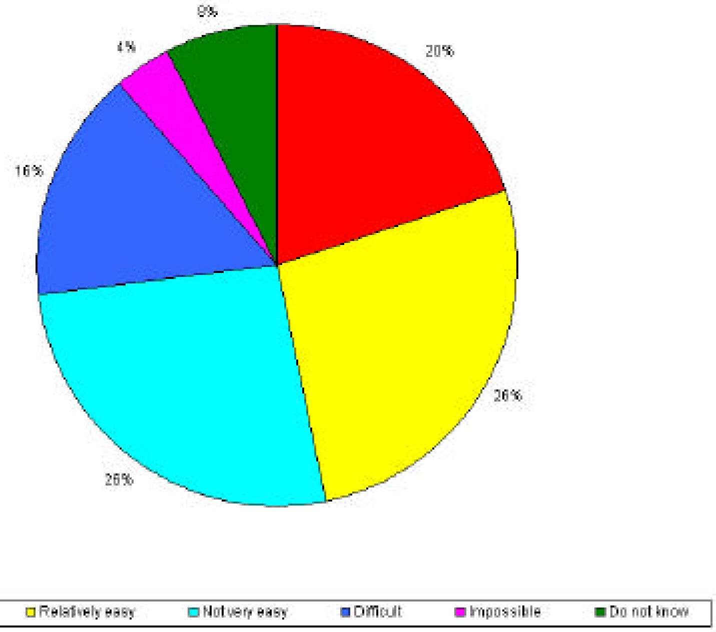


Figure 3.12: Ease for SCML respondents to access finance in the area



28% of respondents overall commented that they consider there to be barriers to accessing finance in the future. Interestingly, a higher proportion of SCML (38%) than PSCU (20%) respondents commented that there were barriers to accessing finance. When asked to describe these barriers, most respondents replied their ‘economic status’ (38%), followed by a quarter (23%) of respondents stating that a bad credit history was a barrier. For those SCML customers, almost half (45%) viewed ‘economic status’ as barrier to accessing financial services, compared to just a quarter (22%) of PSCU respondents. Consequently, PSCU customers viewed factors such as poor credit history, as well the cost and conditions of finance to be more of a barrier than SCML respondents.

In terms of accessing finance in the future, as figure 3.13 suggests, two thirds (65%) of respondents overall, did not anticipate any problems. However, almost one in five (18%) suggested that cost (financial products being too expensive) would be a problem, and 12%, conditions of finance (such as current account without a cheque book). A slightly higher proportion of PSCU than SCML respondents consider the cost of finance to be problematic in the future.

Figure 3.13: Problems with accessing finance in the future

	Overall	PSCU	SCML
Cost	18%	20%	16%
Conditions	12%	11%	13%
Awareness	5%	3%	7%
Other	2%	1%	4%
None	65%	67%	62%

As illustrated below in figure 3.14, half (50%) of all respondents are claiming some type of benefit, although there are a much higher proportion of SCML customers that are claiming benefits (60%) than PSCU clients (41%). Two thirds (66%) of all respondents are receiving some type of support from a local authority; other sources include Citizens Advice (5%) and the PSCU (7%)/ SCML (6%) themselves. Several respondents in the focus groups received welfare benefits. Types of benefits received included state pension, means tested pension, job seekers allowance (JSA), child benefit and disability living allowance (DLA). The participants were of the opinion that being on a particular benefit was a barrier to securing loans from high street banks. In particular they mentioned that being on Job Seekers Allowance or Disability Living Allowance meant it was not possible to receive a loan from any of the high street banks as individuals on these types of benefits were viewed as being on low disposable income and unable to make repayments. In contrast, it was felt doorstep lenders like the Provident were not concerned if an individual was on benefits when considering their loan application.

Also, as illustrated in Figure 3.14, there is a very low take-up of money advice support services particularly in the case of money management and debt counselling. The general feeling amongst focus group respondents was there was a lack of local services that provided advice and guidance on managing money, debt advice and interest rates. It was felt of the support services that existed locally, most of these were reactive and only supported individuals once they had got into debt. Some respondents mentioned being referred to the Citizens Advice Bureau (CAB) and the organisation being the major source of information, advice and guidance, although there were mixed responses in terms of the quality of support received from them. It was also mentioned that the debt advice service previously run by the CAB was no longer available as funding had run out. Another participant had experience of financial difficulty but received good advice from the Consumer Credit Counselling Service. With assistance he formulated a ‘debt management plan’, which enabled effective management of his finances.

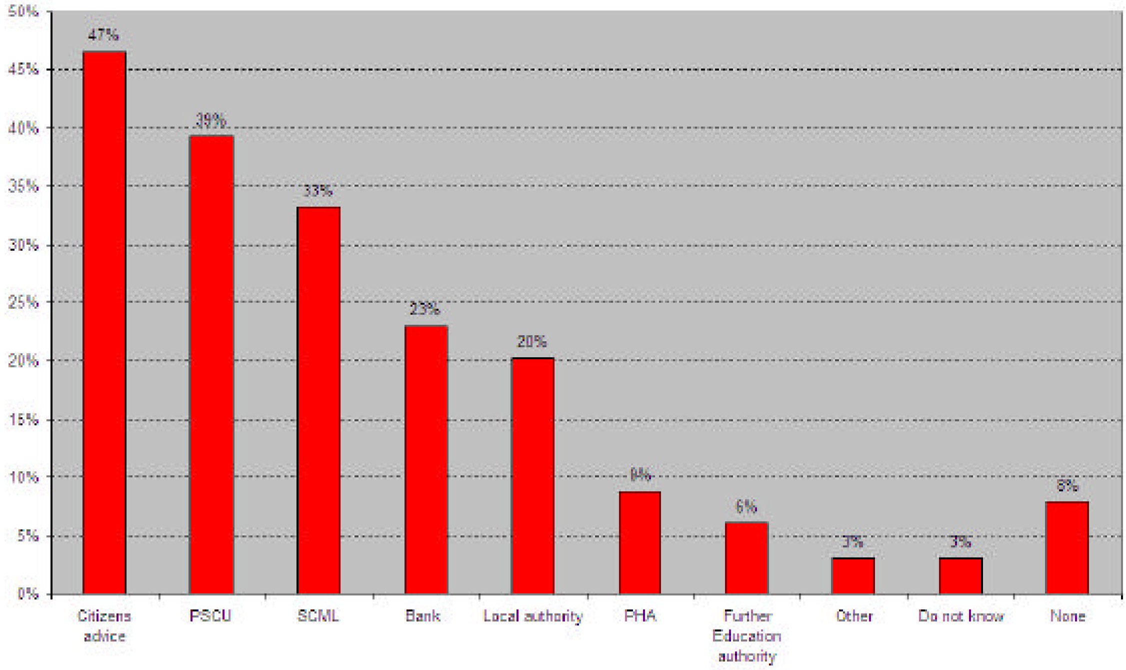
Several respondents felt there was a need for an initiative that would supply information about debt advice, money management and interest rates. In addition, respondents felt that young people needed to receive greater levels of financial advice and that this needed to be promoted more in local schools.

Figure 3.14: Respondents in receipt of other support (aside from finance)

	Overall	PSCU	SCML
Benefits	50%	41%	60%
Rent arrears	4%	3%	5%
Money management/budgeting	2%	2%	3%
Debt counselling	2%	1%	2%
Saving schemes	2%	2%	1%
Other	3%	2%	4%
None	44%	53%	33%
No reply	1%	1%	1%

Overall, respondents would most welcome financial advice from the Citizens Advice Bureau (47%). The PSCU (39%) and SCML (33%) are a close second and third favourite, as illustrated in figure 3.15. In terms of economic status, employed people would prefer advice from the PSCU while unemployed people would prefer advice from the SCML. Both of the younger age groups (16-29 and 30-59) would most welcome of advice from the CAB, yet the majority of those respondents in the 60+ age category would most welcome advice from the PSCU. This is an interesting indication of how the different age groups perceive the ‘trustworthiness’ of the advice available.

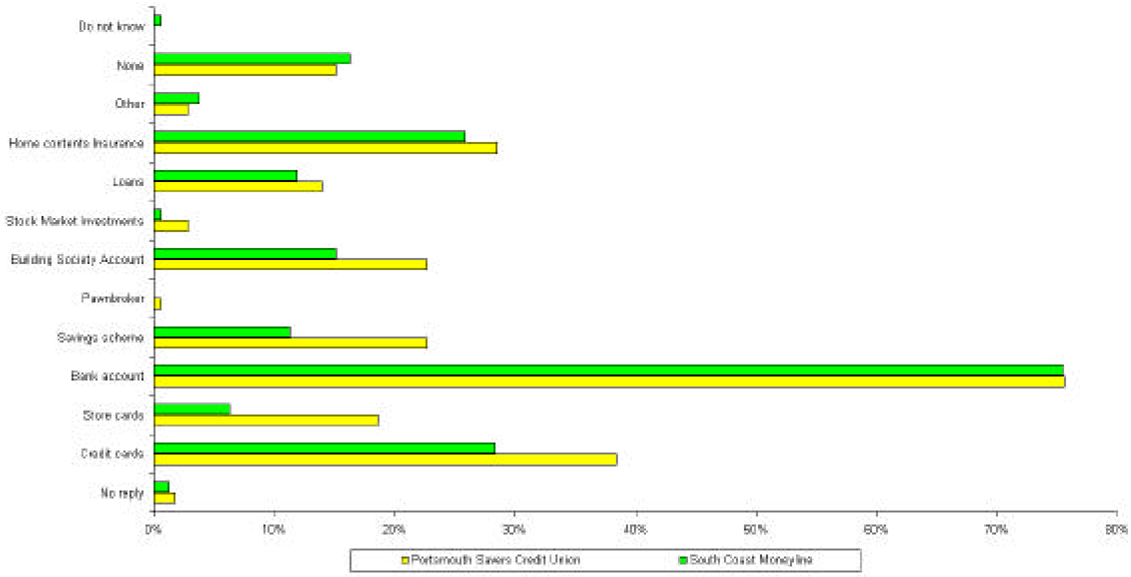
Figure 3.15: Types of organisation respondents would welcome financial advice from



Overall, over three quarters (76%) of respondents have a bank account, a third (34%) have credit cards and 27%, home contents insurance. As shown in figure 3.16, there are a few distinct differences between respondents from each financial organisation, for example a much higher proportion of PSCU customers have credit cards than those from SCML. This is also true of store cards and savings schemes. Given that there are a larger proportion of PSCU respondents that are employed and hence more likely to have a good credit rating and greater access to financial products, this is not a surprising finding.

When asked about other members of the household, and which financial service they access, 38% of respondents said ‘none’. Interestingly, over half of SCML respondents’ members of the household do not use any other financial service, compared with just a quarter of PSCU respondents. This again suggests that PSCU clients are more affluent than SCML customers and have greater access to financial services in Portsmouth.

Figure 3.16: Other financial services used by respondents



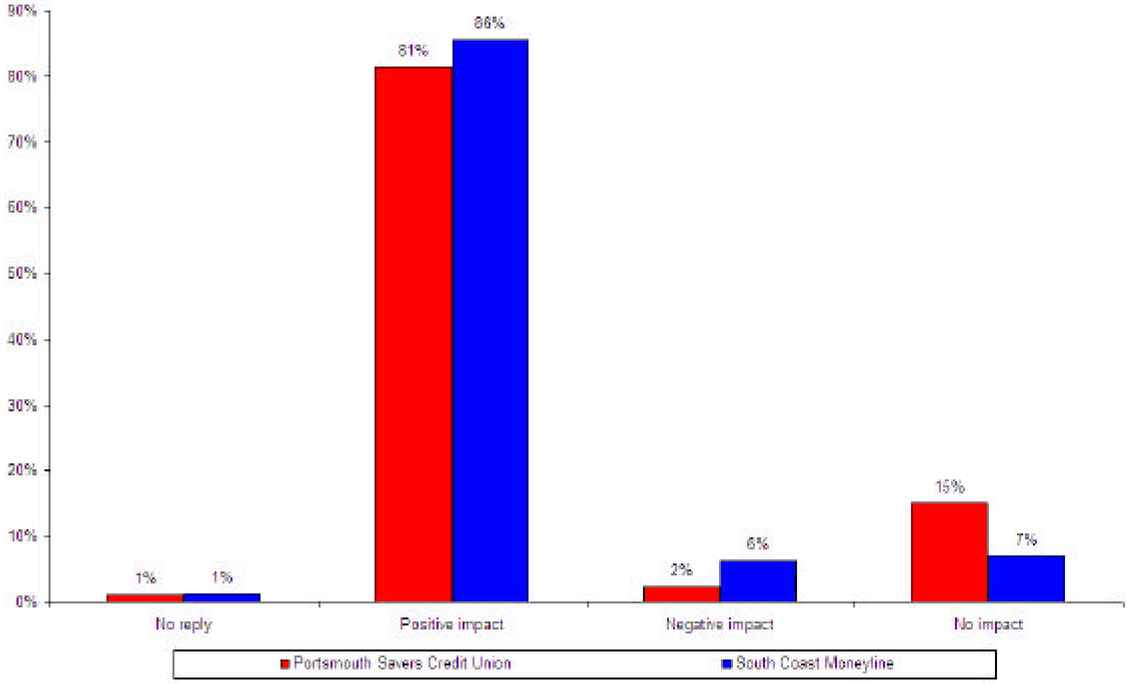
3.5 The Impact of Receiving Finance

Respondents were asked how receiving finance had impacted on their lives in terms of:

a) Being able to afford to live
b) Being more confident in money management and household budgeting
c) Being able to approach organisations in the future for finance

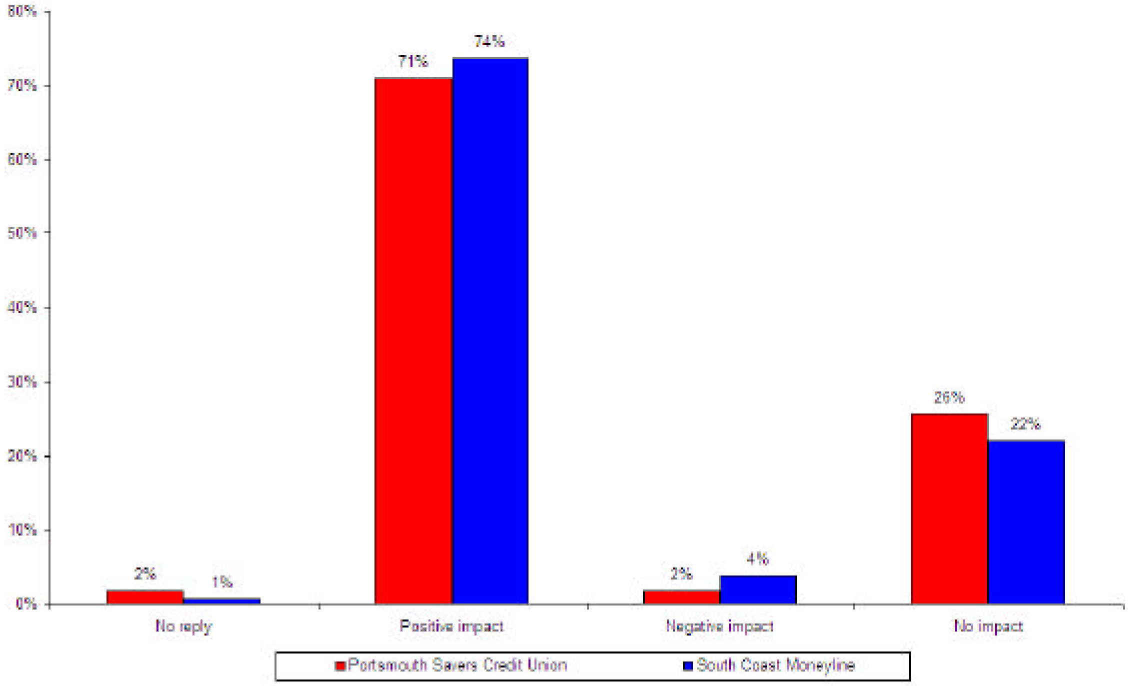
Overall, respondents seemed generally very satisfied with the impact that finance had made upon their lives. As seen in figure 3.17, slightly more respondents from the SCML than PSCU felt that receiving finance has had a positive impact on their lives (86% compared to 81%) in terms of being able to afford to live. 15% of PSCU respondents felt that there had not been an impact in this respect which was over double the proportion of SCML respondents that feel the same. In terms of age, a higher proportion of respondents (87%) in the younger age group (16-29) than those in the 60+ group (77%) commented that receiving finance had made a positive impact on their lives in terms of being able to afford to live.

Figure 3.17: Impact of receiving finance in terms of being able to afford to live



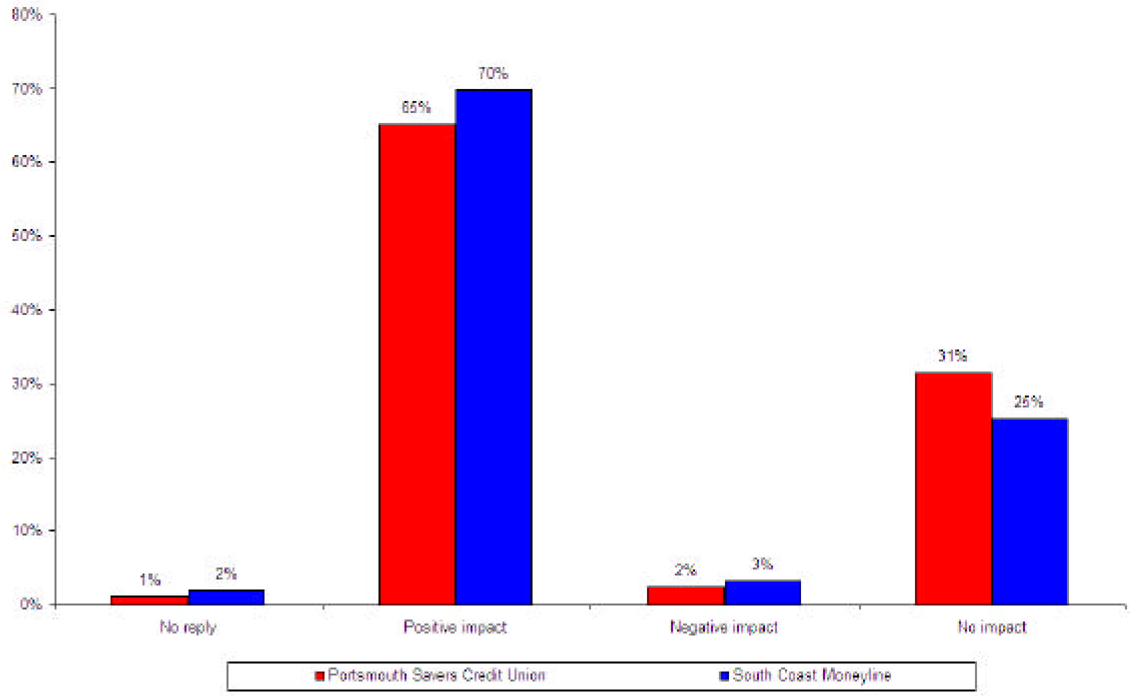
As figure 3.18 suggests, slightly more respondents from the SCML (74%) than the PSCU (71%) felt that receiving finance had had a positive impact on their confidence in terms of money management and budgeting. Interestingly, slightly more SCML respondents than those from PSCU felt that obtaining finance had had a negative impact on their confidence to manage their money. A greater proportion of PSCU respondents felt that there had been no impact of obtaining finance on this aspect of their lives.

Figure 3.18: Impact of receiving finance in terms of being more confident in money management and budgeting



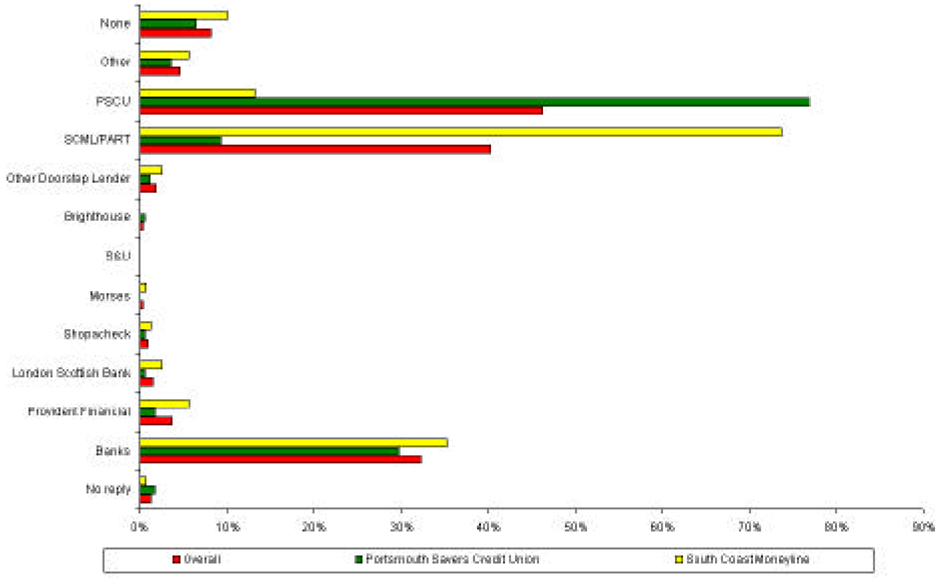
A slightly greater proportion of SCML respondents feel that receiving finance had increased their confidence in terms of being able to approach organisations for finance in the future. As illustrated in figure 3.19, 70% (SCML) compared to 65% (PSCU) of those surveyed consider their experience with borrowing money from each organisation to be positive and to have increased respondents' confidence in applying for future finance. However, almost a third (31%) of PSCU respondents commented that their experience with borrowing money had not had impact on this aspect of their lives. In terms of differences between age groups, the youngest age category expressed a generally positive experience and impact on their confidence in approaching organisations for finance (78%) compared with just 60% of respondents from the 60+ category.

Figure 3.19: Impact of receiving finance in terms of approaching organisations for finance in the future



The main types of financial institution that respondents stated they might approach for finance in the future were; PSCU (46%), SCML (40%) and Banks (32%). This is illustrated in figure 3.20. Unsurprisingly, most PSCU respondents stated that they would approach the PSCU in the future and vice versa with SCML respondents.

Figure 3.20: Financial institutions respondents may approach for future funding



3.6 Summary of Key Survey Findings

- Overall, 64% of those sampled were female compared to 36% male. For the SCML: 30% male and 70% female, for the PSCU: 43% male and 57% female;

- 93% of the overall sample was of white UK origin while 66% of the overall sample was aged between 30-59. The figures for the SCML and the PSCU were very similar;

- Over a quarter of all respondents (26%) were single and living alone, a fifth (20%) of respondents were a lone parent;

- Overall, half (50%) of all respondents are employed which compares to 37% for the SCML and 62% for the PSCU. Overall, 17% of SCML respondents are registered unemployed which compares to 7% for the PSCU;

- Overall, the most common amounts of finance received by respondents were £251-500 (27%), £501-1000 (33%), £1001-£5000 (25%). Younger respondents (16-29 year olds) borrowed lesser amounts of money than the older age groups;

- Overall, 42% of respondents stated they had received a loan with commercial rate of interest while 39% claimed to have received a loan with a reduced rate of interest. Focus group discussions confirmed there was a general lack of understanding amongst respondents of the terms 'APR' and 'Commercial Rate' although some respondents aware of the high rates of interest felt it necessary to borrow given their current situation;

- 91% of respondents were able to make scheduled repayments. The main reason given for not making repayments on time was a lack of finance;

- Overall, the most common reasons for seeking finance were for covering a debt and paying for consumer goods. Particularly in the case of PSCU respondents, holidays and home improvements were mentioned as reasons for seeking finance;

- Overall, 35% of respondents were made aware of the loan finance via recommendation (word of mouth), while 34% were referred by a third party. SCML respondents were mainly made aware via recommendation in contrast to PSCU respondents who were mainly referred by a third party. Focus group participants felt both loan organisations should provide greater marketing of their service;

- Overall, 18% of organisations had received finance from other organisations. This mainly came from banks and Provident Financial; The main source of alternative finance for PSCU clients was from banks while for the SCML clients the main source of finance was from Provident Financial;

- Overall, 9% of respondents had used a doorstep lender. The main reasons given for using a doorstep lender were ‘needing the money quickly’ and ‘convenience’. 79% of those who used a doorstep lender were made aware of the interest rate and other conditions of the loan although this high figure is brought into doubt by the findings from the focus groups;

- Just under half (48%) felt the doorstep loan had a positive impact on their lives. The main reasons given by focus group participants for using doorstep loans was the ease of access but the high levels of interest were mentioned as the main reason why they would not be using door step lenders in the future;

- Overall, 59% of respondents found it to be either ‘very easy’ or ‘relatively easy’ to access finance in the area. Only 13% of respondents found it either ‘difficult’ or ‘impossible’ to access finance. Surveyed respondents mentioned it was difficult to access finance before they had become aware of the loan organisations and highlighted the barriers to accessing finance through mainstream banks;

- Several participants within the focus groups felt that individuals under the age of 21 and over 65 found it most difficult to acquire loans;

- Overall, 56% of respondents felt there were no barriers to accessing financial services compared to 28% who felt that barriers existed. Interestingly, a higher proportion of SCML (38%) than PSCU (20%) respondents commented that there were barriers to accessing finance. The main barriers highlighted were economic status, bad credit history and cost;

- 66% of respondents received support from the local authority, which was mainly in the form of benefits. There are a much higher proportion of SCML customers that are claiming benefits (60%) than PSCU clients (41%). Focus group participants felt that being on benefits was a barrier to securing a loan from a bank;

- There is very low take-up of money advice services. The general feeling was there was a lack of local services that provided advice and guidance on managing money, debt advice and interest rates;

- Overall, Respondents would particularly like to receive financial advice from the citizen’s advice bureau (47%), PSCU (39%) and the SCML (33%);

- Overall, over three quarters of respondents have a bank account, a third have credit cards and 27%, home contents insurance. Interestingly, over half of SCML respondents’ members of the household do not use any other financial service, compared with just a quarter of PSCU respondents.

- Respondents were very satisfied with the impact that the finance made upon their lives. The majority of respondents felt it had a positive impact in terms of supporting their lifestyle (83%), managing their finances (72%) and approaching organisations for future funding (67%);

- The main types of financial institution that respondents stated they might approach for finance in the future were PSCU (46%), SCML (40%) and banks (32%).

4. RECIPIENTS OF DOORSTEP LOANS SURVEY FINDINGS

4.1 Introduction

A total of 83 individuals who have used doorstep lenders were surveyed during November-December 2005. This sample comprised of a mixture of individuals that had been refused SCML or PSCU loans and had acquired loan finance from doorstep lenders and also individuals that had received both SCML/PSCU and doorstep loans.

Specifically, the respondents were questioned on the following:

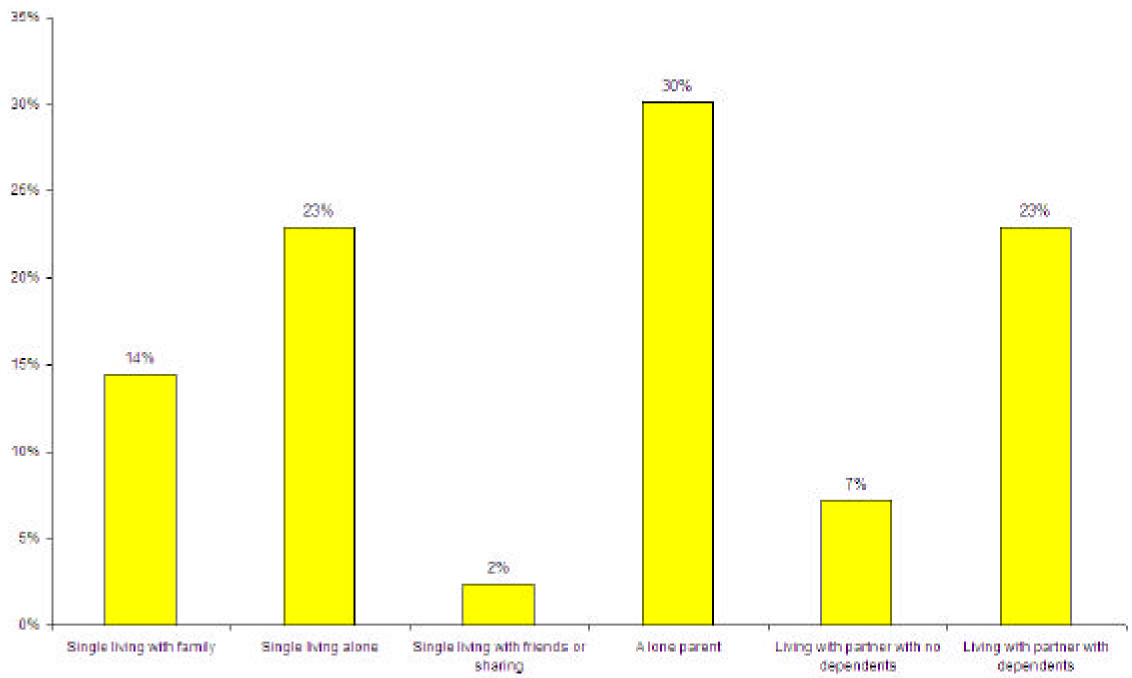
- Demographic detail, such as age, gender and economic status;
- The type and amount of finance received;
- The process through which the respondent went through to obtain finance;
- Barriers that exist to accessing finance;
- The impact on individual's quality of life of obtaining finance from the lending companies.

4.2 Demographic Profile

Overall, 70% of respondents sampled were female and 30% were male. The majority of respondents were in the 30-59 age category (67%), with only a quarter (25%) of respondents 20-29 years old and only 6% who were aged 60 plus. 23% of survey respondents have some kind of health problem or disability.

As seen in figure 4.1, nearly a third (30%) of respondents were lone parents, 23% were single and live alone and 23% of respondents were living with partners and dependents. In terms of differing family statuses between male and female respondents, the survey highlighted some interesting disparities. For example, 43% of female respondents are lone parents, compared with no male respondents. Conversely, 44% of male respondents live alone, compared with just 14% of females.

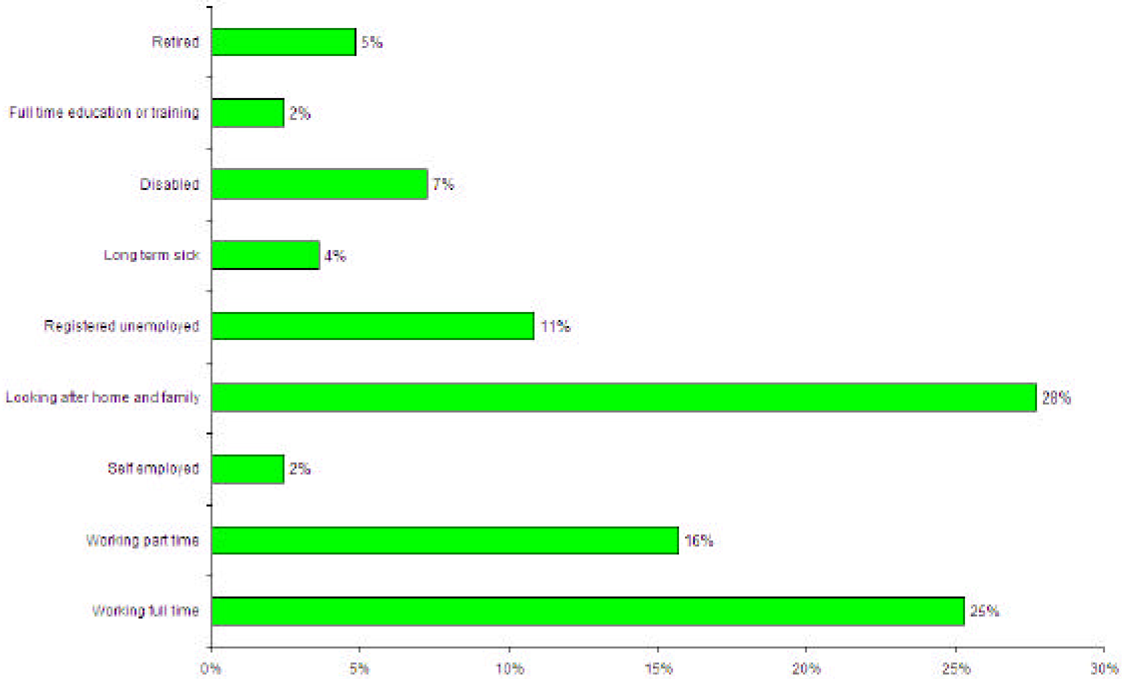
Figure 4.1: Family status



In terms of economic status, as illustrated in figure 4.2, 43% of respondents are employed. However, the largest proportion of respondents are looking after home and family (28%), with 25% of respondents working full time. 11% are currently registered unemployed. 44% of male respondents are working full time, compared to just 17% of female respondents. Within age categories, 38% of 16-29 year old respondents are looking after the home, compared with 27% of 30-59 year olds while within the 30-59 age group, respondents are more likely to be working full time (32%)

Of those respondents not in work, 40% have been so for over 2 years. 19% of these respondents have been out of work for a period of 1 to 6 months.

Figure 4.2: Economic Status

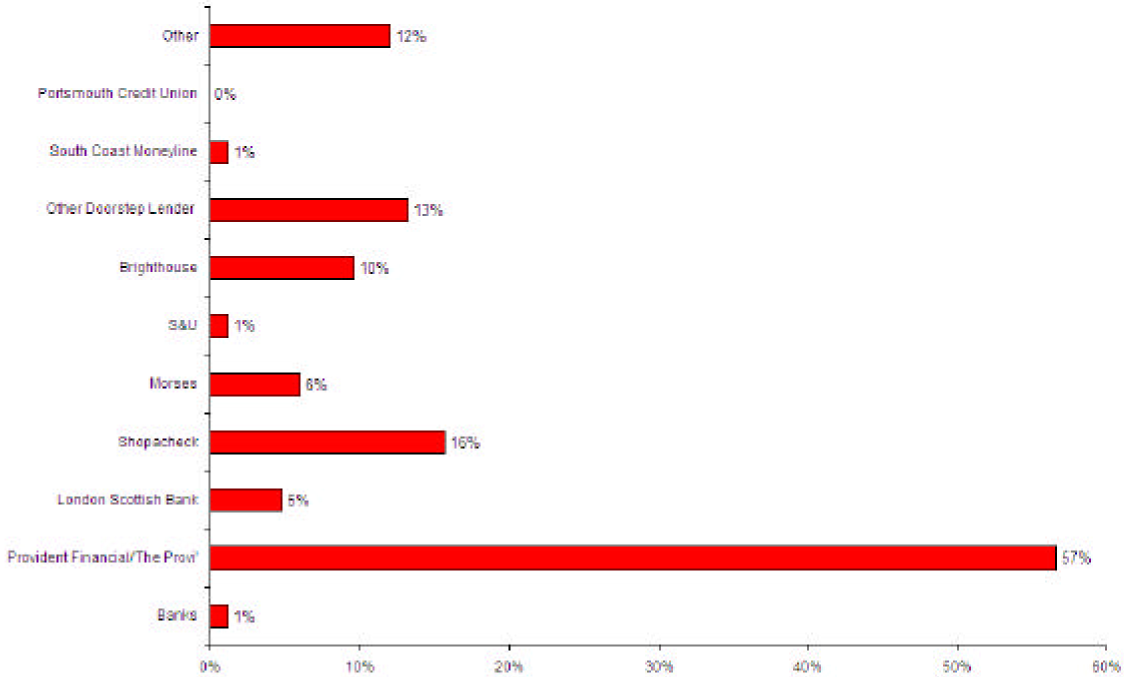


4.3 Types and Amount of Finance Received

80% of respondents have received doorstep finance in the last two years while (11 respondents) 20% of respondents had received finance that was from over two years ago. The most common doorstep lenders used by respondents, as seen in figure 4.3, were Provident Financial (57%), Shopacheck (16%) and Brighthouse (10%).

Interestingly, a much larger proportion of 30-59 year olds (66%) have accessed money from Provident Financial than those who are aged 16-29 (38%) and 60 plus (20%). Those aged 60 plus were more likely to have acquired finance from Shopacheck (40%).

Figure 4.3: Source of finance



27% of respondents, as illustrated in figure 4.4 cite convenience (27%) as their main reason for choosing to borrow money from a doorstep lender, with one fifth of respondents saying that they needed money quickly and therefore went to a doorstep lender. Not knowing where else to go was also a prominent reason for respondents to turn to doorstep lenders especially those that were out of work. In separate discussions with recipients of doorstep loans, it was stated that individuals did not know where else to go and had been turned away by banks. These concur with the findings from the focus groups discussed in Section Three.

83% of respondents were apparently made aware of the interest rate and the other conditions of the doorstep loan. However, findings from the separate interviews with clients of doorstep lenders found there was a limited understanding of interest rates and the conditions of the loan and this is supported by the focus group findings in Section Three.

Figure 4.4: Reasons for using a doorstep lender

	Main reason	Other reason
Convenience	27%	28%
Needed the money quickly	20%	30%
Did not know where else to go	11%	12%
Recommendation	7%	11%
Refusal by banks	5%	13%
Favourable terms of the loan	2%	5%
Lack of mobility	1%	7%
Refusal by South Coast Moneyline	0%	4%
Refusal by Portsmouth Credit Union	0%	2%
Other	24%	5%
No Reply	2%	4%

Interestingly, only just over half of respondents (53%) commented that the loan had had a positive impact on their lives. This proportion is significantly lower than the figures that looked at the impact of SCML and PSCU loans on individual's quality of life. Indeed, a large proportion of respondents stated that once they became aware of the drawbacks to accessing these loans (exorbitant rates) they were not keen on using them again if possible.

Within the different age categories, as depicted in figures 4.5, 4.6 and 4.7, there were some disparities between age groups regarding the impact of the loan finance. Of those in the younger age group of 16-29, 76% commented that the loan had had a positive impact on their lives, compared with only 45% of respondents in the 30-59 age group and 40% in the 60 plus age group.

Figure 4.5: Positive impact of loan finance on life (Ages 16-29)

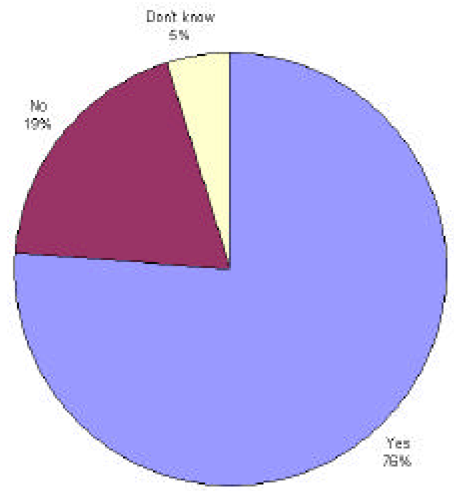


Figure 4.6: Positive impact of loan finance on life (ages 30-59)

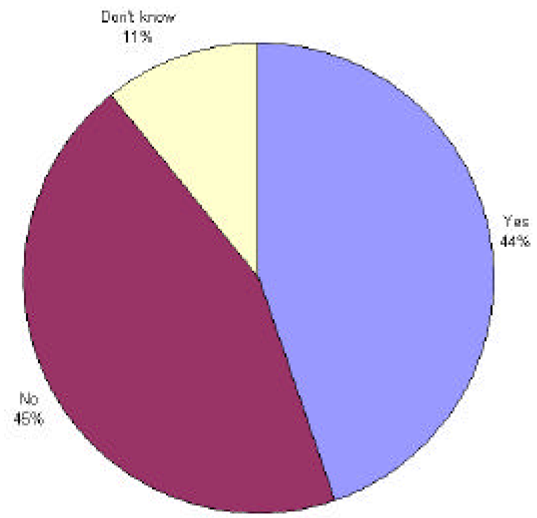
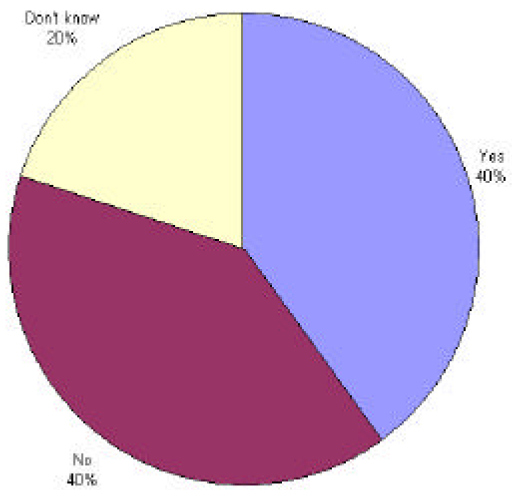


Figure 4.7: Positive impact of loan finance on life (ages 60+)

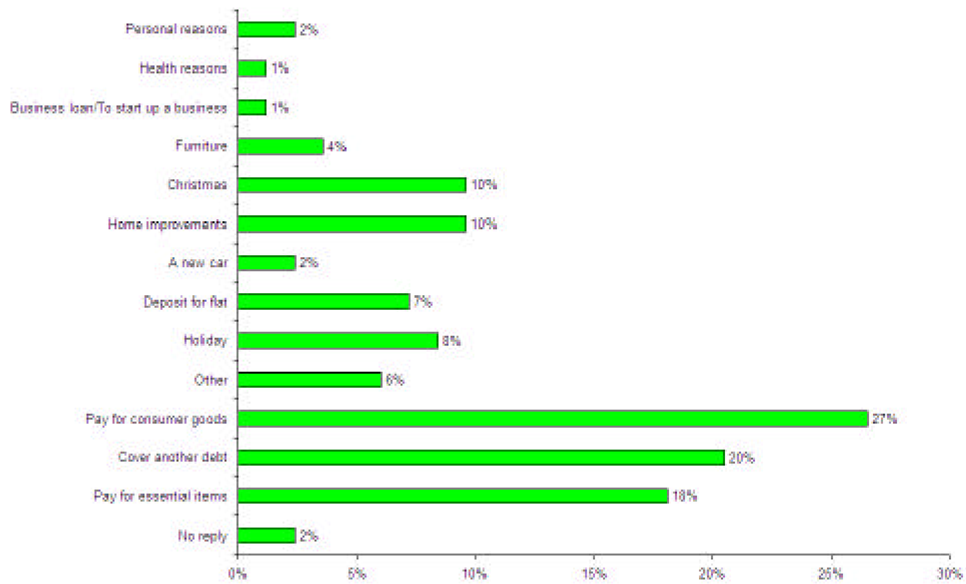


Overall, the most common amounts of finance received by respondents were:

- £251-500 (33%)
- £501-1000 (25%)
- £1001-£5000 (19%)

When asked about the reasons behind accessing finance from doorstep lenders, the most common reasons, as shown in figure 4.8, included paying for consumer goods (27%), covering an existing debt (20%) and paying for essential items (18%). The most common reason for accessing finance for those respondents not working was being able to pay for consumer goods while for those working a more common reason was to cover an existing debt.

Figure 4.8: Purpose of finance



4.4 The Process of Obtaining Finance

When asked about how respondents became aware of a particular doorstep lender, as illustrated in figure 4.9, 42% of respondents stated the service was via recommended (word of mouth), compared with 23% who had been referred by a third party and 23% who had responded to an advert. This provides a useful indication as to how doorstep lenders advertise and get new business through word of mouth and infiltrating family/ friend networks. Indeed, the separate interviews with recipients of doorstep loans found a number of individuals had become aware of the service through their family.

When asked about accessing alternative sources of funding, almost half (48%) of the respondents stated that they did not consider any alternative sources of funding to the doorstep lender. 35% had considered banks and 13%, the South Coast Money Line and 4%, the PSCU. However, in the case of banks, individuals had been unable to access finance due to having a poor credit rating and because of their economic status.

Figure 4.9: Awareness of organisation

	%
Via recommendation	42%
Responded to an advert	23%
Referred by third party	23%
Other	12%
No reply	5%

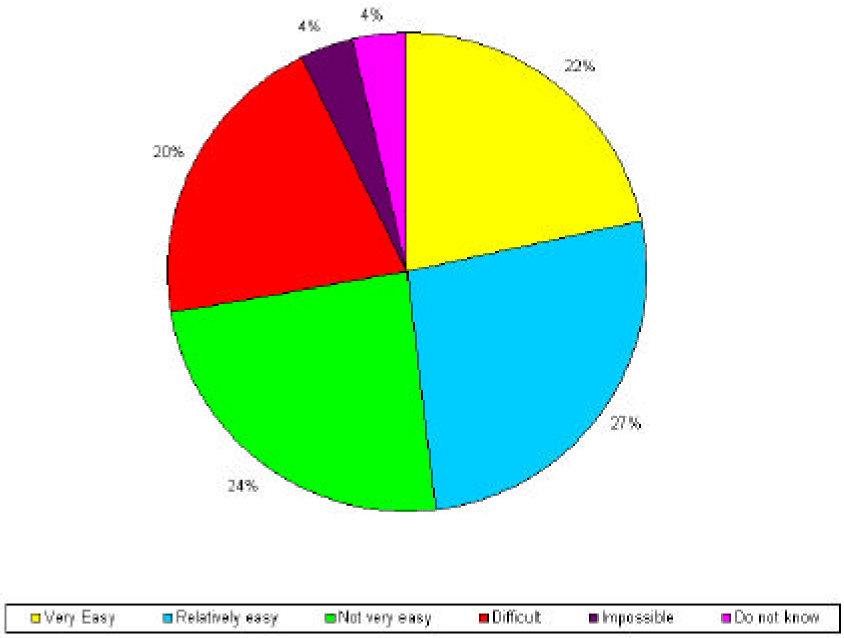
93% of respondents needed to provide proof of their address and 80%, evidence of a bank account when applying for loan finance. Interestingly, only 81% of applicants needed to provide an application form, illustrating how easy it is to obtain finance from these organisations, even without a simple application form.

Figure 4.10: Information needed for finance application

	%
Evidence of address	93%
Application form	81%
Evidence of bank account	80%
No information	1%
Do not know	1%

Nearly half of respondents (49%) found it to be ‘very’ or ‘relatively’ easy to access finance in the area, as illustrated in figure 4.11. A quarter of respondents (24%) found it either ‘difficult’ or ‘impossible’ to obtain finance locally. This is a significantly higher proportion than the figure (13%) when the same question was put to clients of the SCML and the PSCU. The separate interviews with users of doorstep lenders also established that it was difficult for these individuals to gain access to finance from elsewhere because of their poor credit rating. Interestingly, of those respondents not working, 52% said that it is very or relatively easy to obtain finance locally, compared with 44% of working respondents.

Figure 4.11: Easy of access to finance in the area



40% of respondents felt that there were barriers to accessing financial services in the future compared to 49% who felt this was not the case. Interestingly, a larger proportion of the older age groups feel that there are barriers to finance. For example, 60% of those aged 60 plus and 43% of those aged 30 to 59 answered 'yes' when asked whether there are barriers to finance compared to just 29% of the 16 to 29 age group. Once again, this provides crucial information about the profile of those respondents who feel financially excluded. The main barriers highlighted by respondents were their economic status and having a poor credit history. These findings concur with those from the focus groups discussed in Section Three.

Half of the respondents not working felt their economic status was a barrier to accessing financial services, compared to 38% of working respondents. Having a poor credit history was regarded as a greater barrier by working respondents (46%) than those not working (25%).

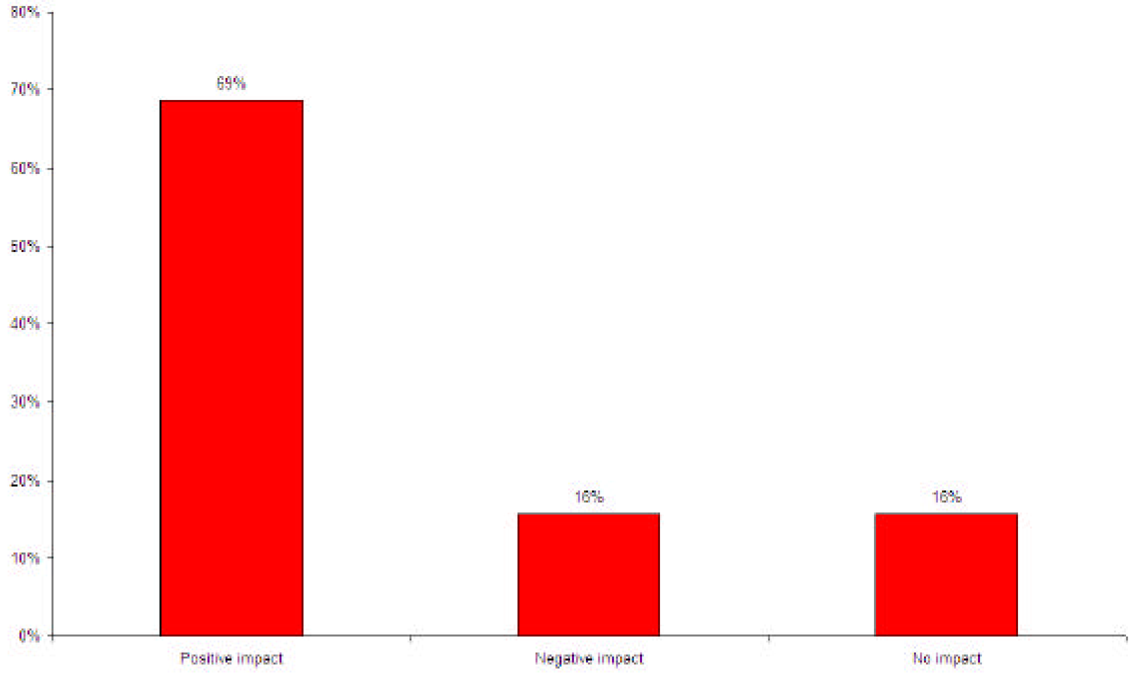
4.5 The Impact of Receiving Finance

Respondents were asked how receiving finance had impacted on their lives in terms of:

a) Being able to afford to live
b) Being more confident in money management and household budgeting
c) Being able to approach organisations in the future for finance

As figure 4.12 suggests, the majority (69%) of respondents had experienced a positive impact in terms of being able to afford to live; yet 16% commented that the finance had had a negative impact. The findings from the survey of PSCU and SCML clients suggest that these types of loans have a significantly more positive impact (83%) on an individual's quality of life than loans provided by doorstep lenders.

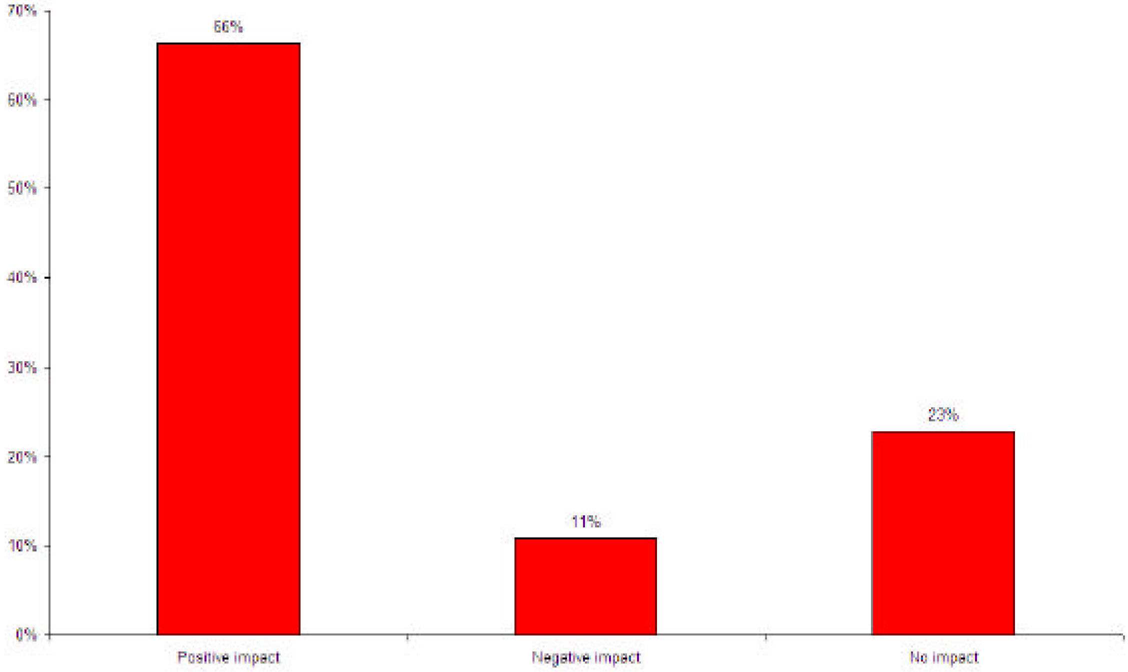
Figure 4.12: Impact of finance in terms of being able to afford to live



As figure 4.13 suggests, two thirds (66%) of respondents felt that the loan finance had had a positive impact on their confidence in terms of managing budgets and finance in the future, yet 11% commented that the finance had had a negative impact in this respect. Interestingly, a greater proportion (71%) of those not working felt more confident with budgets than those working (64%) and those in the 16-29 age group were similarly more confident than the older age group of 30 to 59 (71% compared to 64% consecutively).

Again, the findings from the survey of PSCU and SCML clients indicates that these types of loans have a more positive impact (72%) on an individual being more confident of managing their budgets and finance in the future than loans provided by doorstep lenders.

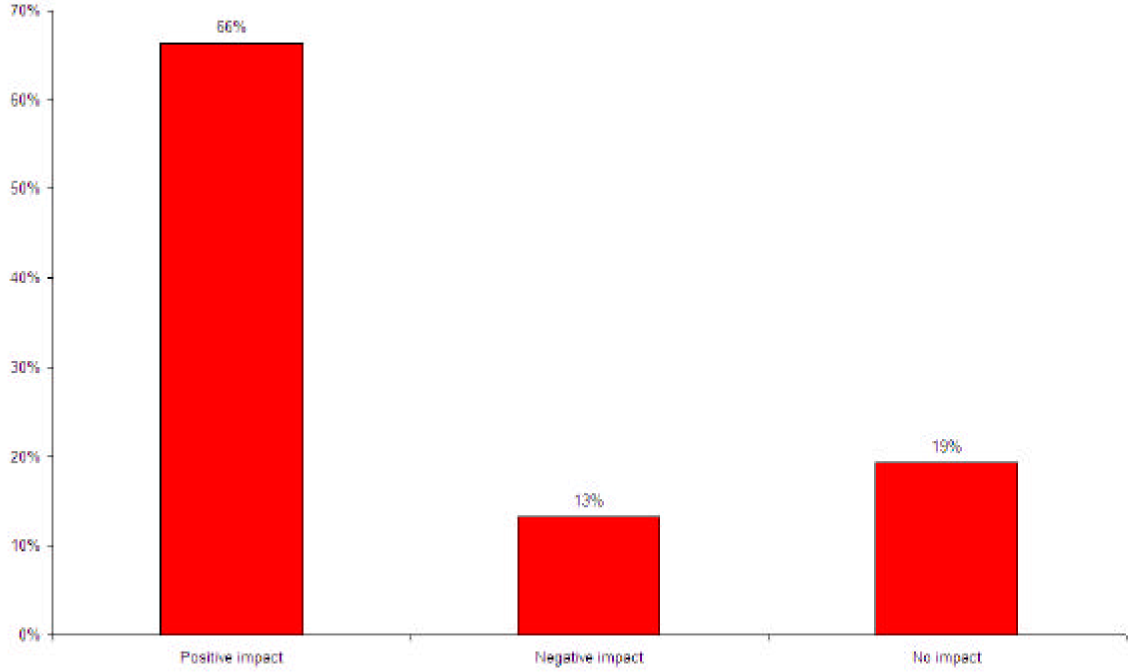
Figure 4.13: Impact of finance in terms of being more confident in money management and budgeting



Two thirds of respondents feel that by receiving finance from doorstep lenders, they are more confident in approaching organisations for finance in the future. However, overall, 13% of respondents commented that the finance had had a negative effect. 81% of those in the younger 16 to 29 year old age category expressed a new, positive attitude to approaching organisations for finance in the future compared to 61% in the 30 to 59 age group. Interestingly, three quarters of those respondents not working compared to 61% of those who are currently employed expressed a positive outcome from the finance on their confidence levels.

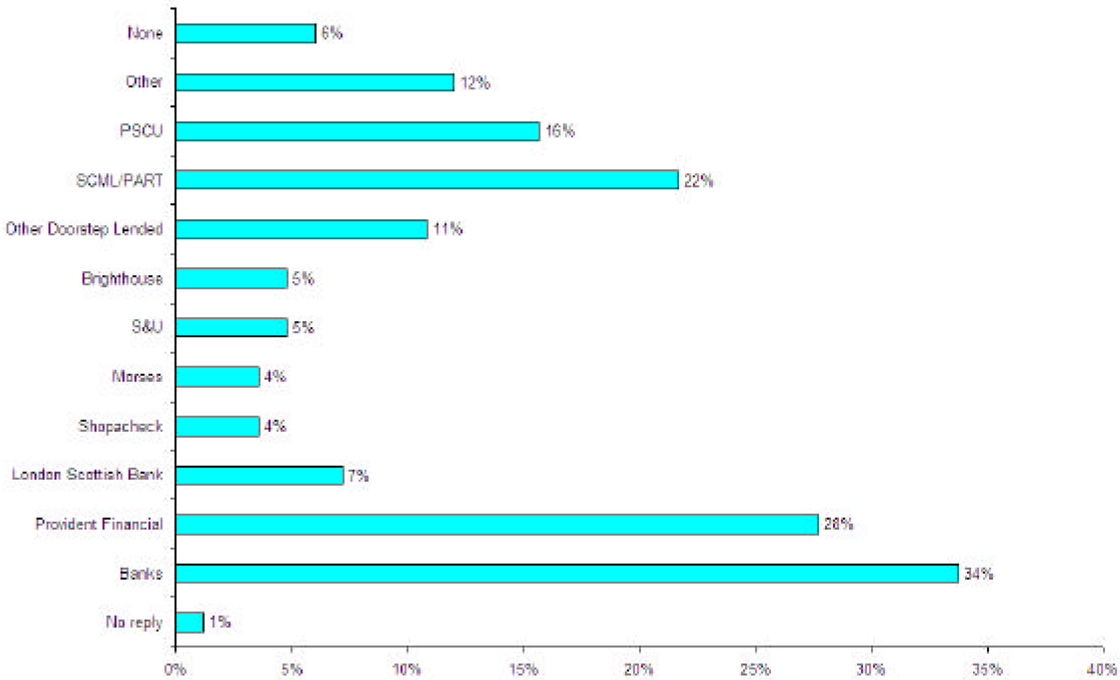
As with the two previous measures of impact, it would appear that respondents value the contribution of loans from the SCML and PSCU to a greater extent than loans provided by doorstep lenders.

Figure 4.14: Impact of finance in terms of approaching organisations for future finance



As illustrated in figure 4.15, the most likely financial institution that respondents will attempt to access in the future is banks (34%) followed by Provident Financial, the SCML and the PSCU. Over half of the respondents from younger age category (16-29) will look to access finance from banks in the future, compared to just 30% of those from the 30-59 age group. Of those respondents not working, the most likely future finance option appears to be Provident Financial, followed by the SCML, compared to those working respondents favouring banks.

Figure 4.15: Sources of Future Funding



Over half (58%) of the respondents are in receipt of other support mechanisms mainly provided through the local authorities. The main support provided to respondents is through benefits. As with the findings from the survey of PSCU and SCML recipients, there is a very limited take-up of support services, such as debt counselling and money management, that provide assistance with understanding finances. In the separate interviews with recipients of doorstep loans it was established that none of the individuals had received advice or guidance on money management.

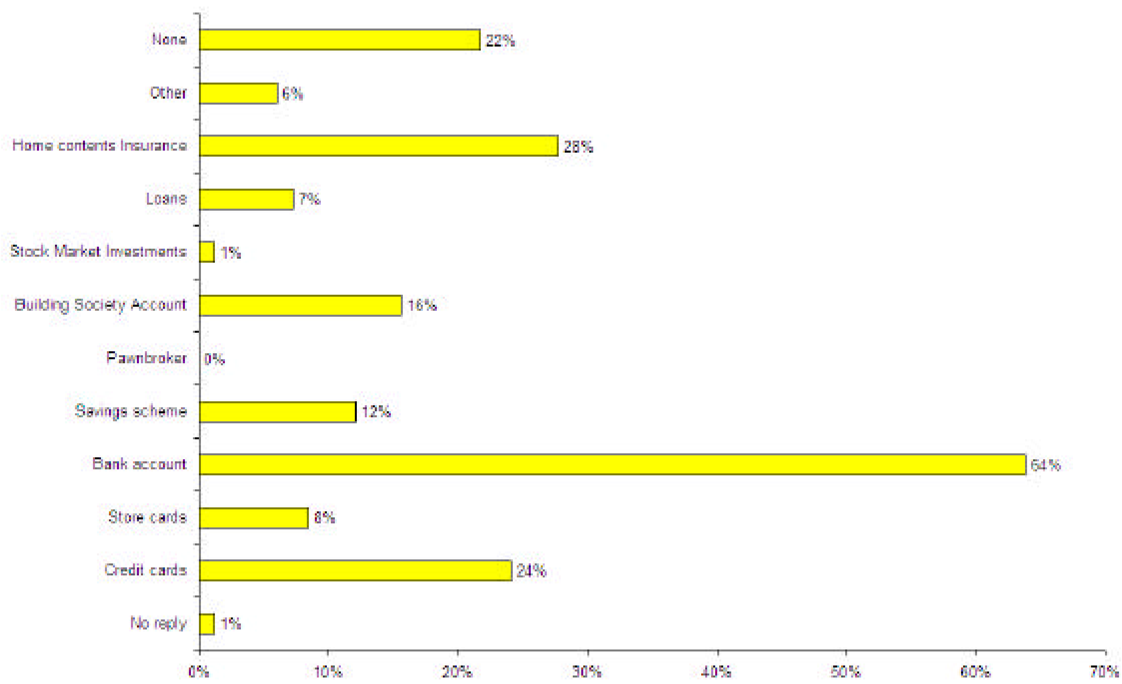
In terms of receiving future advice on finance, survey respondents commented that they would particularly like to receive advice from the Citizens Advice Bureau (51%), local authority (29%). SCML (24%), banks (23%) and the PSCU (14%).

Figure 4.16: Sources of Future Financial Advice

	%
Citizens advice	51%
Local authority	29%
SCML	24%
Bank	23%
PSCU	14%
PHA	12%
None	10%
Further Education authority	7%
Other	2%
Do not know	6%

Almost two thirds (64%) of survey respondents have bank accounts, as illustrated in figure 4.17. Furthermore, those in the 30 to 59 age group are most likely to have a bank account - 68% respondents in this age group hold accounts compared to 57% in the 16 to 29 age group and 40% in the aged 60 plus.

Figure 4.17: Usage of Other Financial Services



4.6 Summary of Key Survey Findings

- Overall, 70% of those sampled were female compared to 30% male. 67% of the overall sample was aged between 30-59. Nearly a third of respondents (30%) were a lone parent and 23% of respondents were single living alone;

- 43% of respondents are employed which compares to 11% registered unemployed. Of those respondents not in work, 40% have been for over 2 years;

- 80% of respondents have received loans in the last two years. The most common doorstep lenders used by respondents were Provident Financial (57%), Shopacheck (16%) and Brighthouse (10%). The main reasons given for using doorstep lenders were convenience (27%), needing the money quickly (20%) and not knowing where else to go (11%). These reasons concur with the findings from the focus groups discussed in Section Three.

- 83% of respondents were made aware of the interest rate and other conditions of the doorstep loan. However there was a limited understanding of interest rates;

- Just over half (53%) felt the loan had a positive impact on their lives, which is lower than the figures for those that took out SCML and PSCU loans. The high interest rates were highlighted as the main drawback to receiving doorstep loans.

- Overall, the most common amounts of finance received by respondents were £251-500 (33%), £501-1000 (25%), £1001-£5000 (19%). The most common reasons given for using a doorstep lender were paying for consumer goods and for covering a debt;

- 42% of respondents were made aware of the loan finance ‘via recommendation’ compared to figures for being ‘referred by a third party’ (23%) and ‘responding to an advert’ (23%);

- 93% of respondents needed to provide proof of their address and 80%, evidence of a bank account when applying for finance through a doorstep lender. Interestingly, only 81% of applicants needed to provide an application form;

- Nearly half (49%) of respondents found it to be either ‘very easy’ or ‘relatively easy’ to access finance in the area. Nearly a quarter (24%) of respondents found it either ‘difficult’ or ‘impossible’ to access finance with the main reason being having a poor credit rating;

- 40% of respondents felt there were barriers to accessing financial services compared to 49% who felt that no barriers existed. The main barriers highlighted were economic status, bad credit history and living in a poor area;

- Respondents seemed to be relatively satisfied with the impact that the finance had made upon their lives. The majority of respondents felt it had a positive impact in terms of supporting their lifestyle (69%), managing their finances (66%) and approaching organisations for future funding (66%). However in contrast to the SCML/PSCU survey, some of the respondents felt that the finance had a negative impact on their quality of life;

- 75% of respondents received support from the local authority, which was mainly in the form of benefits. Respondents would particularly like to receive financial advice from the citizen’s advice bureau (51%) and the local authority (29%);

- The main types of financial institution that respondents stated they might approach for finance in the future were banks (34%), Provident Financial (28%), SCML (22%) and PSCU (16%);

- Almost two thirds of survey respondents have bank accounts while two thirds of the rest of respondents’ households did not use any other financial services.

5. STAKEHOLDER ANALYSIS

5.1 Introduction

Having collected primary data through the two surveys a number of stakeholder interviews were undertaken to supplement and qualify these findings. A range of organisations was consulted – the SCML and the PSCU, referral agencies to both organisations and statutory organisations. The full list of stakeholders can be found in Appendix IV. The content of the stakeholder meetings varied according to type of organisation although discussions centred on assessing the impact of the loan finance provided by the SCML and the PSCU on its client groups.

5.2 Involvement/Relationship with loan financing organisations

Portsmouth Housing Association (PHA) have supported both loan-funding organisations financially and provided them with resources to help establish them. This is particularly the case with the SCML. The PHA has also provided referrals to both organisations, usually clients who have visited their debt advice service. They have also held meetings with SCML staff, which have focussed on an understanding of their roles as a partnership and have invited the PSCU to their staff induction days.

The PHA would like to build on their relationships with the loan financing organisations, in particular the PSCU. They would like to make both organisations better known to their front line staff in order that individuals will be referred to a greater extent to these organisations. In the case of the SCML, there are now meetings between the rent arrears team and the SCML to find out why PHA clients have been refused loans. In the case of PSCU, it would be beneficial if they could sort out direct debits/standing orders for their customers that use the savings account.

The PHA refers to both loan funding organisations however in terms of the PSCU – they do not want their loan service advertised because the increase in demand would be difficult for them to meet. The PSCU want to promote saving and not lending. If it were possible the PHA would be more likely to refer people to the PSCU because of the lower interest rates but at present it is not possible. Therefore if the client wants a loan they are referred to the SCML rather than the PSCU. If the client wants a savings account, then they are referred to the PSCU. The PHA has referred 430 of its clients to the SCML from October 2000 to November 2005. Clients are referred to the PSCU at a rate of 2-5 per month although the number could be greater if the PSCU were interested in receiving referrals for their loans. The PHA tends to refer people who are in work; generally under the age of 50 and around 50% are lone parents. The majority of PHA clients have used doorstep lenders such as Industrial Provident, and Shop Check.

The PHA tends to do a mailshot to their clients about the activities of the loan funding organisations. Then if their clients want a loan they are referred to SCML and if they want a bank account they are referred to PSCU. Clients have general discussions with support workers regarding a wide range of issues that affect them.

Feedback from clients is generally very positive as clients feel the loan funding organisations provide easy access to finance, helpful staff and make it easier to open bank accounts. Obviously there was slightly negative feedback from people who were refused loans who were disappointed with the decision. The PHA were disappointed that they were unable to offer loans from the PSCU.

Portsmouth City Council (PCC) Housing refers their clients to SCML, not PSCU, as they feel that SCML's services are more relevant and suited to their clients needs. They also refer clients to DWP loans when they are available. Their clients use doorstep lenders regularly, and PCC Housing tends to refer these people to money advice agencies first such as the CAB, rather than straight to another finance company. The SCML have visited the staff at PCC Housing and have briefed them on SCML's services, as well as talked through what levels of finance are available for clients. PCC Housing staff has full knowledge of SCML's services and acts as a signposting service, providing information cards for clients and filling in referral forms when appropriate. Referrals are often made to SCML when clients need to raise money for a rent deposit. In addition, the City Council's benefits office and their money advisors promotes availability of the SCML and PSCU and would like to build on their relationships with both organisations.

Cosham Job Centre Plus provides referrals to both the SCML and the PSCU. Both organisations attend staff meetings from time to time (once a year), which allow them to provide an update on the services that are offered. The Job Centre has a good relationship with both organisations and would like to build on these relationships by providing a hot desk facility at the Job Centre for either/both organisations so they are able to provide advice on their services directly from the Job Centre.

In terms of the referrals, Cosham Job Centre tended to refer to the SCML for those clients who wanted loans for personal items while they referred to the PSCU for those clients who wanted to open a bank account or save. The Job Centre also has a loan fund, 'social fund', which operates as more of an emergency fund. Each of the Job Centre advisors (15-20) refers at least one person per month to the loan funding organisations. In terms of type of person referred, individuals tended to be lone parents, people who have used doorstep lenders and refugees with no access to bank accounts.

The Job Centre tended to inform people about the service then give them a leaflet and leave it up to them to contact the organisation. In certain cases, the job centre advisors contacted the organisations to arrange a meeting.

In terms of the **Citizens Advice Bureau (CAB)** with either organisation, the respondent described a 'Debt line' that was set up by the CAB in order to provide people with advice and guidance about finance and debt. The PSCU are not really involved with the Debt line, as the clients who use Debt line services are usually in need of the type of finance offered by SCML. Therefore the CAB (through the Debt line) and the SCML have a 'back and forth' referrals system where information is passed between the organisations. The CAB promotes the SCML to their clients with leaflets, generally acting as a signposting service. This has created a successful advice and action system, where clients can receive guidance and financial/ debt counselling from the CAB and then are sometimes referred to the SCML in order to act on any financial issues. When asked about referrals themselves, the respondent commented that it is difficult to say how many referrals are made to and from each organisation, as there is no records kept tracking flows of clients. However, the respondent commented that it would be extremely useful to record referrals, as well as feedback from them and that currently a Community Banking Partnership is being formulated in order to improve things. There is a great demand in Portsmouth for debt advice services, and the Partnership will look to fill this gap.

The **Foyer Project** has been involved with both the SCML and the PSCU. They have a good relationship with both organisations albeit a closer relationship with the SCML. They used to rent offices in the SCML building and are currently based 100 yards away from them. They tend to refer more of their clients to the SCML compared to the PSCU. There is an opportunity to build on working relationships with both organisations, specially the SCML. They have tried to link the SCML into their financial numeracy training programmes so SCML clients would have a greater understanding of their finances however they do not have the resources to do this.

The SCML tend to receive, on average, two referrals per month from the Foyer project, which is slightly more than the PSCU. Most of the referrals are for under 25's who are generally unemployed or going through a transitional period in their lives and have tended to use door step lenders previously. Details of both organisations are provided through outreach and leaflets. The Foyer also makes appointments for their beneficiaries at the organisations and, in some cases; they attend the meetings depending on circumstance. Generally feedback from beneficiaries has been positive. The loan organisations are seen as non-judgemental and attempt to find a way forward for people.

The **Southern Focus Trust** refers their clients, who are often young people aged 16-25, to the SCML usually when they have been turned down for a rent deposit scheme or require household necessities. They refer approximately two to three individuals a month, although they do not much receive any feedback from referrals, which is frustrating, although of the little feedback they have received, it has been generally positive. If the Southern Focus Trust knew that the referral system worked well, then this could be developed further.

Similarly, **Central Point** clients are referred to the SCML after being turned down for a rent deposit scheme. However, referrals do not happen regularly as the Central Point clients are generally homeless and are not in the position to be borrowing any money.

The **Portsmouth Council of Community Services (PCCS)** is familiar with both the SCML and the PSCU and both organisations are listed within the PCCS's directory of services and database, which is searchable, so that their clients are able to access details as and when they need them. PCCS usually work with voluntary and community groups and so do not tend to refer many of their clients to either organisation, as the type of finance available is not entirely appropriate for these groups to access. It was felt there was potential for increasing referral rates.

The **Portsmouth Disability Forum** also mentioned referring its members to the SCML. **Saint Paul's House** claimed to have not heard of either the SCML or the PSCU. It was also mentioned that it would be unlikely that they would refer their clients to these organisations given that they were homeless individuals and had different needs.

5.3 Profile/Marketing of loan financing organisations

The SCML market their loan service through leaflets, direct mail drop, housing association (mail), referrals and word of mouth. The PSCU pre-dominantly market their service through word of mouth. Both the SCML and the PSCU give presentations promoting their work. In the case of the SCML, they provide details of what clients can borrow and the conditions attached to the finance. They also send out a newsletter. It was felt important for the loan financing organisations to ensure regular contact with organisations, such as Job Centre Plus, providing them with a regular newsletter to keep them informed of activities.

General feedback on marketing activities by the SCML and PSCU was positive. However it was felt that both the SCML and the PSCU services and activities needed to be marketed to a greater extent to the community. In particularly, it was felt the organisations could set up workshops at outreach locations (community centres, doctor surgeries) demonstrating the work/service that they provide. It would be important for the PSCU to encourage saving in these workshops and it was felt that the best way to do this would be through outreach. It was also felt that both organisations should consider marketing their products together instead of as separate entities.

In terms of the SCML, the Portsmouth Housing Association (PHA) would look at a joined up event for marketing activities. In terms of the PSCU, there are leaflets on savings provided but nothing on lending, as the PSCU appear to want to discourage this. These leaflets are easy to read but are only giving to members of the PHA. It was felt there needs to be more marketing activities directed at other local people.

5.4 Developments to enhance service

The PHA have good working relationships with both organisations, but resource and finance allowing, the PHA would like to see: more work to raise profile to the whole community, better ways of getting access to what service is provided and closer work with other front line organisations.

It was mentioned there needed to be a coherent approach to the provision of finance and general advice in the area. It was pointed out there were pockets of advice, which made it difficult for people in some areas to access them. This service could be provided through the introduction of local access points that could provide a range of finance and other services for local residents. These used to exist in the area and were well used but their funding was withdrawn after the SRB funded programme had ended. The City Council would be interested in providing support to a more comprehensive service and may be able to access funding for this through the Community Legal Services Commission.

A more coherent approach could be provided by the Community Banking Partnership, which is currently at the draft delivery plan stage and seeks to integrate affordable money advice (particularly debt counselling) and banking services within communities around Portsmouth. The CAB will provide the advisory services and partners such as the SCML and other local CDFIs will provide the banking (including loans and savings) services. PSCU have thus far declined the opportunity to be a part of the partnership, and the CAB is awaiting their reasons for doing so. A more joined up working approach will ensure a better client referral system and an agglomerated approach to banking and financial advice within Portsmouth's communities. The partnership is currently seeking funding from the DTI's Money Advice Funding scheme.

It was also discussed how doorstep lending was rife in Portsmouth and that interest rates of up to 800% are sometimes charged to customers of organisations such as the Provident and Shopacheck. Most of the doorstep lenders acquired new business from infiltrating family and friend networks within local communities, as word of mouth spreads information about these lending organisations 'with no strings attached'. However, it was mentioned that people do not realise the massive interest levels charged on these loans and spiral deeper into debt. It was suggested that there needs to be more education programmes in schools in order for the younger generation to be more 'clued up' to financial matters and that the SCML and PSCU should consider doing workshops with schoolchildren. This could go some way to dissipating the national debt culture in Portsmouth.

It was highlighted how important it was for both the SCML and PSCU to work alongside other partners in order for them to get their message across to potential clients. It is essential that these organisations are viewed as a serious alternative to doorstep lenders, and that their interest rates relative to doorstep lenders be promoted as a wholly favourable option. It was felt the Community Banking Partnership is an exciting potential for the future and it is important that the CAB continue to promote and signpost clients to both organisations. It was suggested there is a potential for the CAB to hold finance and debt advice surgeries within each organisation if either felt that this would help their clients. However, this idea is wholly resource driven and may even come into play as part of the Community Banking Partnership.

It was commented by PCC Housing that a potential development with the SCML could be providing greater feedback on the number of clients that received finance for rent deposits to determine the success of the referral system. This could beneficial for the SCML, given the large market for rent deposit loans.

In terms of developing the SCML activities with vulnerable people, it was suggested that they could provide more of an outreach service or drop in sessions within organisations such as the Southern Focus Trust. This could be once a month so that it is a way of vulnerable people approaching SCML within familiar territory and within an environment that is safe, around people they trust.

The PSCU mentioned that they would like to increase their levels of engagement with excluded groups, such as Muslims, who do not have accounts in the credit union. They felt there was a need for brochures in their own language to encourage them to access the service.

6. CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

This section details the main conclusions to emerge from the research and provides a series of recommendations in order to help inform the local lending organisations and the relevant authorities about ways of enhancing/developing their operations.

6.2 Main Conclusions

6.2.1 Economic Status of Loan Recipients

The overall majority (27%) of respondents from the SCML/PSCU survey were employed full time, with 17% working part time. The difference between the two lenders is shown through 34% of PSCU respondents working full-time compared with just 20% of SCML respondents. In addition, 17% of SCML respondents are registered unemployed, and 10% are long term sick; the equivalent figures for PSCU respondents are 7% and 3%. These figures clearly suggest that the PSCU deal with more people in work than compared to the SCML that appear to cater for a large proportion of unemployed individuals.

Making reference to the doorstep lenders survey, it was found that 43% of respondents were employed. However, of those respondents not in work (11%), 40% had not been so for over two years. This indicates a large number of individuals have acquired doorstep loans despite being out of work which is clearly a concern given the extortionate rates of interest charged by lenders of this type. This finding demonstrates an example of where either the PSCU or more perhaps the SCML can intervene and provide a cheaper, alternative source of finance for financially excluded people living in Portsmouth.

6.2.2 Types and Amount of Funding Received by Loan Recipients

Overall, the most common amounts of loan received by respondents were £501-£1000 (33%), £251-£500 (27%) and £1001-£5000 (25%). The majority (36%) of respondents from the SCML had borrowed between £501-£1000, compared with the majority (33%) of those from the PSCU who had borrowed £1001-£5000. Only 17% of respondents from SCML had borrowed £1001-£5000.

These figures highlight a relationship between levels of unemployment and lower amounts of loans as the SCML provide loans to a greater proportion of unemployed people than the PSCU as well as lower amounts of loan finance. Indeed, overall of those respondents that have borrowed over £1000, almost half of respondents work full time while comparatively, only 20% of those who have borrowed under £1000 work full time.

Recipients of doorstep lending received lower levels of loan finance with 33% acquiring £251-500, 25% acquiring £501-1000 and 19% acquiring £1001-5000. Findings from the Doorstep lenders survey found that 27% of respondents cited convenience as the main reason for borrowing from a doorstep lender while a fifth of respondents stated they needed to borrow the money quickly. Interestingly, not knowing where else to access a loan was a prominent reason given by both focus group and survey respondents for turning to doorstep lenders which suggests there may be a lack of awareness of the SCML and PSCU loan provision within Portsmouth. This highlights a need for the SCML and PSCU to increase their promotional activities to try and make individuals more aware of their service and switch from using doorstep lenders to loan finance provided by these organisations. Also, given that 83% of respondents from the doorstep lenders survey claimed to be aware of their doorstep loan conditions, this should make it easier for the SCML and PSCU to sell the advantages of accessing their loan provision as an alternative source of finance.

There was a general lack of understanding amongst local people of the levels of interest they paid on loans, particularly those received from doorstep lenders, and of the terms – APR and

Commercial Interest Rate. Indeed, a proportion (38%) of the recipients of PSCU lending perceived they had received loans with a commercial rate of interest despite, at the time of the research, the credit union standard had a fixed interest rate charge of 12.7% APR. It would also seem that borrowers are more concerned about making weekly/monthly repayments and not paying much attention to the total cost of the loan including the interest. Therefore it would be appropriate for both the SCML and the PSCU to make recipients of their loans more aware of the benefits of their lower interest rates in comparison to those offered by doorstep lenders. Given that both organisations, to a certain extent, rely on word of mouth to market their products providing information to clients about the costs of loans would be invaluable. As evidenced by the focus group findings, once individuals become aware of the high interest rates that come with doorstep loans they tend not to want to use them again in the future. This is supported by findings from the survey of doorstep loan recipients where a large proportion of respondents felt the loan did not have a positive impact on their life as they were left with high levels of repayment because of the exorbitant interest rate charge.

Overall, most respondents from the SCML/PSCU survey took out a loan to cover an existing debt or to pay for consumer goods. The largest proportion (19%) of PSCU respondents obtained finance for home improvements or to buy consumer goods while holidays were also mentioned as a significant reason for requiring the finance. Comparatively, the largest proportion (28%) of respondents who have used SCML, took out finance to cover existing debts while 23% used the money to pay for consumer goods and 14% to pay for essential items. This again highlights PSCU loan recipients are likely to access greater levels of loan finance given the type of goods that they are using the loan for. This is not surprising given that, based on the survey findings, the PSCU would appear to have a greater proportion of clients whom are in employment compared to the SCML.

Respondents from the doorstep lenders survey indicated a similar propensity to SCML respondents in terms what they were using the loan for, mainly paying for consumer goods and covering a debt. Given that the majority of these respondents stated they were accessing relatively low levels of finance, such as £251-500, it is not surprising they tended to purchase ‘essential’ goods with the loan finance.

6.2.3 Process of Obtaining Finance

Overall, most respondents from the SCML/PSCU survey stated they became aware of the two organisations via recommendations (word of mouth) or were referred by a third party. There were a much larger proportion of SCML respondents (42%) than PSCU respondents (30%) that had accessed the organisation thorough recommendations. However it should be noted that being ‘referred by a third party’ in some cases could be categorised as a word of mouth referral. The research highlights that both organisations need to increase the marketing and awareness of their loan products to local people in Portsmouth and to encourage individuals to switch from using doorstep lenders.

Overall, 18% of respondents from the SCML/PSCU survey received finance from other organisations (15% of PSCU and 20% of SCML respondents). Interestingly, the majority of PSCU respondents, who had received finance from another source, had done so from a bank, yet the majority of SCML respondents had received loan finance from Provident Financial. This suggests that SCML respondents are more likely to find it easier to access finance from a doorstep lender than a bank and again highlights that SCML appears to work with a greater proportion of deprived individuals than the PSCU.

It appears that a number of local people have not realised the benefits of obtaining finance from the SCML and PSCU. When asked about accessing alternative sources of funding, almost half of the respondents from the doorstep lenders survey stated that they did not consider any alternative sources of funding to the doorstep lender. 35% had considered banks and 13%, the South Coast Money Line. As mentioned above, this does highlight a requirement for the SCML and PSCU to increase the awareness of their service to encourage greater use.

6.2.4 Ease for Loan Recipients in Accessing Finance

Overall, 59% of respondents from the SCML/PSCU survey found it to be ‘very’ or ‘relatively’ easy to access finance currently in their local area. This proportion is no doubt enhanced by the ability of PSCU and SCML to provide (micro) loans to local people that have been refused bank loans. Only 13% of respondents found it either ‘difficult’ or ‘impossible’ to access finance although survey findings highlighted it was much more difficult to access finance before the emergence of the PSCU and the SCML. The main reason for this was being unable to access finance from mainstream bank generally due to an individual’s economic status or having a poor credit rating.

It appears that SCML customers have more difficulties accessing finance than PSCU customers. 38% of PSCU respondents stated that access to finance in the local area was ‘very easy’ which compares to just 20% in the same category for SCML respondents. In addition, 20% of respondents from the SCML commented that finance was either ‘difficult’ or ‘impossible’ to access, compared with just 9% from PSCU. Given that the SCML appears to support a higher proportion of deprived individuals than the PSCU, it is not surprising that they find it more difficult to access finance in the area.

It is clear that recipients of doorstop lending struggle to access finance in Portsmouth. Nearly half of the respondents from the doorstep lenders survey (49%) found it to be ‘very ‘ or ‘relatively’ easy to access finance in the area. However, a quarter of respondents (24%) found it either ‘difficult’ or ‘impossible’ to obtain finance locally and highlighted having a poor credit rating as the main reason for this. The ease of access to loan finance provided by doorstep lenders, such as providing credit on first meeting, for all members of the community provides a solution to people refused loans from elsewhere. Therefore, as mentioned above, there is clearly a need for the SCML and PSCU to promote their services to these individuals in order to provide them with an alternative source of cheaper, loan finance to doorstop lenders.

It would appear that an individual’s age has an impact on their ability to access loan finance in Portsmouth. In the view of many respondents, both young people (under 21) and older people (aged 65 and over) are seen as a greater credit risk by mainstream banks and hence these groups have greater difficulty in accessing loan finance.

Overall, 28% of respondents from the SCML/PSCU survey commented that they consider there to be barriers to accessing finance in the future with a higher proportion of SCML (38%) than PSCU (20%) respondents commenting there were barriers to accessing finance. For those SCML customers, almost half viewed ‘economic status’ as barrier to accessing financial services, compared to just a quarter of PSCU respondents. Consequently, PSCU customers viewed factors such as poor credit history, as well the cost and conditions of finance to be more of a barrier than SCML respondents.

Unsurprisingly, a larger proportion of respondents (40%) from the Doorstep lenders survey, in comparison to the SCML/PSCU survey, felt there were barriers to accessing financial services, in particularly highlighting their economic status, bad credit history and living in a poor area. Interestingly, a large proportion of the older age group from this survey felt that there were barriers to finance.

Overall, half of all respondents from the SCML/PSCU are claiming some type of benefit, although there are a much higher proportion of SCML customers that are claiming benefits (60%) than PSCU clients (41%). This fits in with early findings that suggest the SCML deal with a greater proportion of deprived individuals than the PSCU. The findings from the research indicate that being on benefits impinges on an individual’s ability to access a loan from a bank as individuals of this type are classified as having a bad credit rating and unlikely to have the ability to make repayments.

The main types of financial institution that respondents from the doorstep lenders survey stated they might approach for finance in the future were banks (34%), Provident Financial (28%), SCML (22%) and PSCU (16%). This highlights that individuals are still relatively optimistic about acquiring finance from these sources. However, it also indicates that the

SCML and PSCU need to not only ensure accessibility to their loan service is adequate but also work with banks to increase accessibility to the resources and away from doorstep lenders such as Provident Financial.

6.2.5 Access to Financial Information and Advice

There is a lack of information, advice and guidance on money management services in Portsmouth. Focus group respondents stated there was a clear need for an initiative that would provide financial information which would cover areas around interest rates, money management and debt advice. It was also felt guidance on finances should be promoted to a greater extent in schools to ensure that from a young age people grow accustomed to managing their finances.

Findings from both surveys support the need for greater levels of financial information, advice and guidance in order to not only ensure people are aware of how much they borrow but also to encourage people to save more for the future. Overall, respondents from both surveys welcomed further advice from the Citizens Advice Bureau.

Overall, a much higher proportion of PSCU customers have credit cards than those from SCML. This is also true of store cards and savings schemes. Interestingly, over half of SCML respondents' members of the household do not use any other financial service, compared with just a quarter of PSCU respondents. These findings again emphasise that the PSCU would appear to have a more affluent client base than the SCML.

6.2.6 Impact of Receiving Finance

Overall, respondents from the SCML/PSCU survey were very satisfied with the impact that the loan finance had made upon their lives. The majority of respondents felt it had a positive impact in terms of supporting their lifestyle (83%), managing their finances (72%) and approaching organisations for future funding (67%).

In comparison, just over half (53%) of respondents from the doorstep lenders survey felt the loan had a positive impact on their lives with the majority of younger respondents in particular believing this to be the case.

In addition, respondents felt their doorstep loan had a positive impact in terms of supporting their lifestyle (69%), managing their finances (66%) and approaching organisations for future funding (66%). However in contrast to the SCML/PSCU survey, a larger proportion of respondents felt that the finance had a negative impact on their quality of life.

These findings highlight individuals that received loans from the SCML/PSCU have benefited more than those that have received doorstep loans. It is reasonable to assume that individuals with doorstep loans have not received such satisfaction because of the high levels of interest repayments required which at the time of acquiring the loan may not have been realised.

6.2.7 Involvement/Relationship with other organisations

The SCML and PSCU involvement with other organisations is generally very positive and most of these organisations would like to build on these working relationships. It would appear that the SCML has worked with a larger number of referral organisations than the PSCU and has particularly strong relations with Portsmouth Housing Association, Citizens Advice Bureau and Cosham Job Centre.

It was mentioned by a couple of the organisations that the PSCU did not want their loan service advertised because the increase in demand would be difficult for them to match. Therefore if a client wanted a bank account then they would be referred to the PSCU and obviously once they became a member they would be able to access the PSCU's loan fund. This does mean that the proportion of individuals that the PSCU could provide loans for is somewhat restricted. However, it should be acknowledged that it would be impossible for the PSCU to sustain the demand for its loans if they were providing them to everyone.

6.2.8 Profile/Marketing of Loan Organisations

General feedback from stakeholders on the marketing activities by the SCML and PSCU was positive. However it was felt that both organisations services needed to be marketed to a greater extent to the community through promoting their services together and from outreach locations. In addition, in the future, the PHA were interested in working with the SCML to establish a joined up event which would promote the services of both organisations to the local community.

6.2.9 Developments to enhance service

A number of stakeholders felt there needed to be a coherent approach to the provision of finance and general advice in the area and that this could be provided through the Community Banking Partnership that is seeking to integrate money advice and banking services within communities around Portsmouth. The CAB will provide the advisory services and partners such as the SCML will provide the banking services. PSCU have, thus far, declined the opportunity to be a part of the partnership.

It was also mentioned that local people did not realise the enormous interest levels charged on doorstep loans and it was suggested there needed to be more education programmes in schools in order for the younger generation to be more 'clued up' to financial matters which could be supplemented by workshops provided by the SCML and PSCU.

In addition, a number of stakeholders stated how important it was for both loan-financing organisations to work alongside other partners in order for them to get their message across to potential clients that their interest rates in comparison to doorstep lenders be promoted as a more favourable option. There is potential for the CAB to hold finance and debt advice surgeries within each organisation if either felt that this would help their clients.

A potential development with the SCML and PSCU could be providing greater feedback on the number of referred clients that received finance to determine the success of the referral system. This would appear to be beneficial particularly as tracking beneficiaries is never easy for any delivery organisation.

6.3 Recommendations

This section provides a series of recommendations for which the SCML, PSCU and public authorities can take forward to ensure cheaper, more accessible provision of loan finance to people living in Portsmouth.

6.3.1 SCML and PSCU to target different groups

The SCML and the PSCU have been in competition for funding over the last few years, which has caused a fractious relationship between the two organisations. However the research team suggests there is potential for the organisations to target different groups with their activities. The SCML would appear to provide loans for a greater number of deprived individuals than the PSCU given they appear to have a larger proportion of clients that are unemployed, on benefits and that acquire lower amounts of loan finance than clients from the PSCU, more of which tend to be employed. This is not surprising given that the credit union looks to encourage saving rather than purely lending finance. In the future, there is a clear opportunity for the SCML and PSCU to focus on funding streams that would fit the specific target groups they serve. In this sense, it should increase their chances of acquiring funding and also reduce the competition between the SCML and PSCU.

Since the research was conducted it should be noted that both the SCML and PSCU have recently received significant funding provision for loans from the Department for Work and Pensions (DWP), which has increased their capability to offer services to excluded individuals both in the City and its surrounding areas.

6.3.2 PSCU to provide outreach to local community and schools

Although findings from the research suggested the level of marketing undertaken by the SCML and PSCU was pretty good, the research team believes that both organisations could increase the promotion and marketing of their service in order to increase provision to the local community by providing a cheaper alternative to doorstep lenders. Findings from consultation with recipients of doorstep lending found that respondents were not aware of where else to go for loans while nearly a quarter of respondents stated it was difficult/impossible to access finance in the area hence the face to face offer provided by doorstep lenders was often very tempting.

The research team believes that SCML and PSCU need to increase their marketing particularly targeting young and old people and those on benefits. We would suggest this could be achieved through undertaking workshops at various outreach locations such as libraries, community centres, doctor surgeries and schools. In the case of young people, it would be necessary for the SCML and PSCU to carry out workshops at schools to 'educate' them about the need to save money and where to go for appropriate sources of financial support.

6.3.3 SCML and PSCU to work closer with partner organisations to promote service

Research findings generally concluded that the SCML and the PSCU (bearing in mind it does not actively market its loan service) worked well with a number of their referral organisations. There are still many people in Portsmouth who still do not have access to loan finance or bank accounts. The research team feels there is clearly a need to work closer with a number of these partner organisations in order to increase promotional activities and encourage local people to access their services. This would involve providing partners with up-to-date information about their current services, perhaps through a regular newsletter. There would also be further opportunities to promote services through partner organisations and this could include 'hot desk' facilities at the Job Centre and the CAB. This would provide greater access to local people that may be currently unaware of the organisations and their services and provide the SCML and PSCU with the opportunity to highlight the advantages of using their services and the consequences of accessing doorstep lenders.

In addition, partner organisations could also be provided with the opportunity to provide an outreach service from the SCML and PSCU offices. This would provide a greater opportunity for loan recipients to access advice on areas such as money management and debt advice, which they may not normally feel the need to do.

There may be potential for these partnerships to operate through the Community Banking Partnership that is looking to combine money advice and banking services for communities across Portsmouth.

Given the large proportion of people in Portsmouth that live in social housing the research team believes it would make sense to involve social landlords in marketing the services provided by the PSCU and SCML. There may be scope for landlords to offer incentives to tenants to encourage them to use the organisations; for example, in partnership with the credit union the landlords could offer rent discounts to those tenants that agreed to establish savings accounts at the PSCU.

6.3.4 SCML and PSCU to support the National Initiative 'Debt on our Doorstep'

The findings from this study clearly highlight the negative aspects of doorstep lending and the advantages of using organisations like the SCML and PSCU to access loan finance in Portsmouth. DooD is a national initiative that aims to place a ceiling on interest rates and provide greater access to affordable credit. The research team considers that SCML and PSCU should look to provide support to this initiative, as both of these organisations would clearly gain from what Dood is trying to achieve. Therefore support could include providing Dood with access to research of this type which would further their lobbying against doorstep lending and offering support to any future proposals that are taken forward by the Dood initiative.

6.3.5 SCML and PSCU to provide greater levels of feedback to referral organisations

A potential development with the SCML and PSCU could be providing greater feedback on the number of referred clients from each organisation that received finance in order to determine the success of referral systems. This was particularly highlighted by PCC Housing who wanted greater levels of feedback on the number of clients that received finance for rent deposits. In many cases individuals do not let the referral organisation know if they have been successful acquiring a loan. The research team believes that a more rigorous feedback mechanism should be in place that would track the progress of beneficiaries from each referral organisation in acquiring loan finance. There should be feedback provided on those individuals referred for loans but not actually turning up for the interview, individuals that undertook an interview but were unhappy with the terms on offer and so declined the loan and successful and unsuccessful loan applicants and any comments regarding this decision. Through encouraging a more rigorous feedback mechanism this would highlight the quality of the referral system, provide an opportunity to improve the service and provide greater information on an individual's credit history.

It is clear from the findings of this report that there is need to develop a system to track partner referrals more effectively. Thought should be given to the suggestion that an organisation is identified that will take the lead in establishing systems & protocols in partnership with stakeholders.

6.3.6 Involving the LSC and LEA in promoting financial information, advice and guidance

As the research findings have clearly highlighted there is a lack of information, guidance and advice on issues surrounding finance in Portsmouth, in particular money management and debt advice. This is a major issue given there is a significant debt culture in the local area with people continuing to use doorstep lenders as sources of finance. This debt culture is enhanced by a general lack of understanding of interest rates and the impact they can have on an individual's quality of life in the long-term.

In order to increase understanding of financial matters, the research team believe it is necessary to target individuals through education. Therefore there is a need to involve the local Learning and Skills Council (LSC) and Local Education Authority (LEA) both of which should be accessible through the Local Strategic Partnership (LSP). In terms of the LSC, there is a need for them to ensure that its adult learning service incorporates some type of financial guidance facility, which would allow people to understand and manage their expenditure. It should include demonstrating the benefits of saving and the risks of using doorstep lenders. In the terms of the LEA, there is a requirement for them to place finance on their curriculum in order to provide younger people with the opportunity to learn about financial management at an early age. This would comprise of a module that would be designed to encourage young people to save their money and demonstrate the impact of borrowing on their quality of life.

6.3.7 Further investigation by Portsmouth City Council Trading Standards department into the marketing activities of doorstep lenders

With reference to the consultation with several recipients of doorstep lending, many were not aware of the exorbitant rates of interest charged on loans. Further discussion established that doorstep lenders tended to market their loan product face-to-face and through a leaflet that apparently details the loan, the rate of interest charged on it and the conditions involved with paying it back. However a number of the consultees stated there were no details of the interest rate APR and its conditions that they were simply provided with a figure to pay back weekly or monthly. The research team believe there is a need for Portsmouth City Council's Trading Standards department to undertake further investigation into whether local doorstep lenders provide the required documentation to meet the legal criteria set out by the government. If this is not the case, then these doorstep lenders are very likely to breaking the law through not properly informing customers about the loan product. We would recommend Trading Standards speak further with recipients of doorstep lending to establish more evidence of potential illegal activities and also identify and study all doorstep lender documentation to assess if it meets the necessary legal requirements.