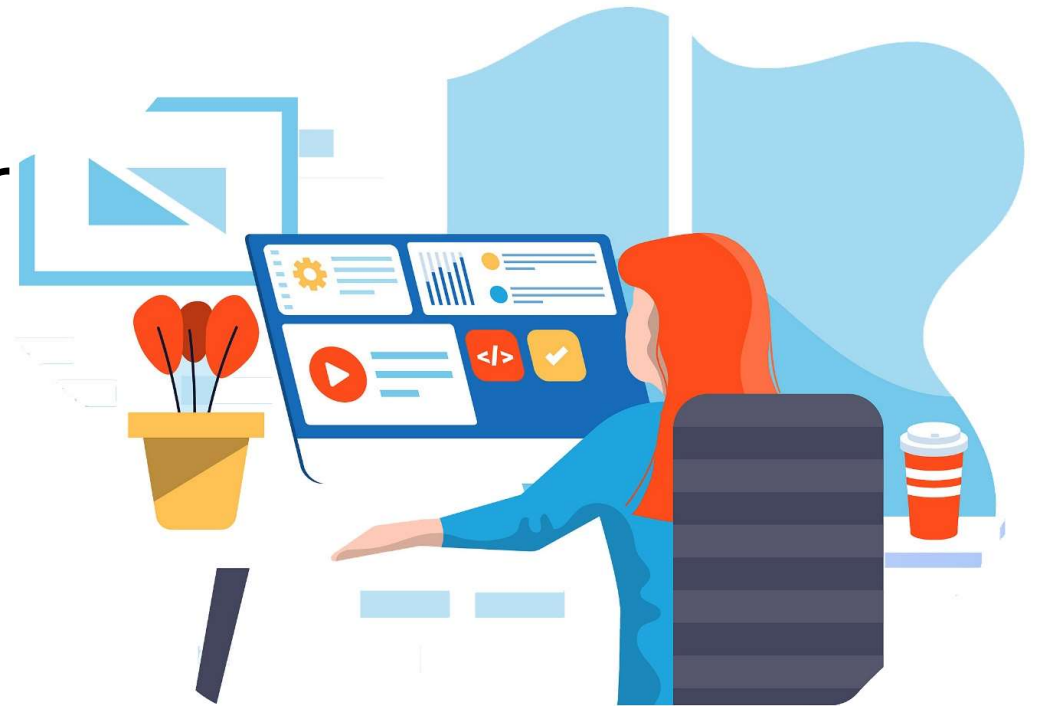


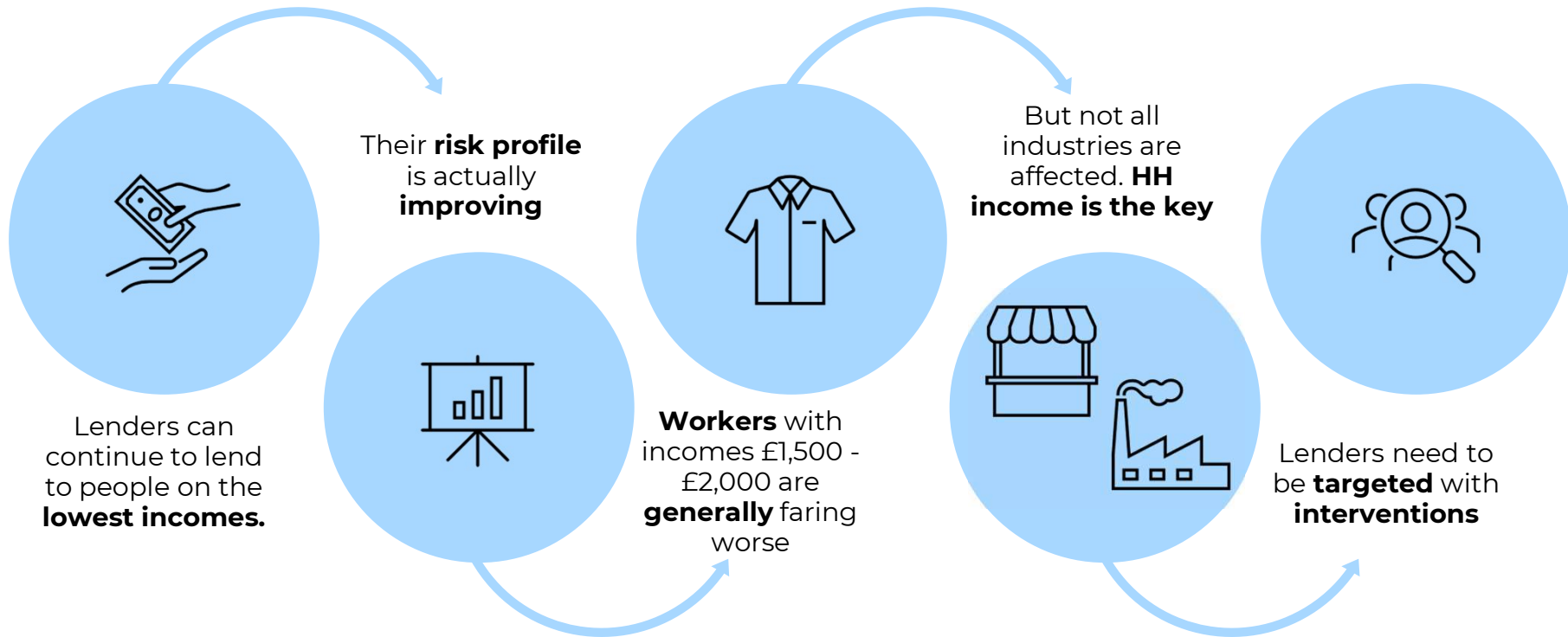
# The ongoing impact of **COVID-19** on lower income borrowers



[adrian@nestegg.ai](mailto:adrian@nestegg.ai)



# Summary



# Divergence





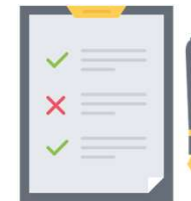
**Lockdown:** Mar, Apr & May  
**Early release:** Jun, Jul & Aug  
**Second wave:** Sept, Oct & Nov



17,250 lending decisions: £18.5m from 3 credit unions



FCA Sandbox survey to **400** credit union members in **October** and **100** in **November**



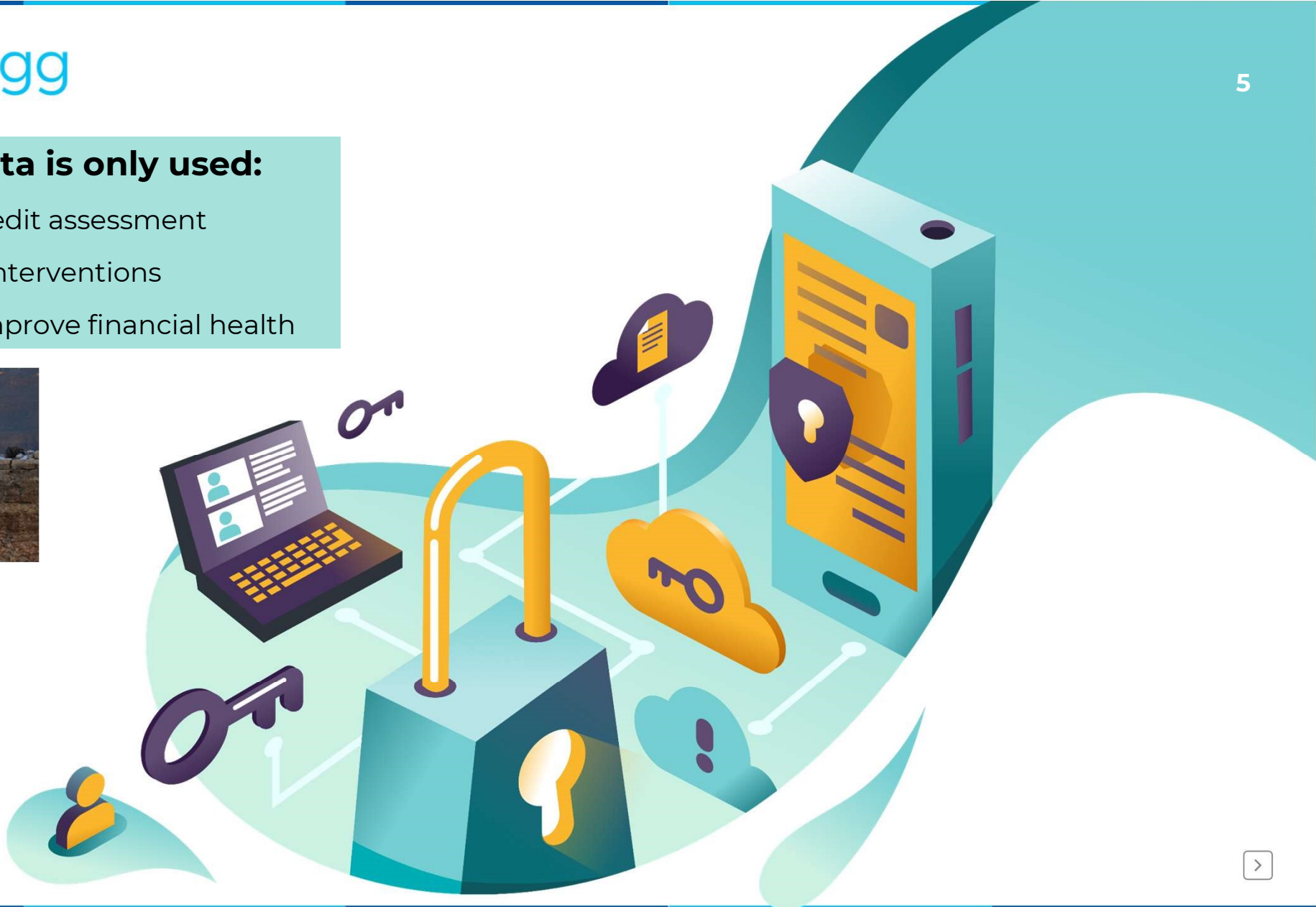
Credit bureau and open banking data

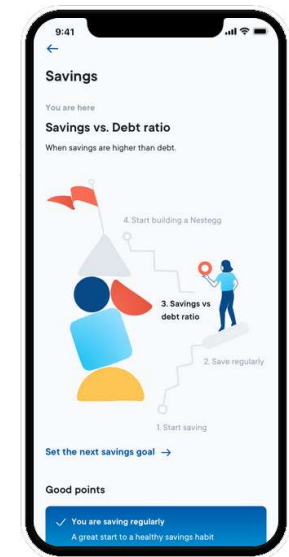
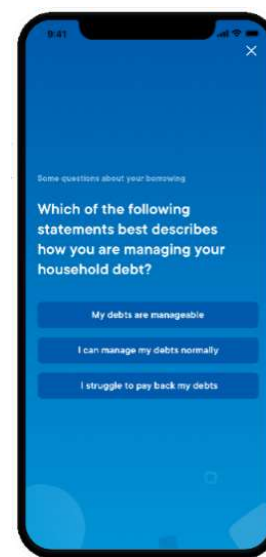
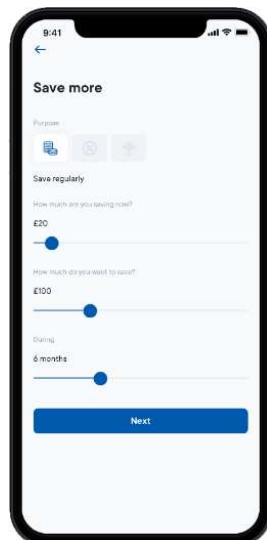
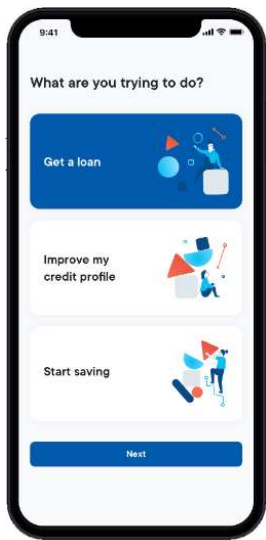
### Survey data is only used:

- ✓ To enhance credit assessment
- ✓ Recommend interventions
- ✓ Help people improve financial health



Consent gaps





Cut or avoid **high cost** borrowing



Get **spending** under **control**



Put away a few £ as a **safety net**



**Reduce** existing **debt**

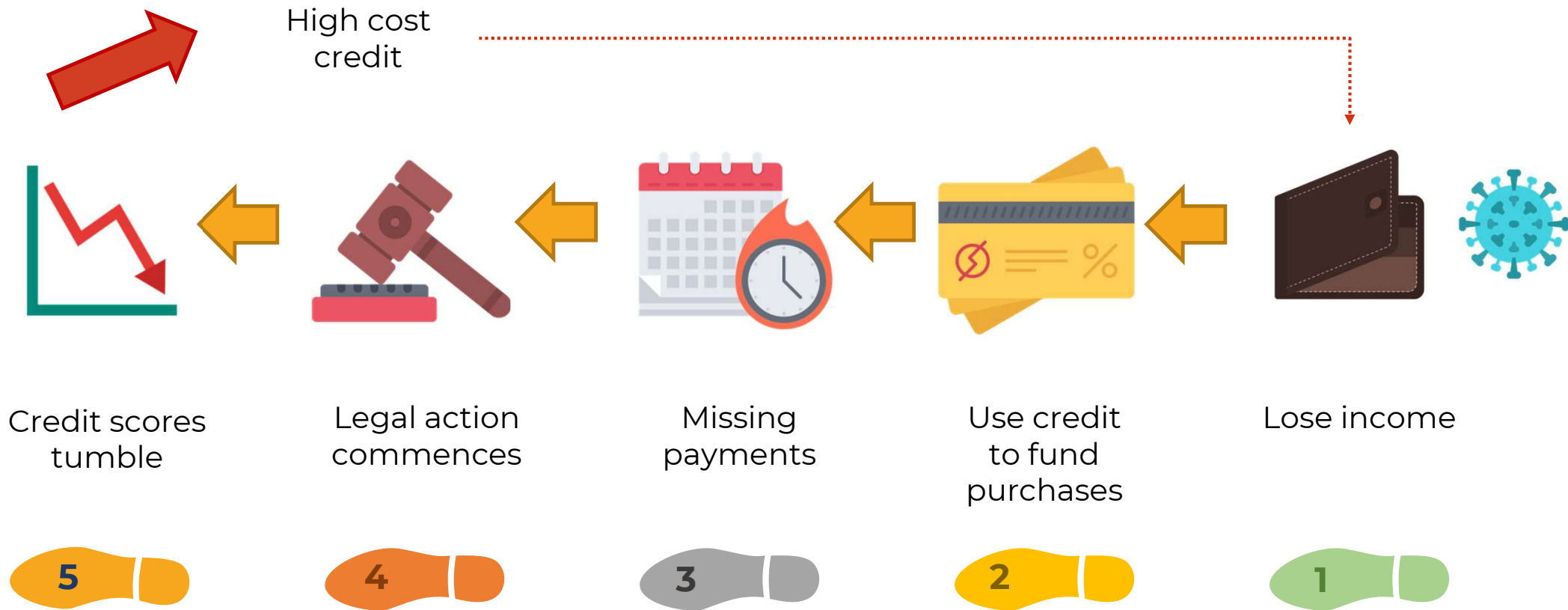


Start building a **nest egg**





# nestegg *Backward steps from financial health*



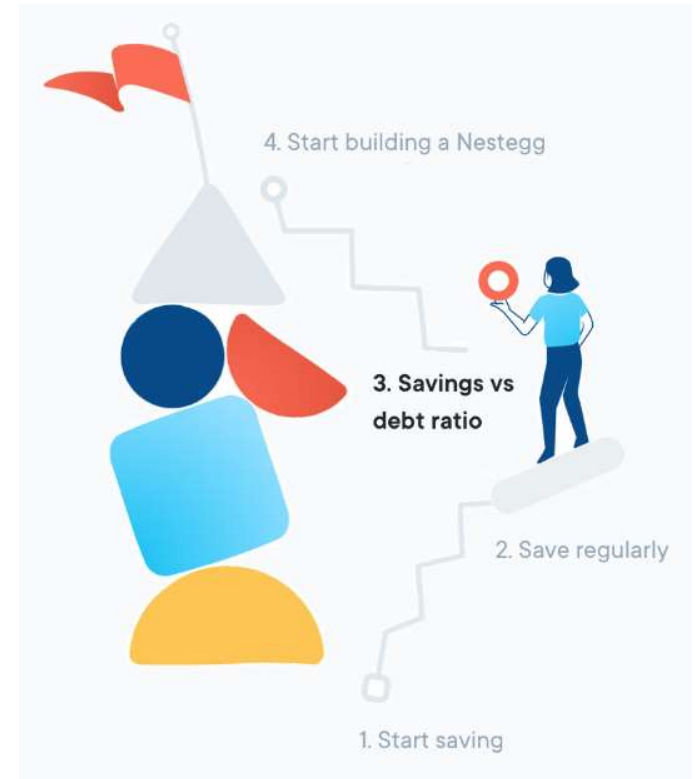
## Borrow



## Spend



## Save





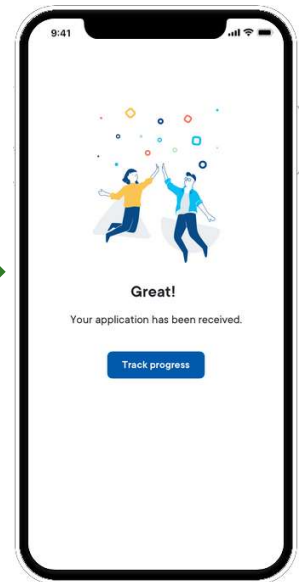
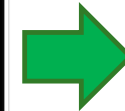
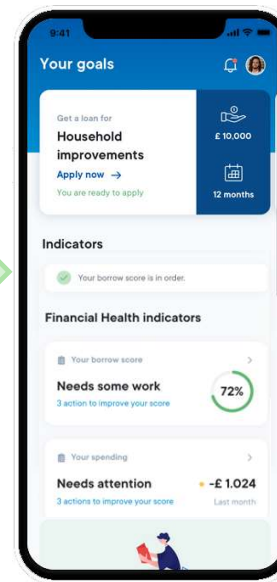
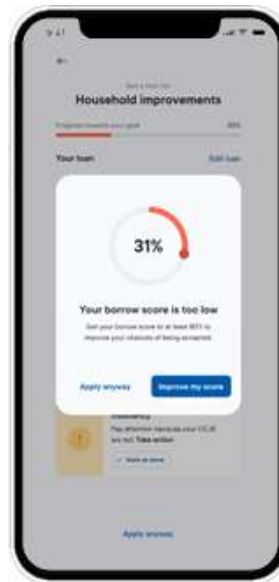
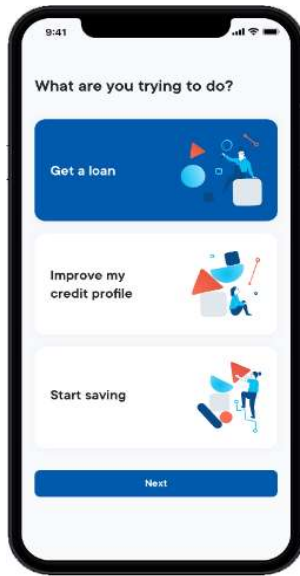
# FHIs: How they work



**Declined**  
applicant

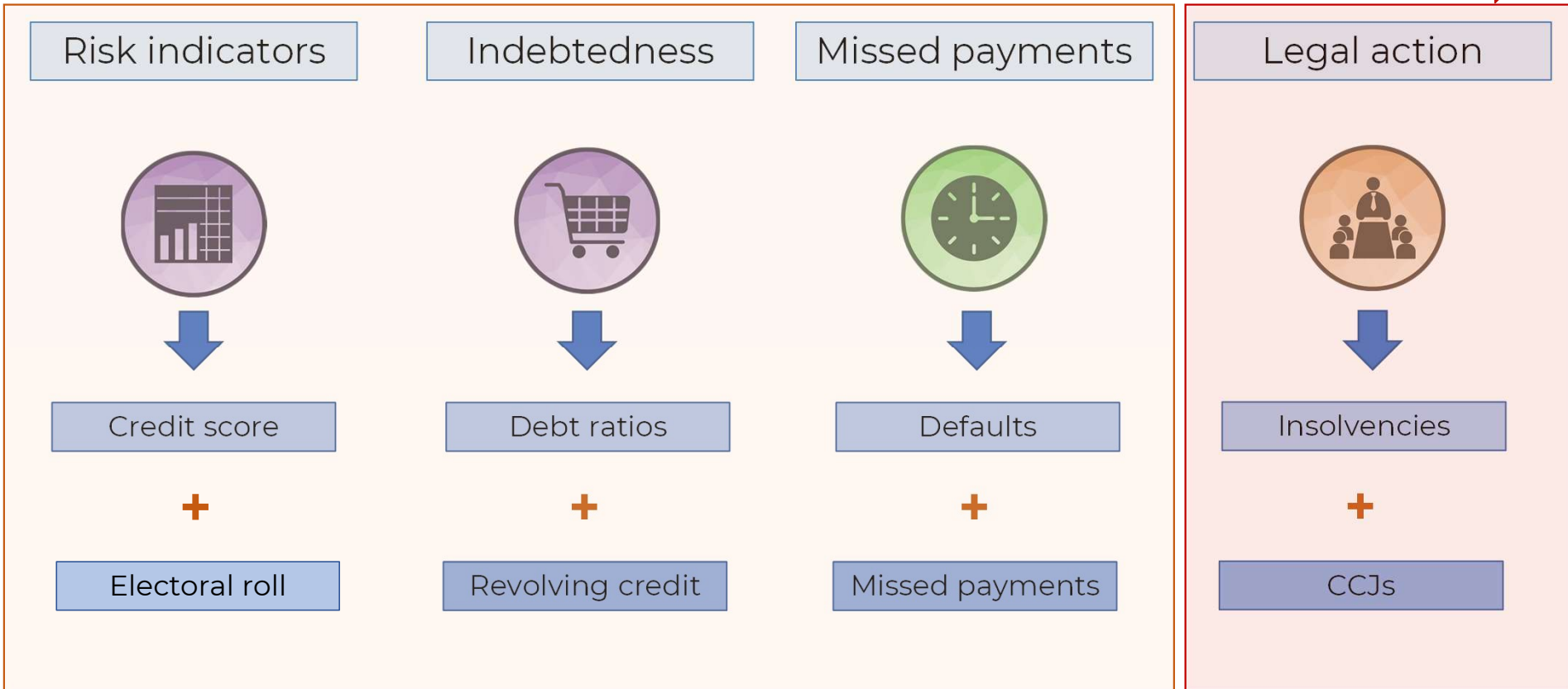


**Potential**  
applicant



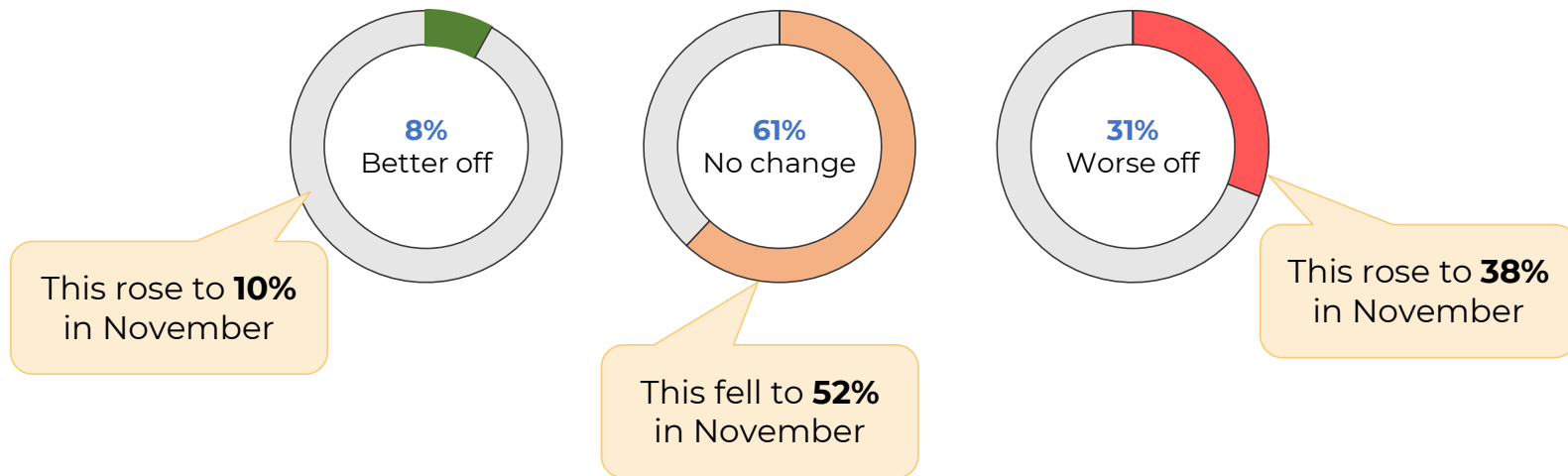
**Lender**





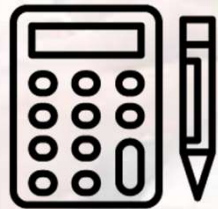
# Survey

Are you better or worse off because of Covid-19?



Source: NestEgg FCA Sandbox survey, October to November 2020





**Credit score for medium income households is falling**

SE LEDGER

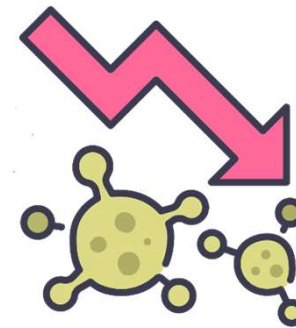
# Survey

*Is your credit score poor?*



**not** affected by  
Covid-19

52%

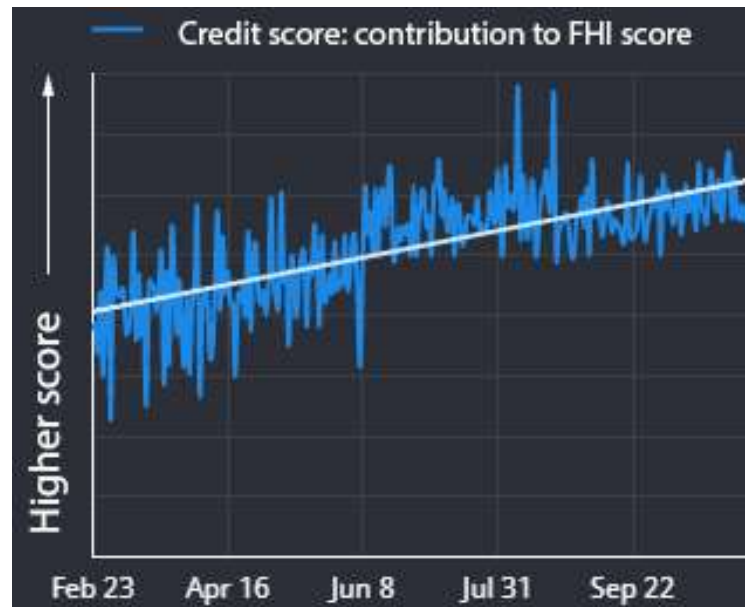


**affected** by  
Covid-19

67%



# Credit scores: all applicants





nestegg

# Credit scores: income £1,200 and under



Source: NestEgg Decision Engine





nestegg

# Credit scores: income £1,201 - £1,499

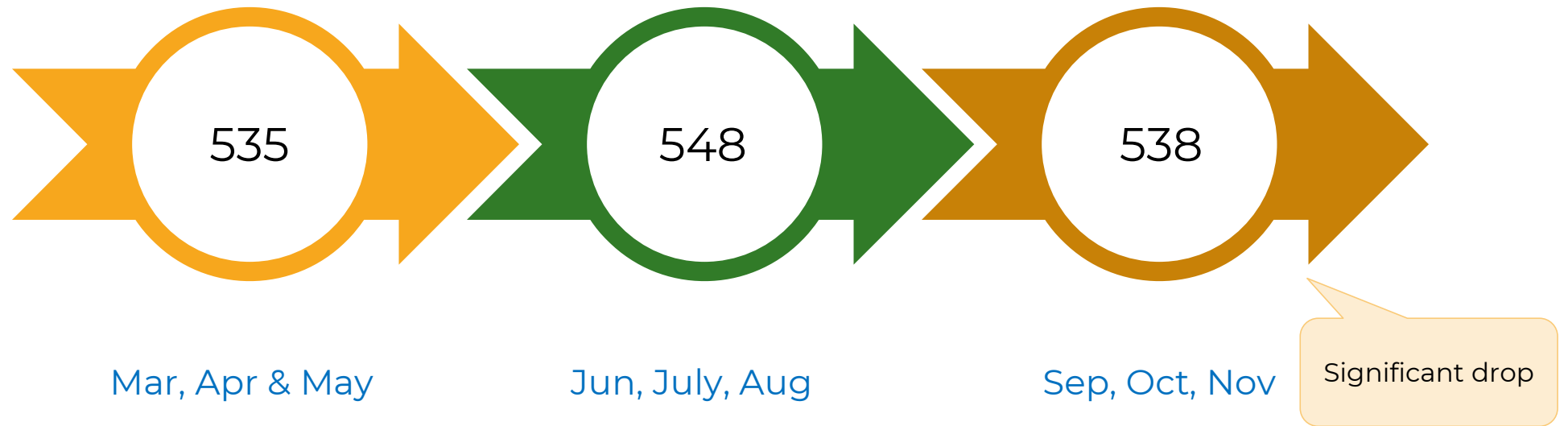


Source: NestEgg Decision Engine





# Credit scores: income > £1.5k



# Why up?



People are paying off their debts



Payment holidays

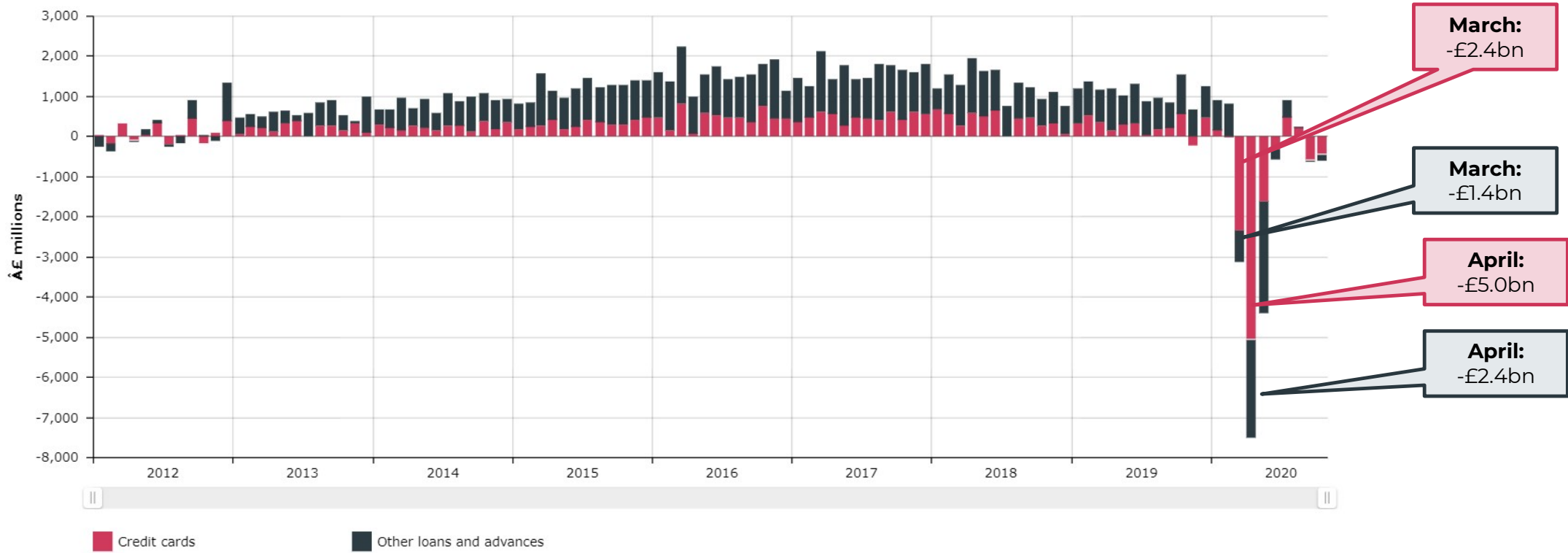


Fewer credit searches



Electoral roll

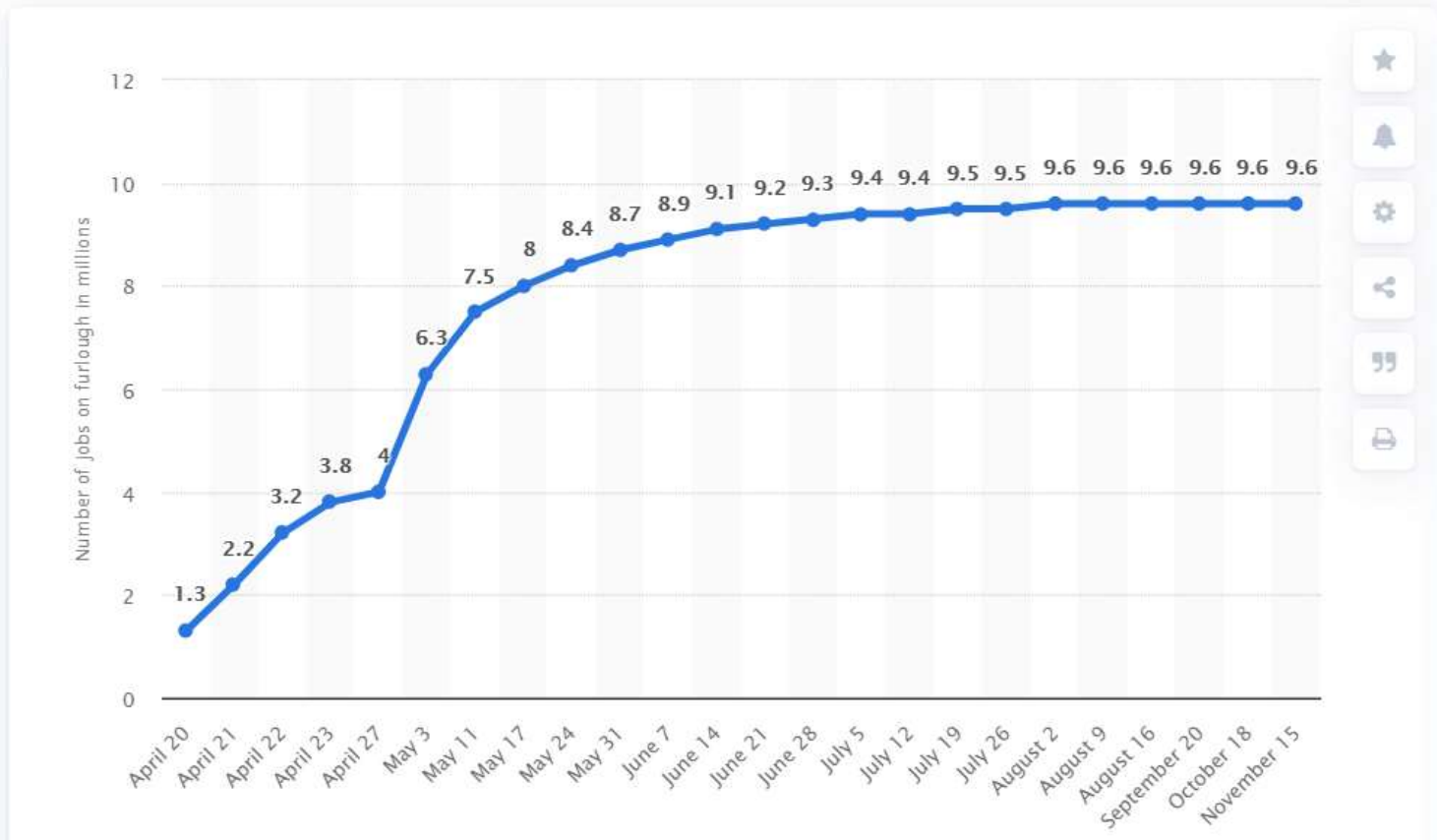
# nestegg Repayments *initially* up



Source: Bank of England: Household credit



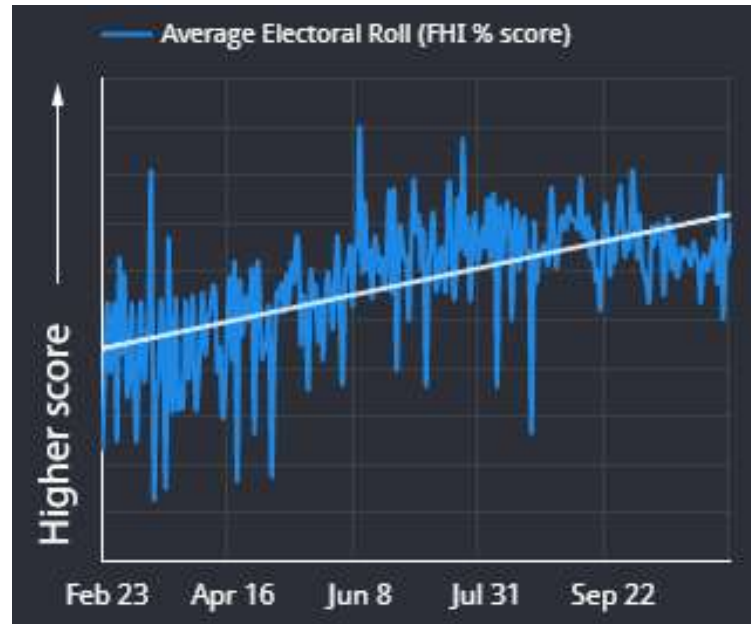
# Furloughed workers



Source: Statistica



# Electoral roll



Source: NestEgg Decision Engine





**People were already  
struggling**

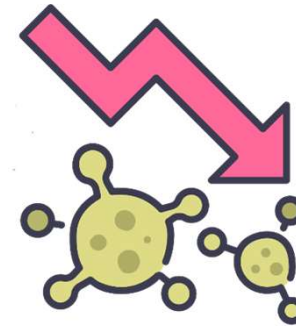
# Survey

*I tend to be at my credit card and overdraft limits.*



**not** affected by  
Covid-19

26%

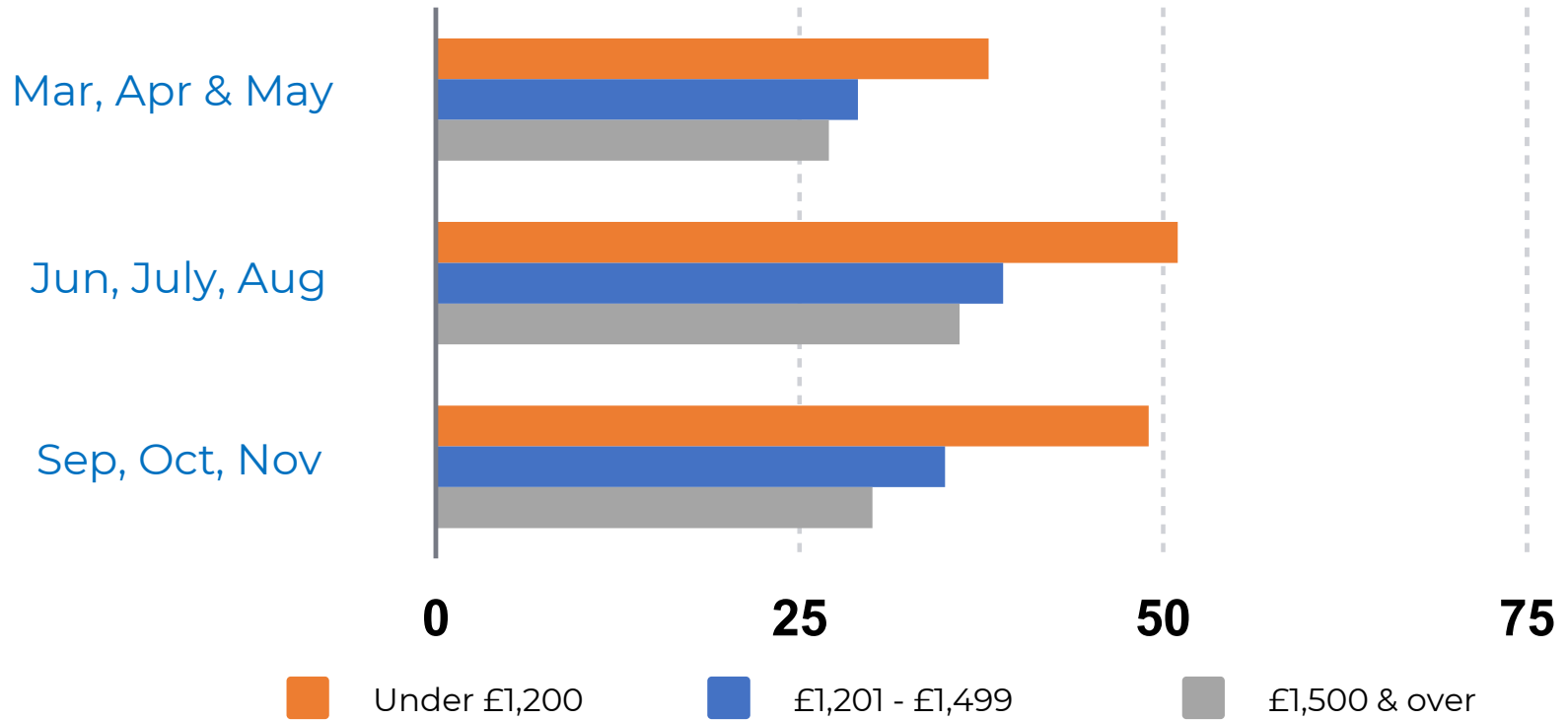


**affected** by  
Covid-19

32%



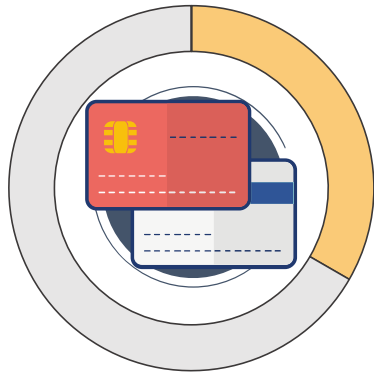
# Debt to *annual* income ratios





# Credit cards: all borrowers

**33%** of credit card account holders were between **75 and 100%** of their limits

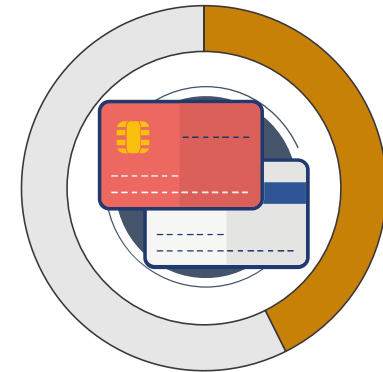


Mar, Apr & May

Stays the same



**49%** of credit card account holders were between **75 and 100%** of their limits

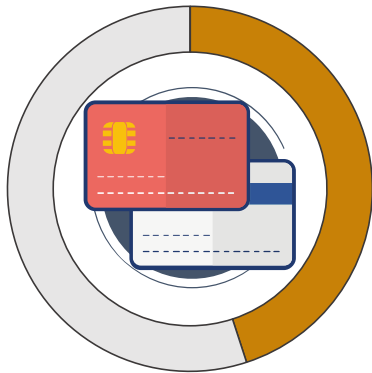


Sep, Oct, Nov



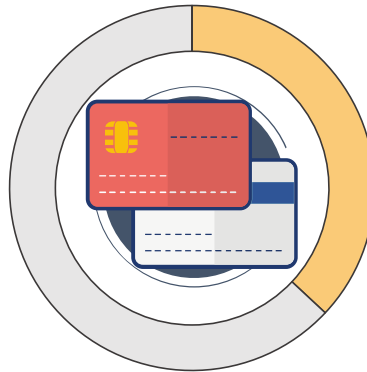
# Credit cards: £1,200-£1,499

**45%** between 75 and 100% of their limits



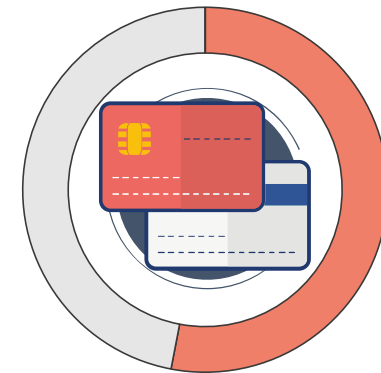
Mar, Apr & May

**37%** between 75 and 100% of their limits



Jun, July, Aug

**53%** between 75 and 100% of their limits



Sep, Oct, Nov

> £1,500

**37%**

**33%**

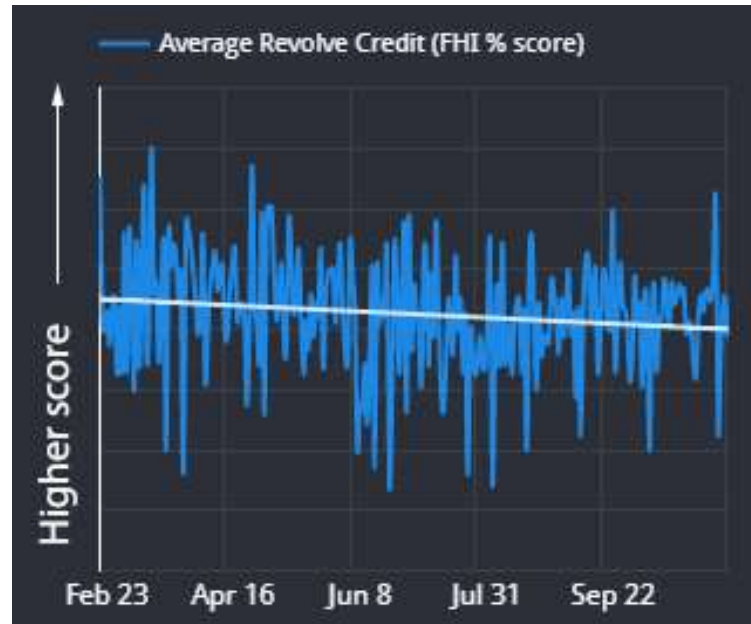
**50%**



Source: NestEgg Decision Engine

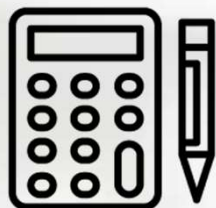


# Revolving credit



Source: NestEgg Decision Engine





Defaults are **falling** for people on **lower incomes**

**not** affected by  
Covid-19



32%

Struggling to pay bills  
and debts

**affected** by  
Covid-19

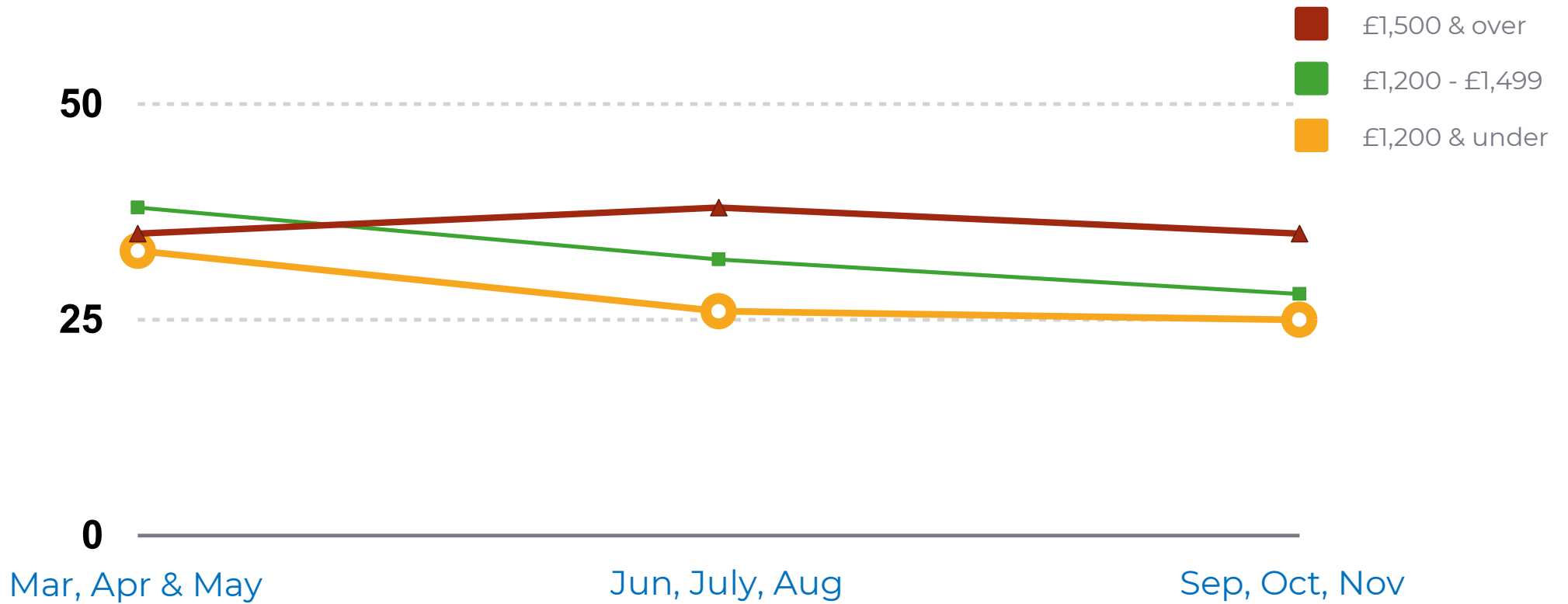


54%

Struggling to pay  
bills and debts

This rose to **57%**  
in November

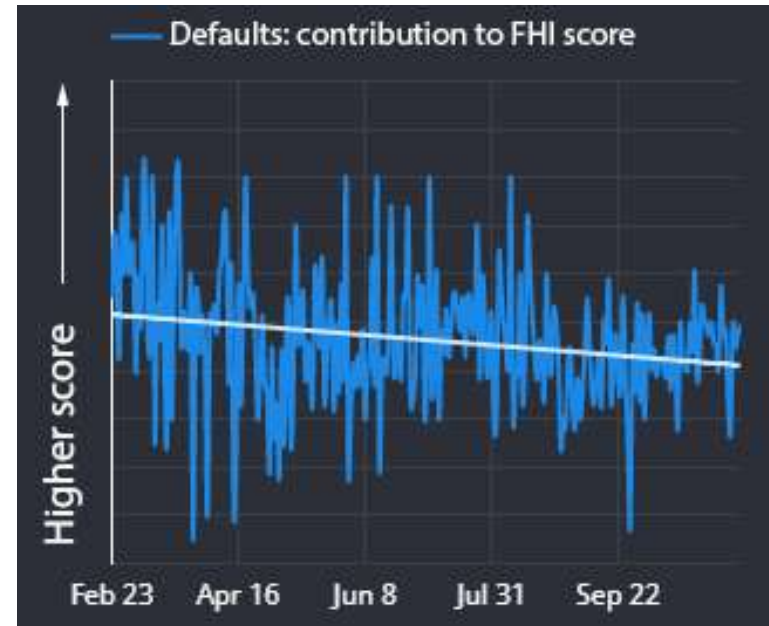
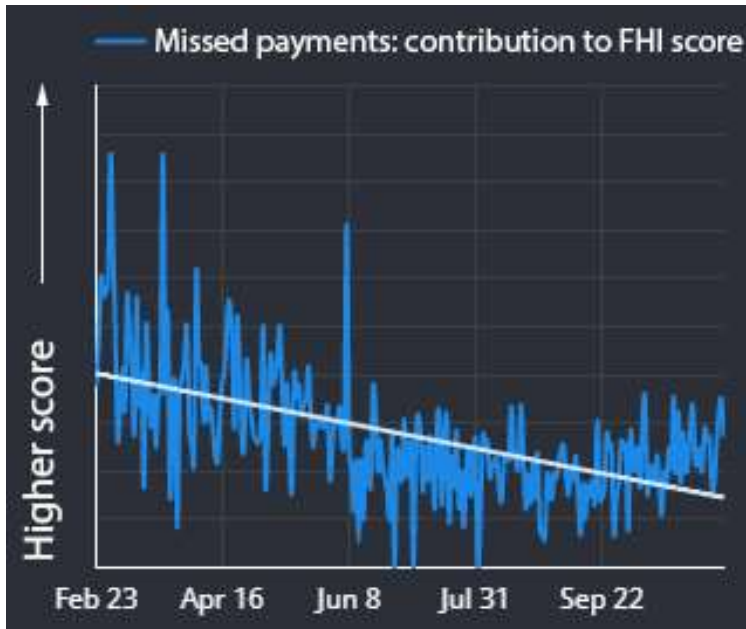
# Defaults: Last 12 months





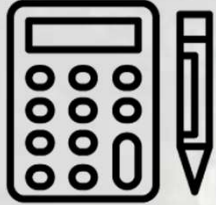
nestegg

# More missed payments and delayed defaults



Source: NestEgg Decision Engine





Discretionary spend is  
**down**

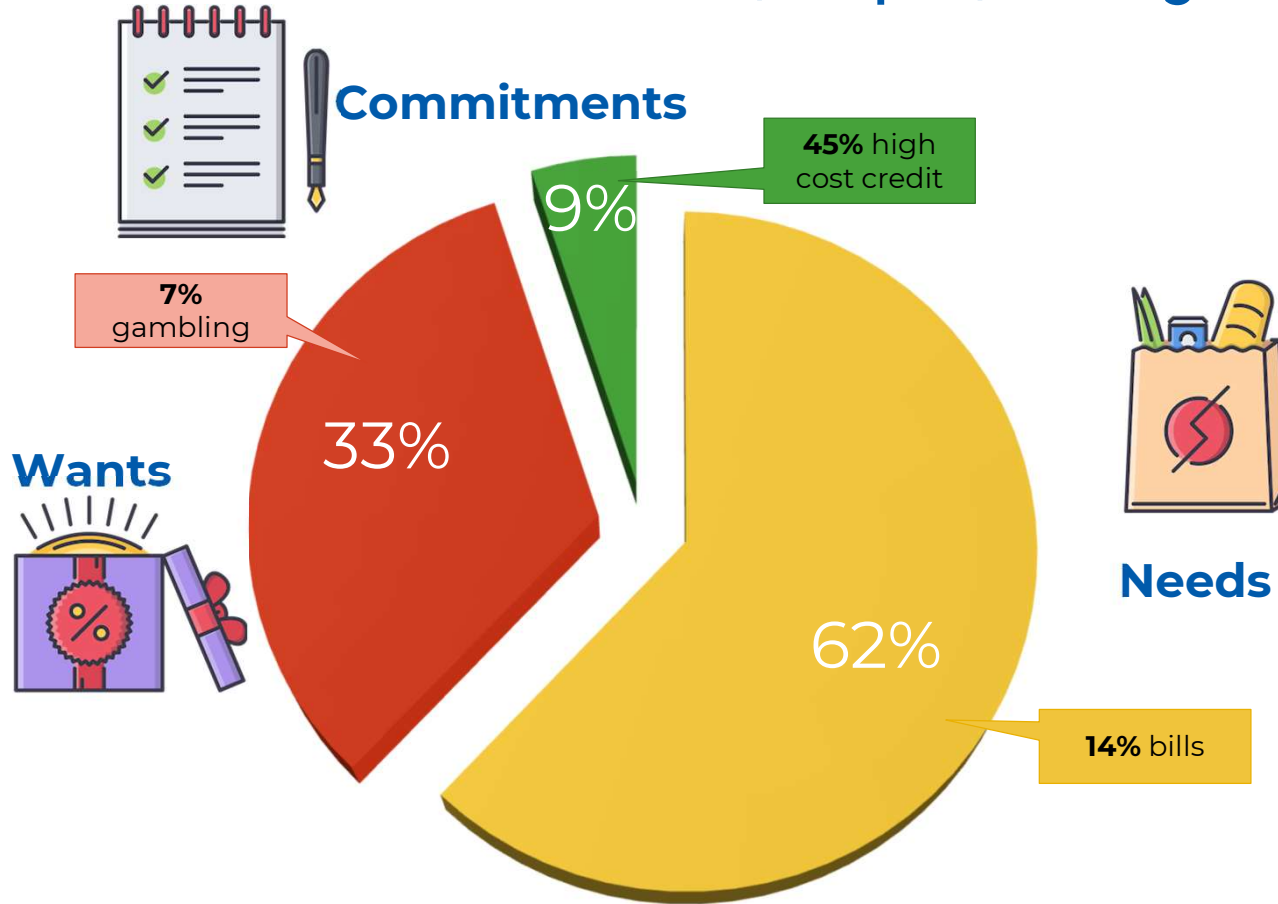
SAVINGS

EXPENSE

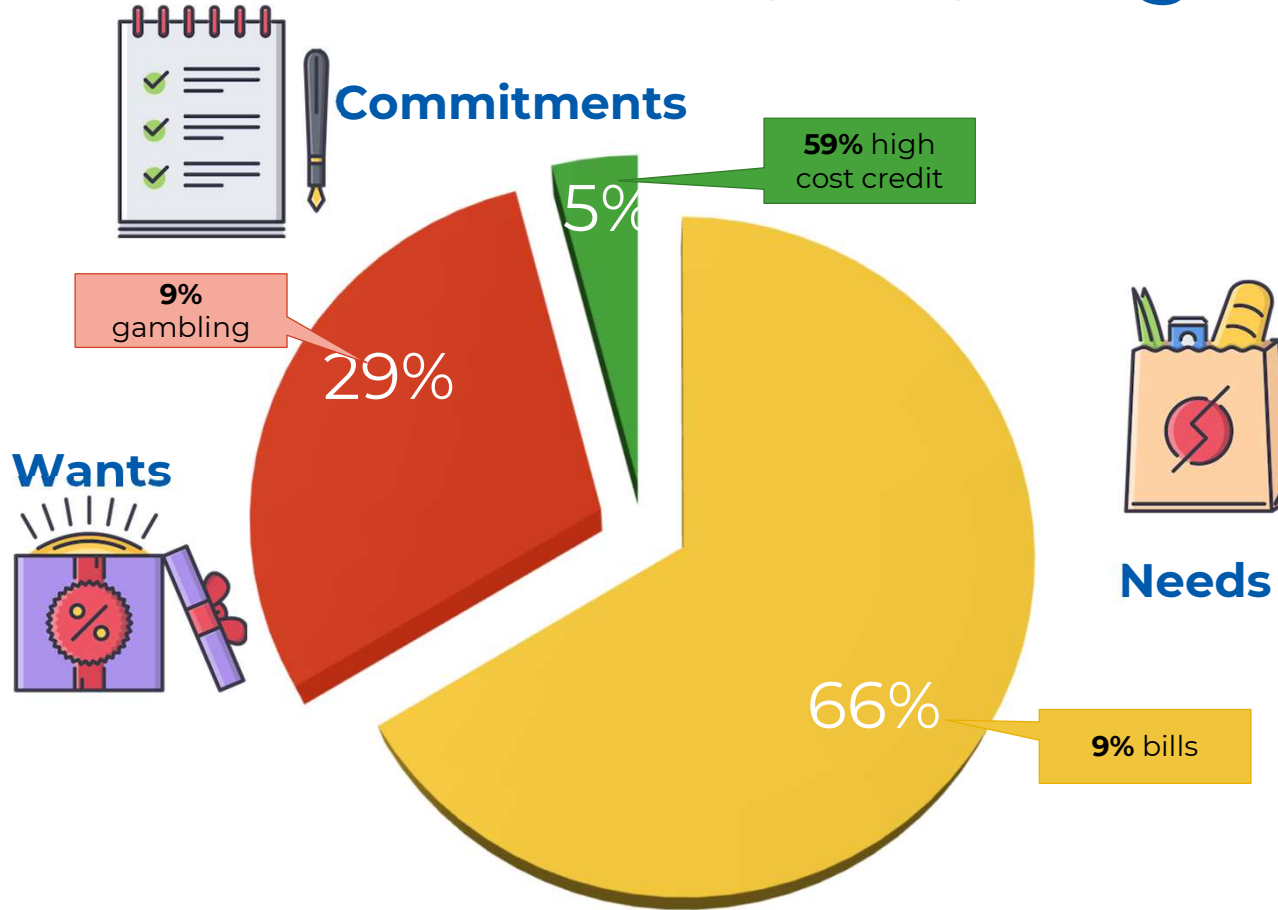
INCOME



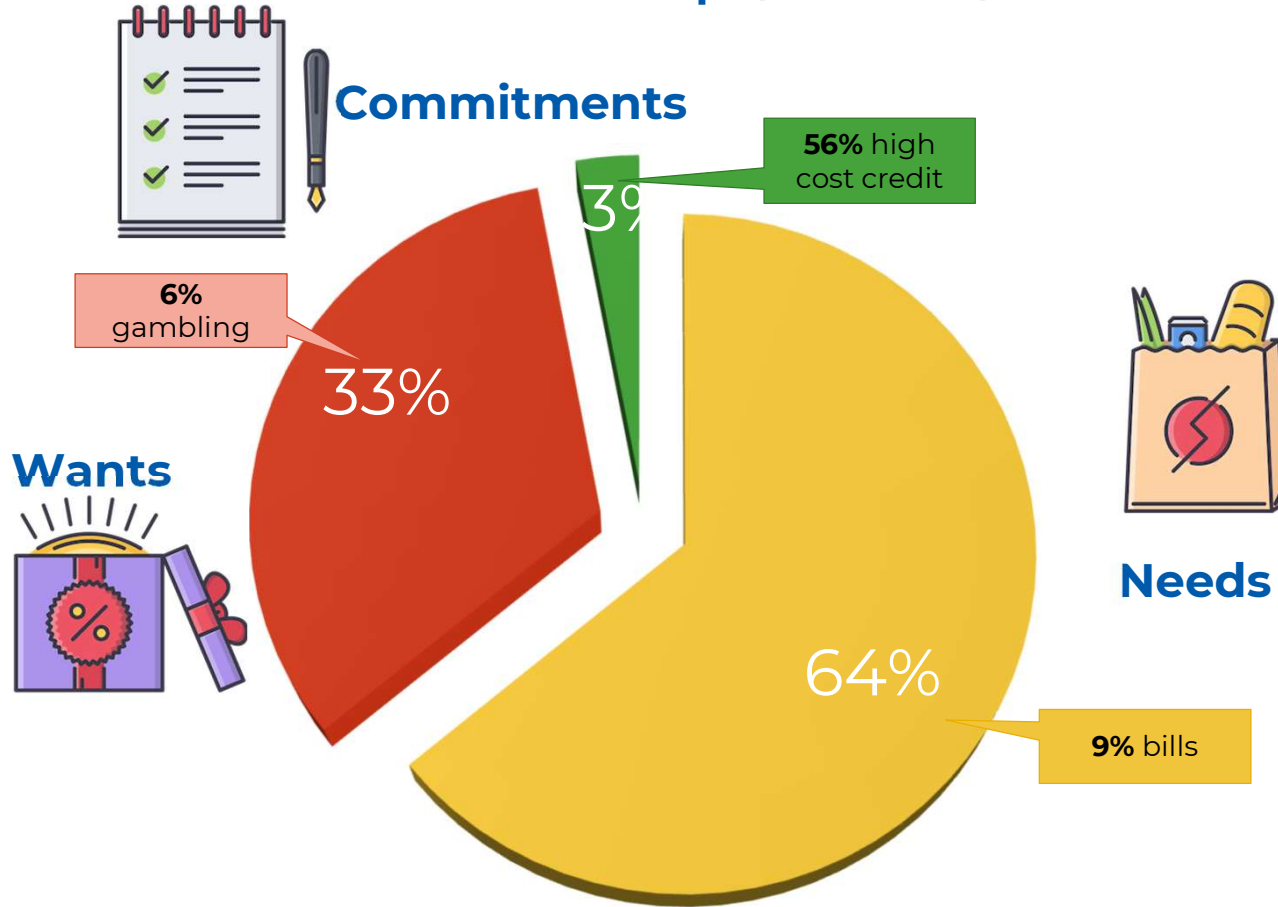
# 50/30/20: Mar, Apr, May



# 50/30/20: Jun, Jul, Aug



# 50/30/20: Sep, Oct, Nov





Improving financial  
health

# Example tips delivery



## Risk indicators



### Maintaining your credit score during Covid-19

Maintaining your credit score during Covid-19 means you're more likely to be accepted for loans and charged lower rates. If your finances have...

[Read More](#)

## Indebtedness



### What you need to know about Debt Ratios

When you apply for a loan, a lender cares about how much you already borrow compared to how much you earn. This is what they call a 'debt...

[Read More](#)

## Missed payments

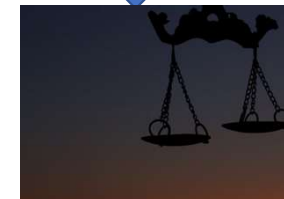


### A default can stop you getting credit, but what is it & what can you do about it?

One or two missed payments might not be too serious. These are referred to as 'early delinquency'. However, when you've reached between three and...

[Read More](#)

## Legal action



### You've got a small County Court Judgment. Because of this most lenders will normally reject loan applications.

A County Court Judgment (CCJ) from a long time ago still has a negative effect on your credit score and ability to get a loan. Paying off the CCJ...

[Read More](#)



# Financial health service

Cut or avoid **high cost** borrowing

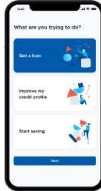

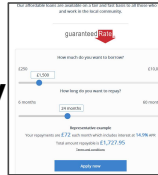
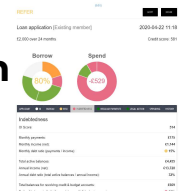
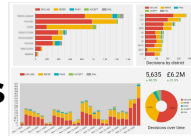
Get **spending** under **control**

Put away a few £ as a **safety net**

**Reduce** existing **debt**

Start building a **nest egg**



	 <b>Mobile app</b>	 <b>Email tips</b> <p>Maintaining your credit score during Covid-19 Maintaining your credit score during Covid-19 means you're more likely to be accepted for loans and charged lower rates. If your finances have... <a href="#">Read More</a></p>	 <b>Workflow</b>	 <b>Decision engine</b>	 <b>Growth services</b>
<b>Individuals</b>	<ul style="list-style-type: none"> <li>✓ Improved financial health &amp; resilience</li> <li>✓ Greater transparency</li> </ul>	<ul style="list-style-type: none"> <li>✓ Higher chance of being accepted for a loan</li> </ul>	<ul style="list-style-type: none"> <li>✓ Easier access to affordable credit &amp; savings accounts</li> </ul>	<ul style="list-style-type: none"> <li>✓ Fairer &amp; faster loan decisions</li> <li>✓ Paperless opening of savings account</li> </ul>	<ul style="list-style-type: none"> <li>✓ Greater awareness of responsible alternatives</li> </ul>
<b>Providers</b>	<ul style="list-style-type: none"> <li>✓ Declines to accepts</li> <li>✓ Grow the loan book</li> </ul>	<ul style="list-style-type: none"> <li>✓ Lower portfolio risk</li> <li>✓ Financial education</li> </ul>	<ul style="list-style-type: none"> <li>✓ Fewer drop offs</li> <li>✓ 24/7 online service</li> </ul>	<ul style="list-style-type: none"> <li>✓ Aligns to lending policy</li> <li>✓ Less bad debt</li> </ul>	<ul style="list-style-type: none"> <li>✓ Increased membership</li> <li>✓ More engaged members</li> </ul>
	PER REFERRAL	FREE	MONTHLY SUPPORT FEE	PER DECISION	PER LEVEL UP

