



Better lending during the cost of living crisis:

ABCUL 2023



Objectives

Problem

Continuing to grow the loan book when more loans will have to be declined

Breakout objectives

- ✓ Better understand changes to lending risk
- ✓ Review different borrower types
- ✓ Identify opportunities for growth



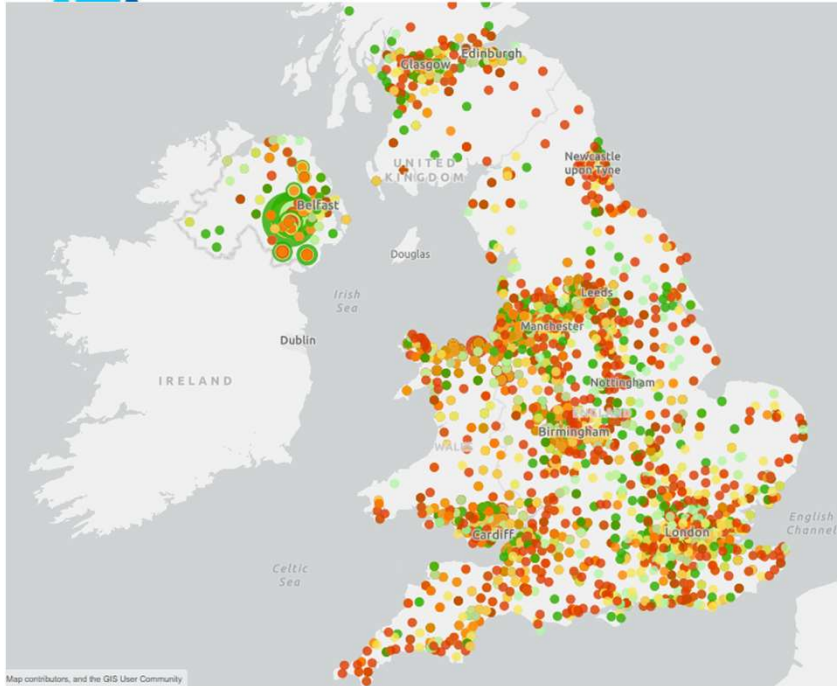
Part 1: the data

Data

20 community credit unions in England, Wales & Scotland

75,000 lending decisions

1 March 2022 – 28 February 2023



Credit profiles

Characteristics of borrowers by credit profile					
Credit profile	Credit score	Defaults	CCJs	Debts	Mortgage
Very poor	< 560	85%	50%	£3k	1%
Poor	561 - 565	50%	30%	£5k	3%
Fair	566 - 603	40%	20%	£7k	10%
Good	604 - 627	10%	5%	£9k	20%
Excellent	628 - 710	0%	0%	£10k	30%

Bad loans / distress

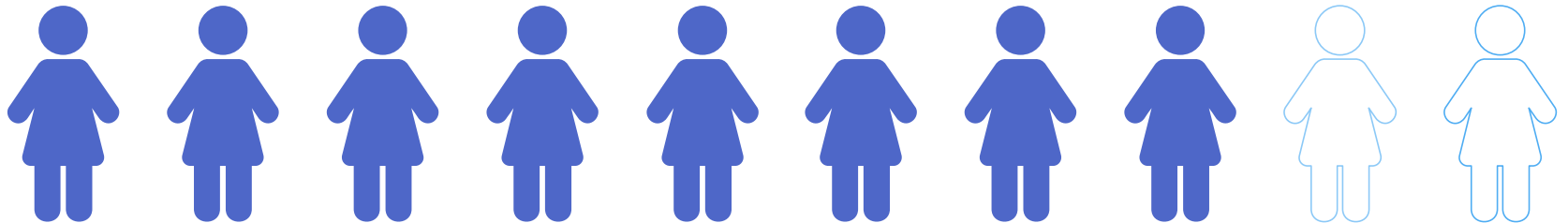
Credit bureau

- **Status =>3**
- New CCJ
- Insolvency

FCA

- 90 days (or a default)
- New CCJ
- Insolvency
- Accounts passed to debt collector

80% status >3





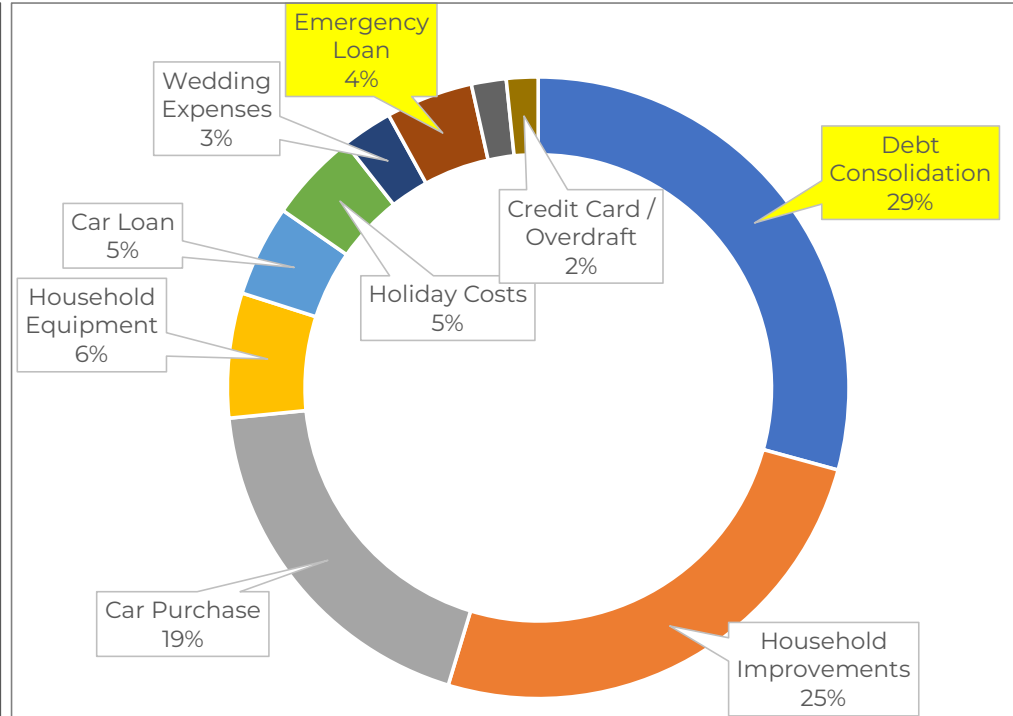
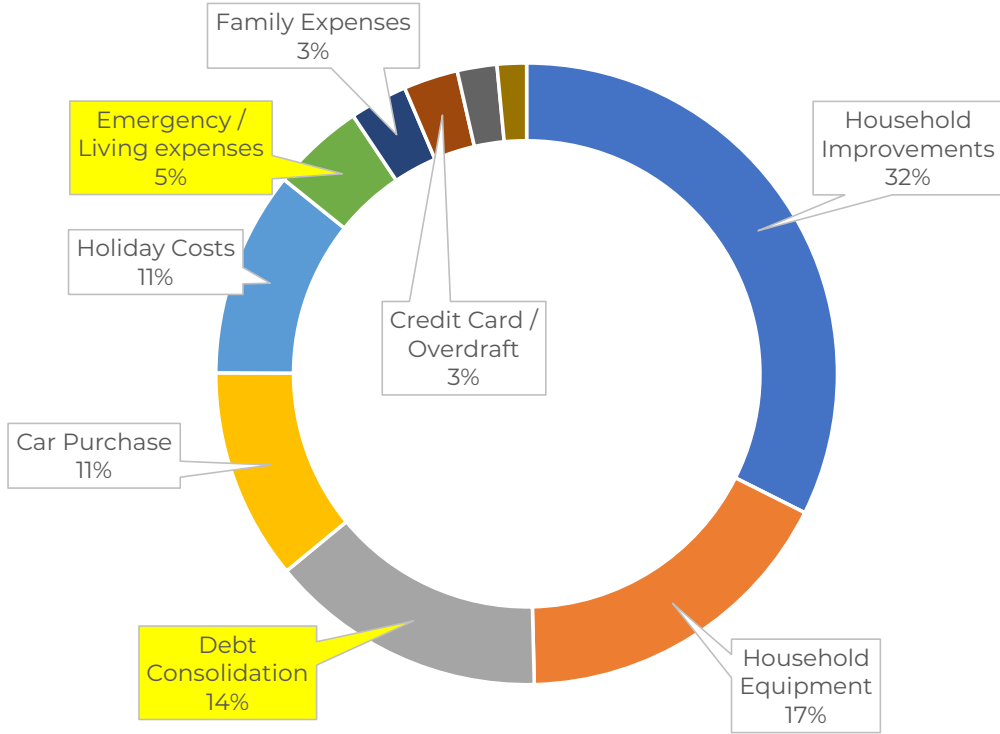
Overall accept rates

Accept rates		
Credit profile	March '22	Feb '23
Very poor	40%	31%
Poor	44%	39%
Fair	57%	45%
Good	58%	58%
Excellent	75%	60%
Overall	44%	37%

Purpose

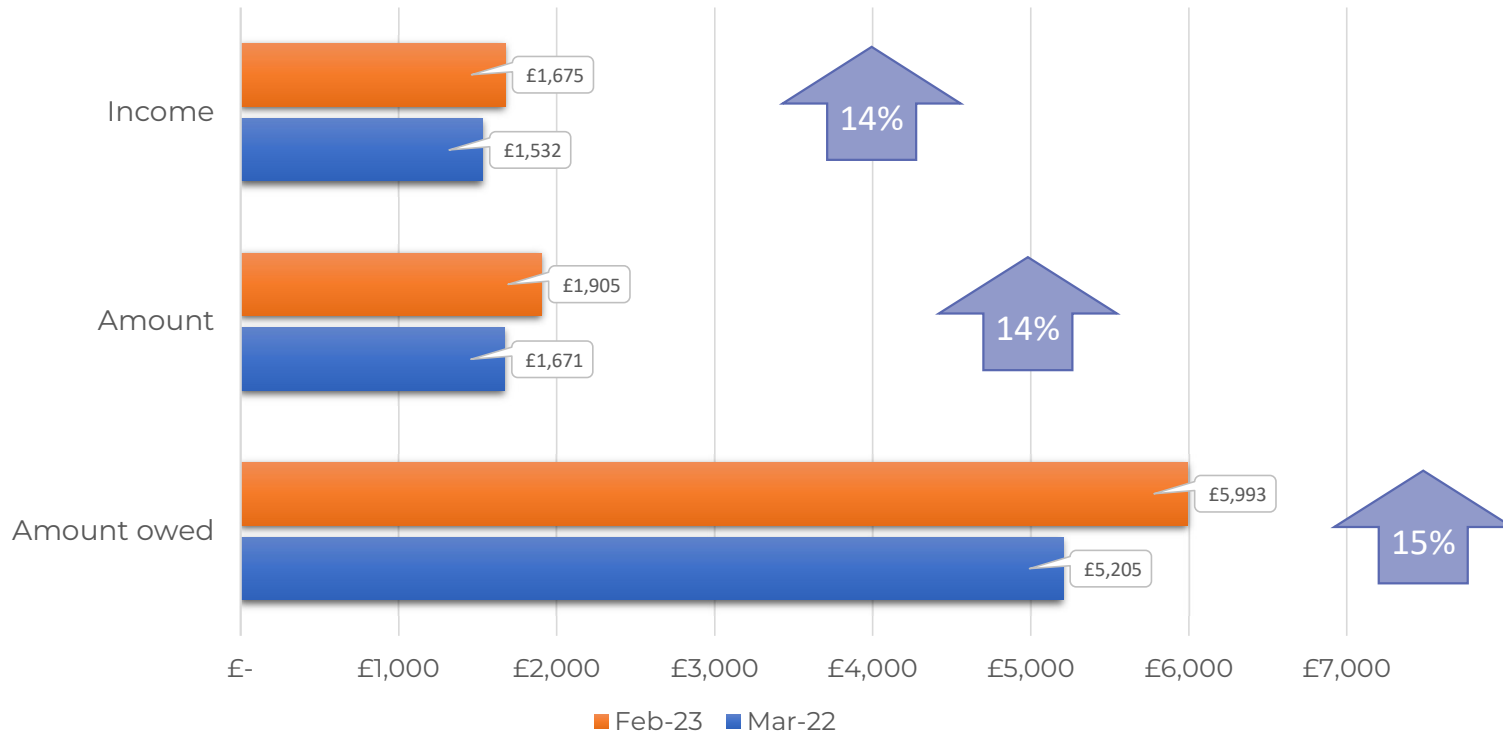
March 2022

February 2023





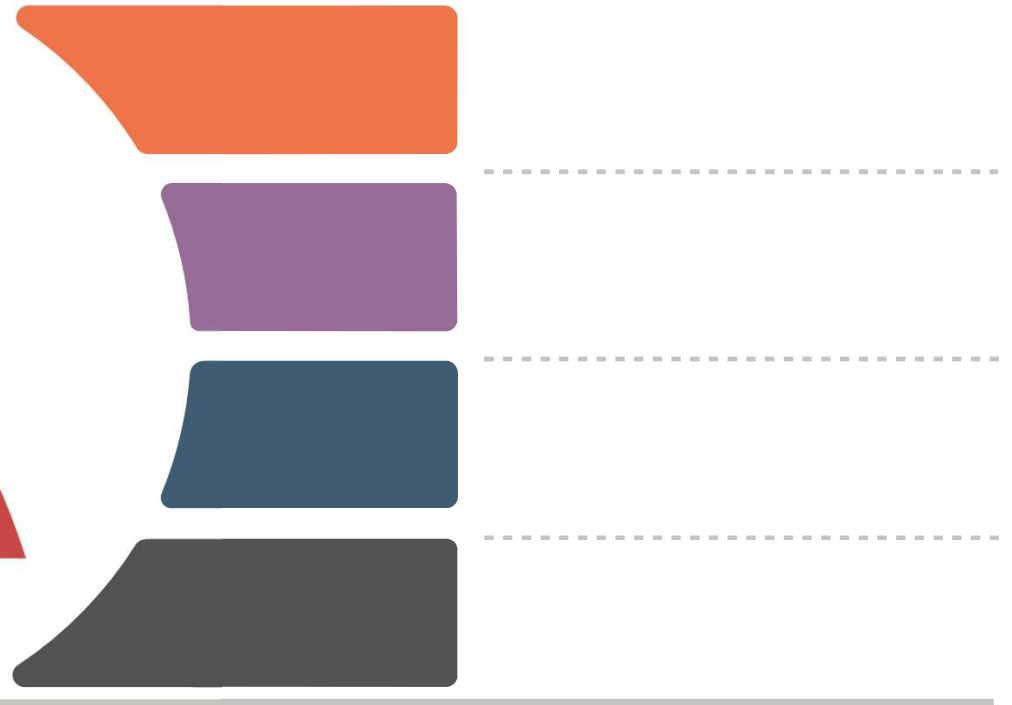
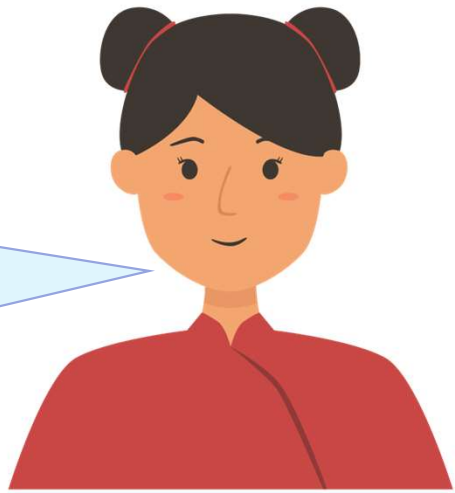
nestegg Amount applied / owed



Family Loan Fran

When its Christmas, or the school holidays, I want to be able to improve cashflow, so that I can meet these extra costs

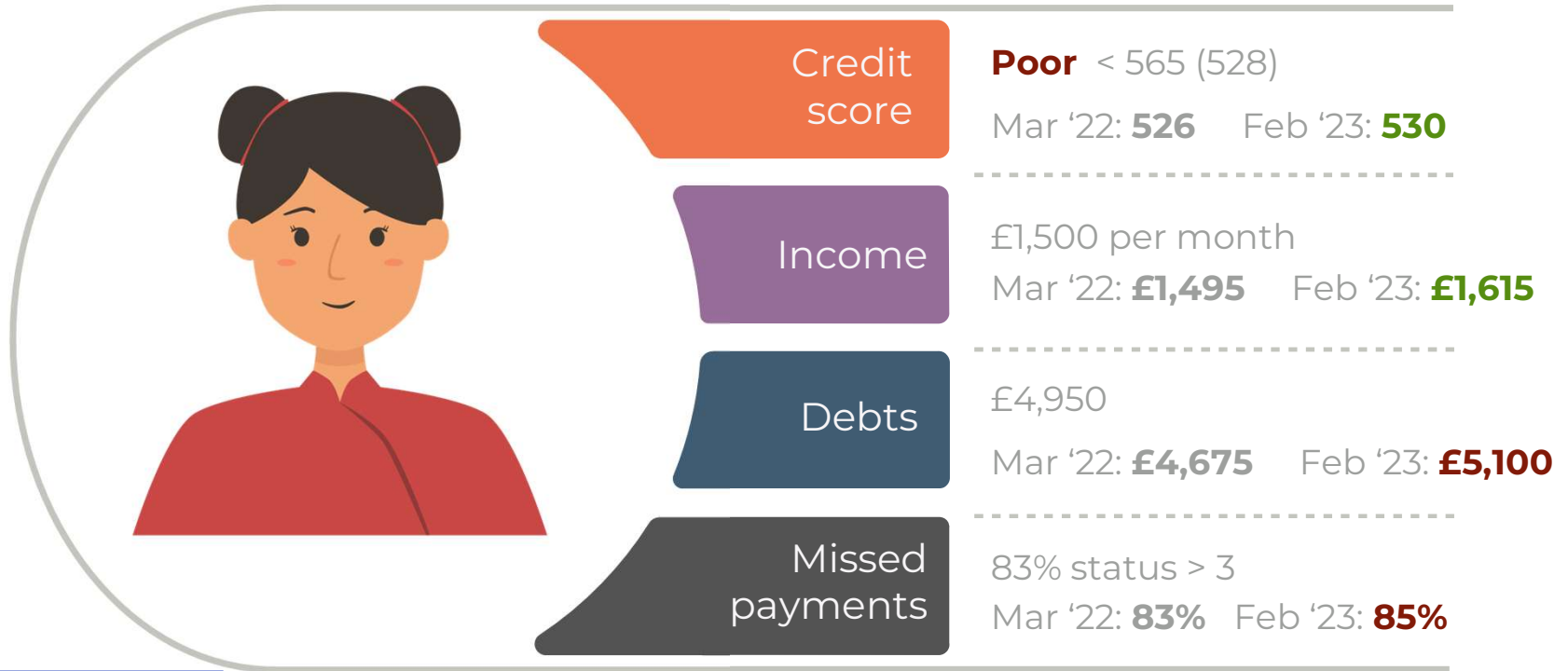
77% of applicants



Amount requested	
March '22	Feb '23
£1,280	£1,345



Family Loan Fran



Final lending decision

March '22

Feb '23

42%

35%

58%

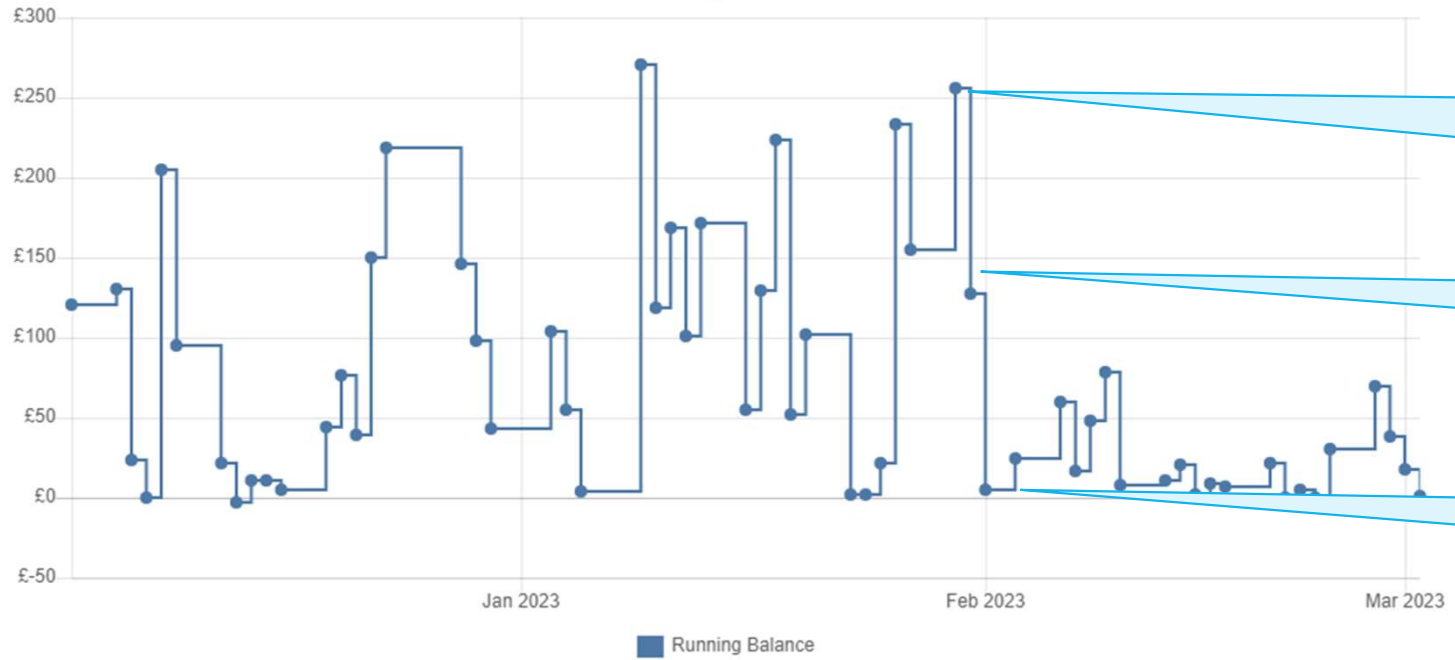
65%

Family Loan Fran

Open banking

Date Range: Last 90 days

Running Balances



Peaks of weekly income from tax credits and child benefit

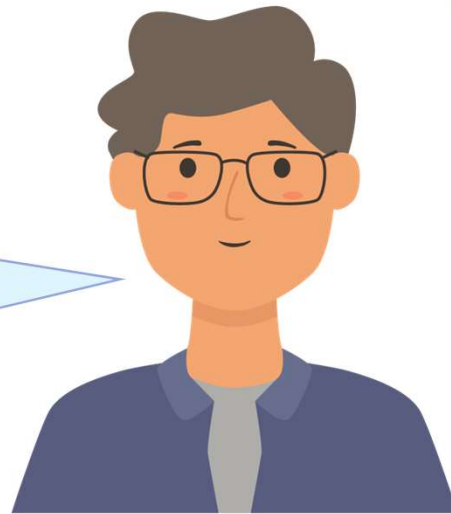
Immediate housekeeping spend

No overdraft facility

Payroll Pete

When I need to buy a big ticket item, like a car, I want to be able to pay back from my salary, so that I can repay without feeling the pain

15% of applicants



Amount requested

March '22


Feb '23

£2,370

£2,745

16%

Payroll Pete



Credit score	Fair < 566 - 603 (581) Mar '22: 582 Feb '23: 582
Income	£1,685 per month Mar '22: £1,565 Feb '23: £1,765
Debts	£7,010 Mar '22: £6,235 Feb '23: £7,345
Missed payments	42% status > 3 Mar '22: 41% Feb '23: 43%

Final lending decision

March '22

Feb '23

70%

67%

30%

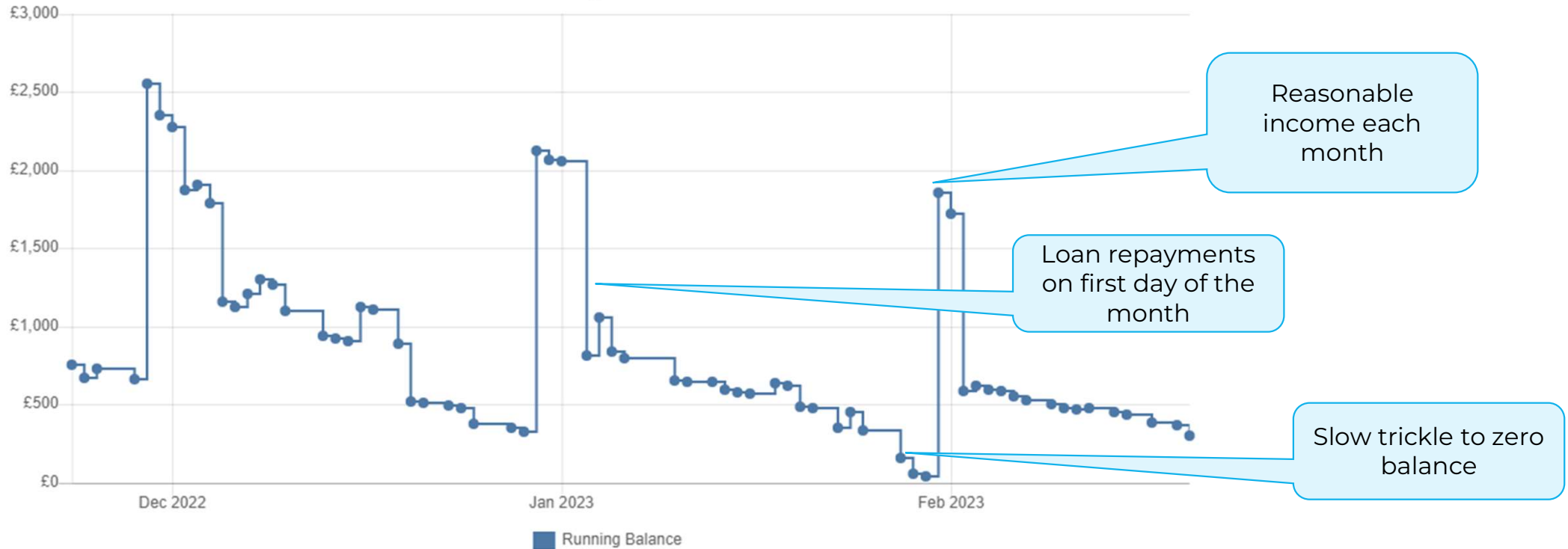
33%

Payroll Pete

Open banking

Date Range: Last 90 days

Running Balances



nestegg Higher income Hannah

When I borrow to renovate my home, I want to be able to pay back flexibly, so that I pay less interest if I have some spare cash and want to overpay

8% of applicants



Amount requested

March '22

£4,255

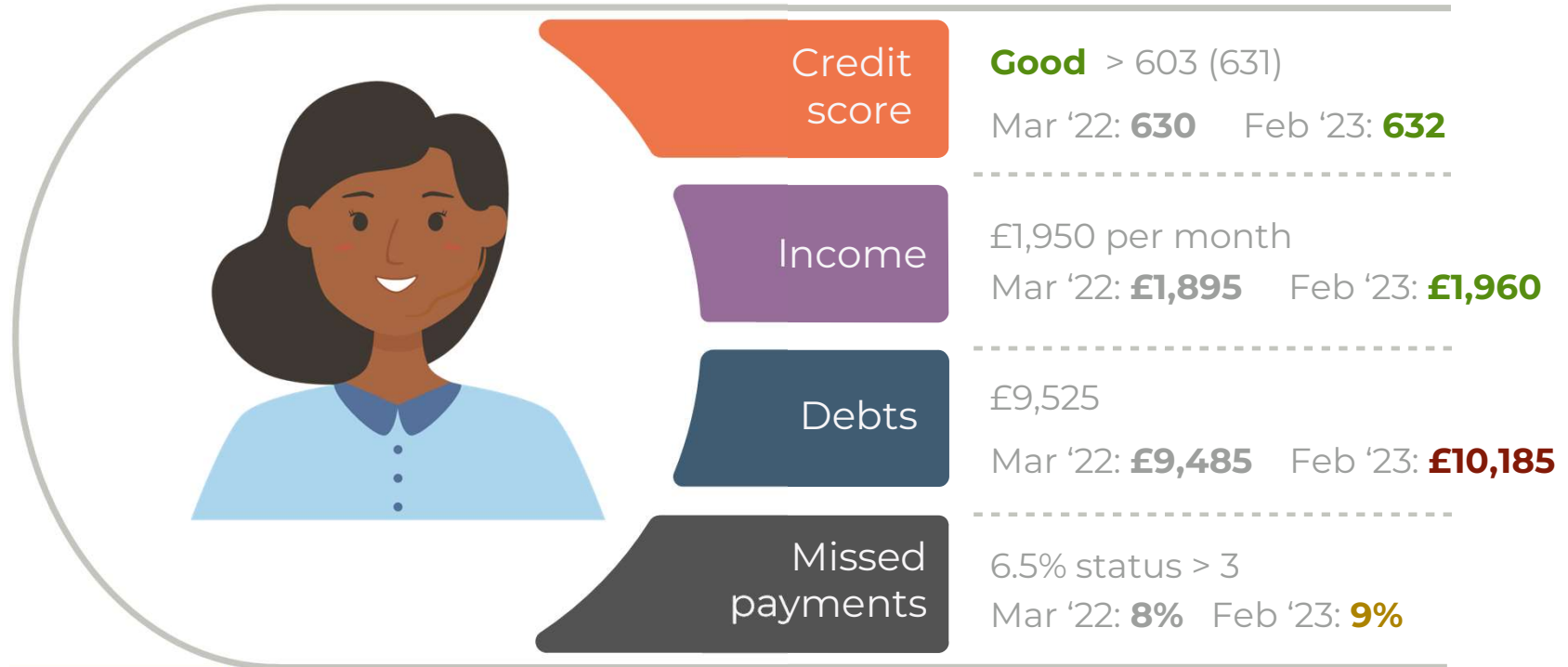
Feb '23

£4,635

9%



Higher income Hannah



Final lending decision

March '22

Feb '23

94%

89%

6%

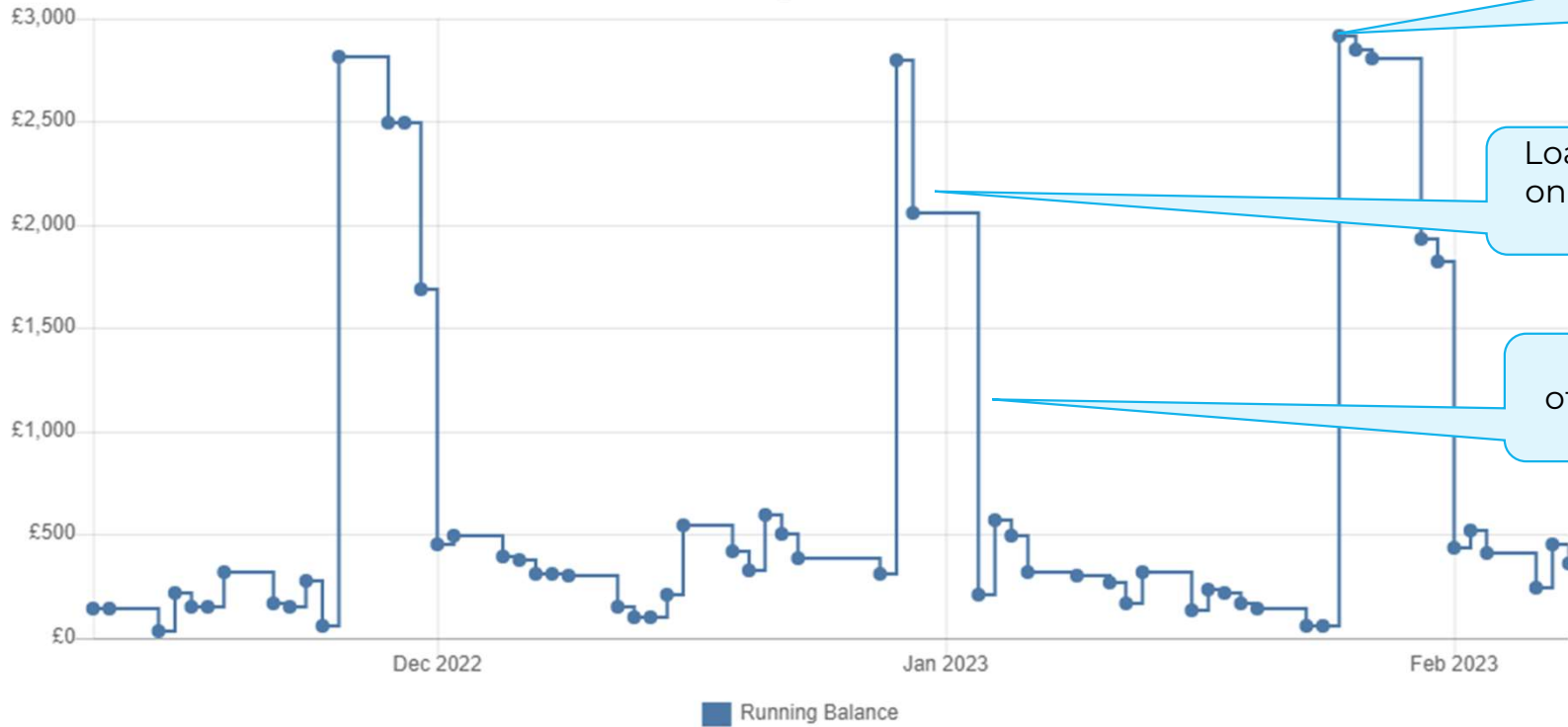
11%

nestegg Higher income Hannah

Open banking

Date Range: Last 90 days

Running Balances



Higher income each and every month

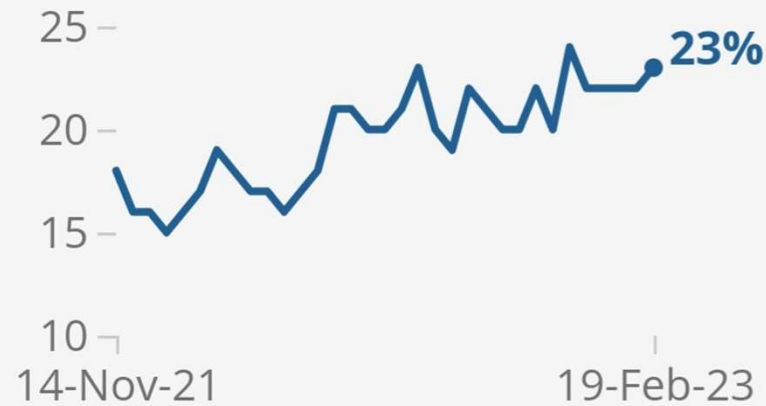
Loan repayments on first day of the month

Mortgage and other bills shortly after

Increased borrowing

Over 1 in 5 adults are borrowing more money or using more credit

Adults in Great Britain



Office for National Statistics

Debt ratios

Amount owed / annual income



Feb 23	30%
Mar '22	27%



Feb 23	34%
Mar '22	29%



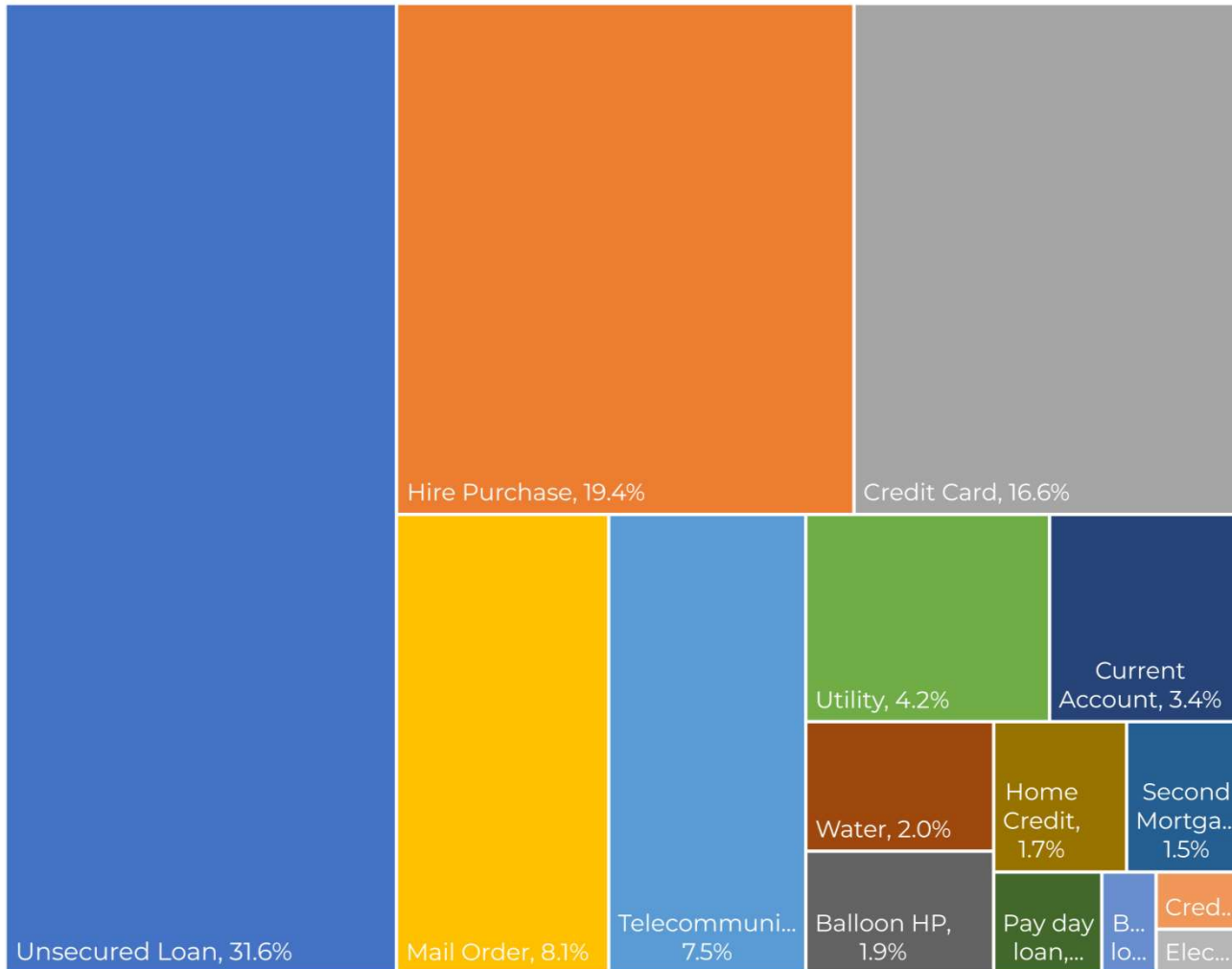
Feb 23	43%
Mar '22	42%



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Debt by account type

March 2022 - top 15



Personal loan:
£1,644



Hire Purchase:
£1,011



Credit Card:
£864



Mail Order:
£422



Telecom
£392

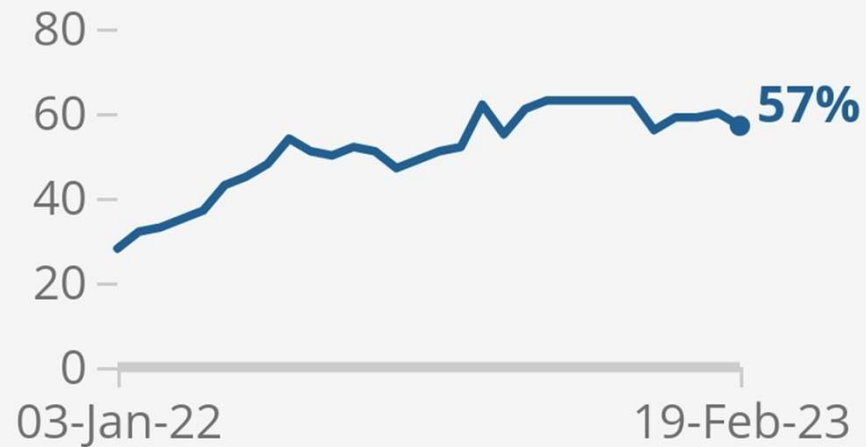


Utility:
£341

Spending

Nearly 6 in 10 adults are using less fuel in their homes due to cost of living increases

Adults in Great Britain



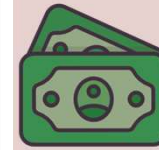
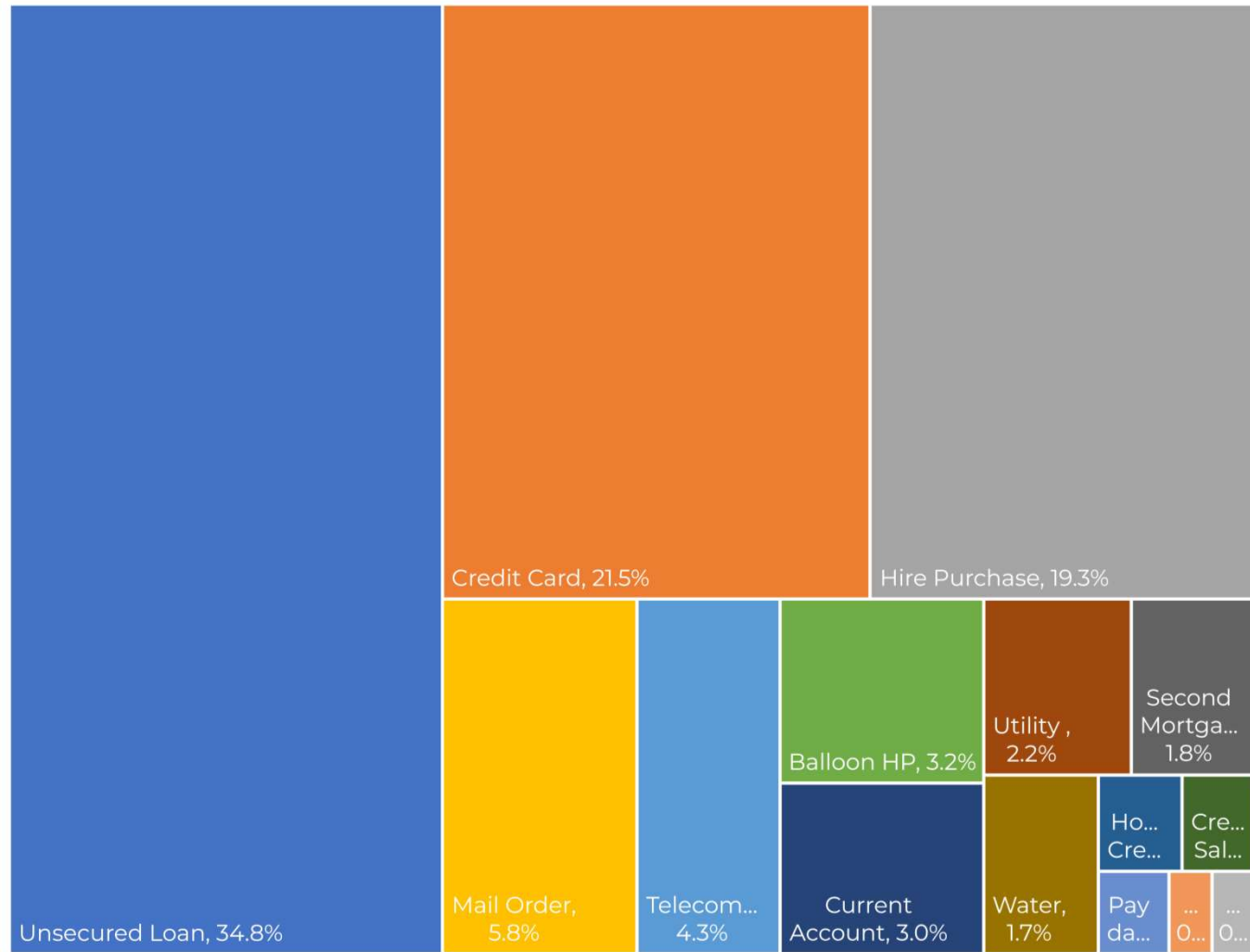
Office for National Statistics



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Debt by account type

February 2023 - top 15



Personal loan:
£2,088



Credit Card:
£1,156



Hire Purchase:
£1,156

All up



Mail Order:
£350



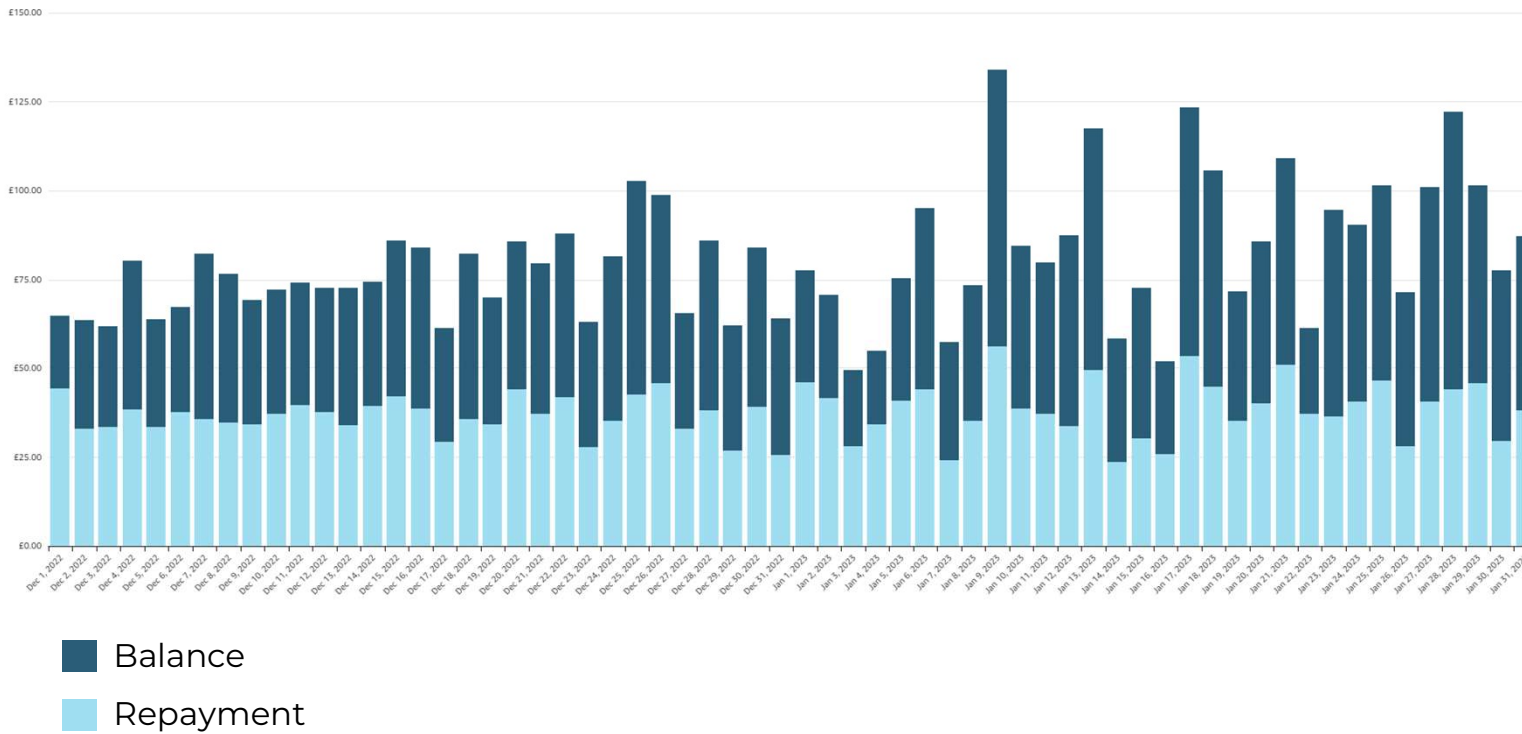
Telecom
£258



Utility:
£253

All down

BNPL

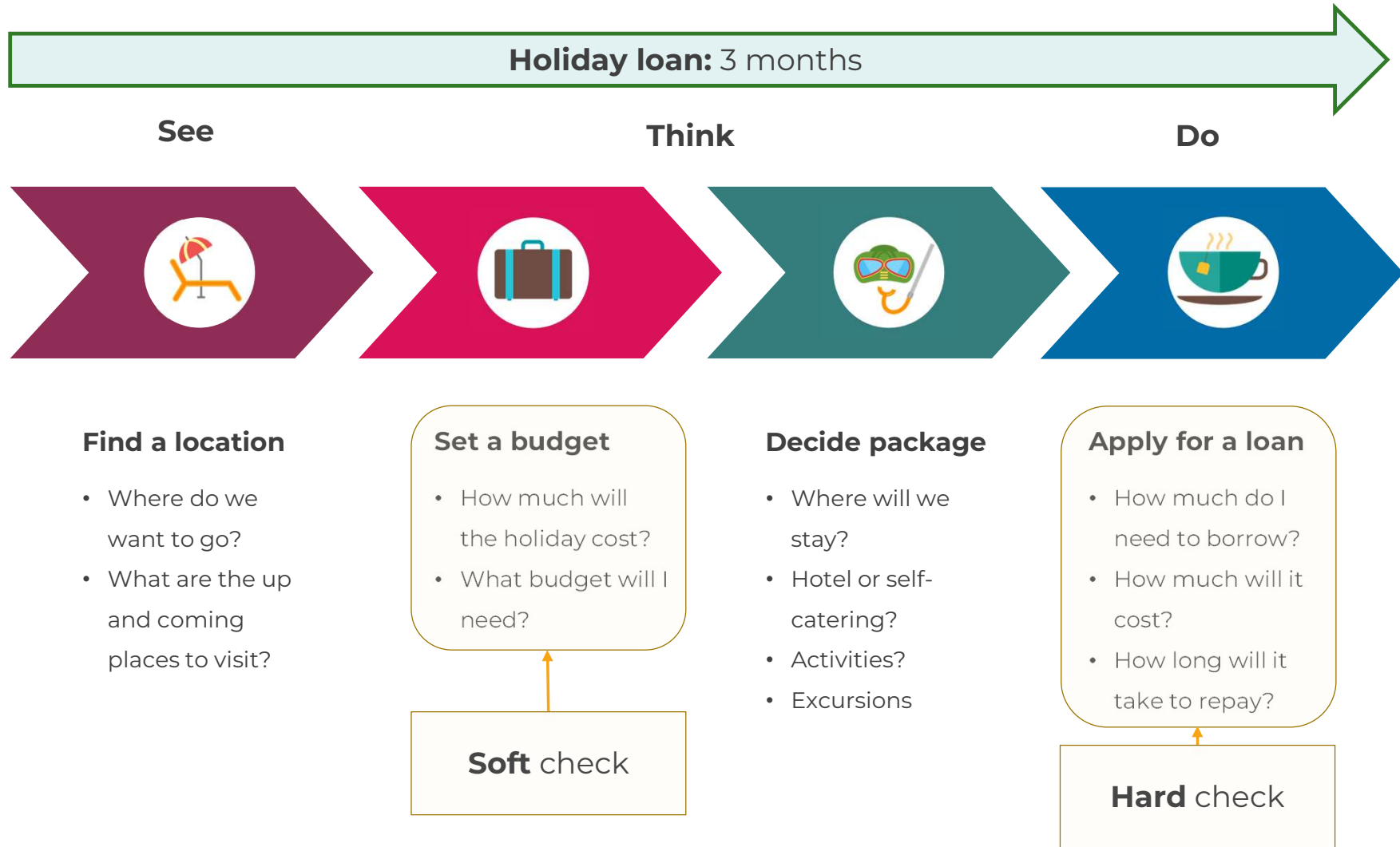


- **11%** of loan applicants to credit unions had a BNPL agreement
- The average **monthly repayment** was **£38**
- The average **amount owed** was **£42**
- Applicants with an **income under £1,500 owed 14% more**
- Outstanding balances are projected to **rise 13% by May**

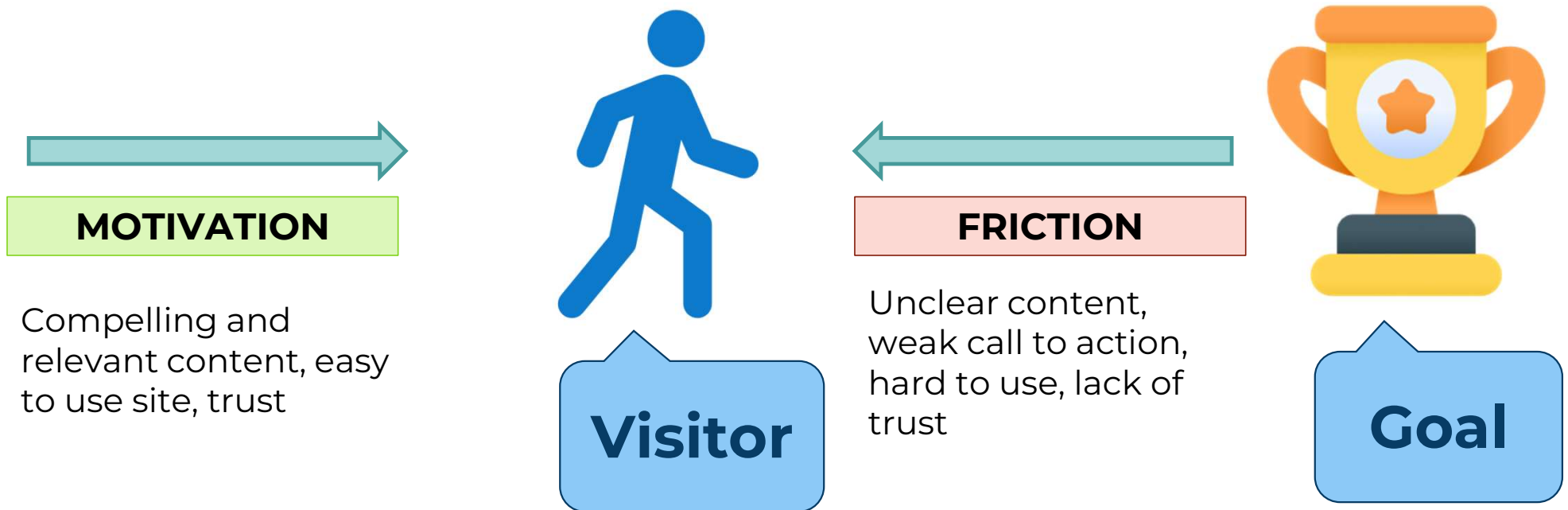


Part 2: opportunities for growth

1. Generate leads



2. Remove friction



3. Credit cards



Credit card consolidation consistently the highest credit score **(600)**



31% of members have revolving credit elsewhere



1 in 2 are between 50% and 100% of their limits



Credit card rates are between 22% and 70% APR

4. Car loans

Units

Cars sold: 2021

1.7m new cars (1.3% increase)

7.2m second hand cars (12% increase)



Value: 2021

Average price new:

Average price 2nd hand: £16k

Average price 2nd hand (<10k miles): £19k



Recent changes

2nd hand:

Q1, 2022: **5% growth**

Q2, 2022: **19% fall**



Finance

Total value

£36.7bn in 2021 (6% increase)



Split

737,000 new cars on finance (up 13%)

1.7m 2nd hand cars on finance (up 10%)

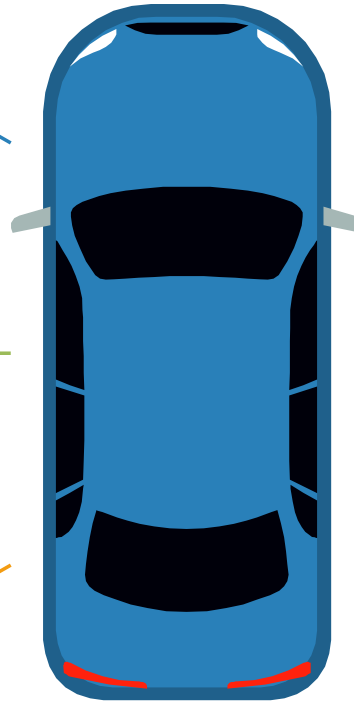


Recent changes

2nd hand:

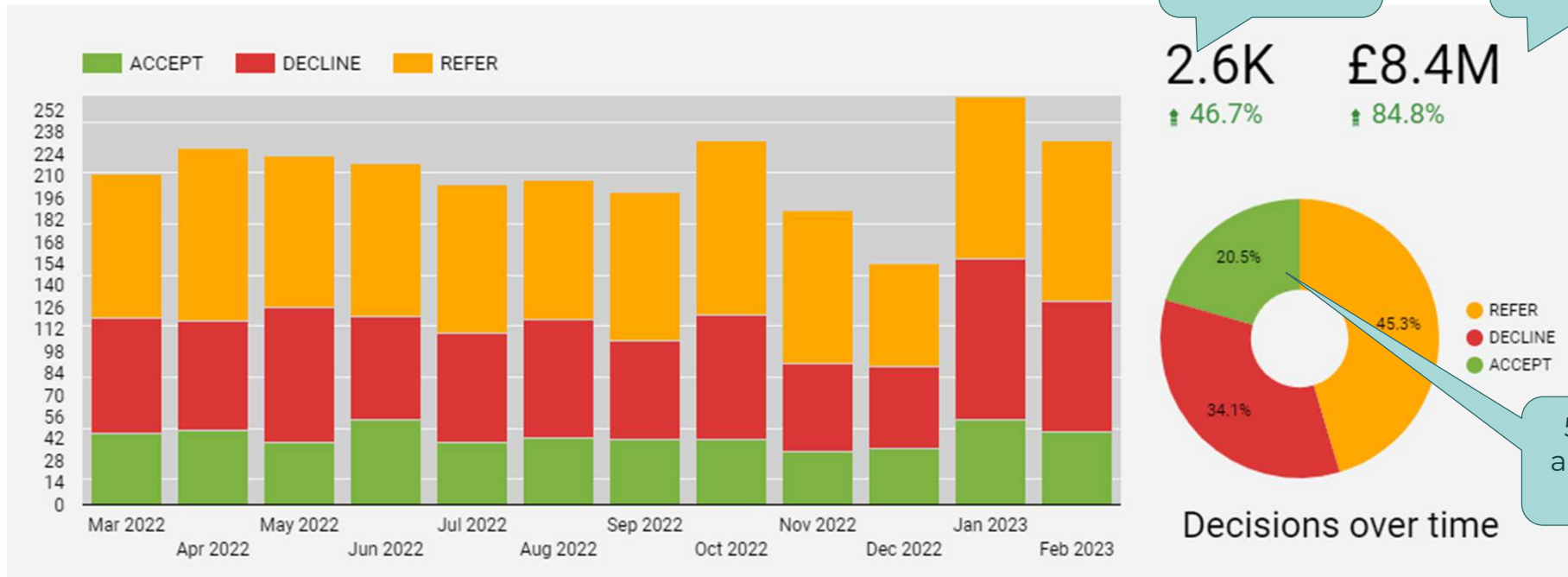
Q1, 2022: **6% growth in value**

Q2, 2022: **6% fall in value**



Sources: Statistica, Finance Leasing Association

Credit union car loan



12 UK wide credit unions with 100,000 loans

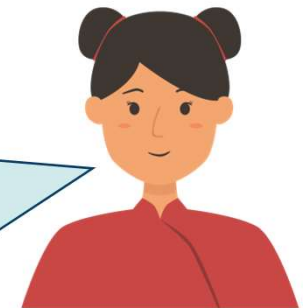
Average credit score: 600

548 for ALL loans

5. Business as Usual

You just learn to get by. Spend less on other things if you have to. Look out for deals.

Having the Credit Union means I'm less worried about this kind of thing. Knowing I could get a cheap loan or use savings.



Mary, Central Liverpool Credit Union member



Thank you!

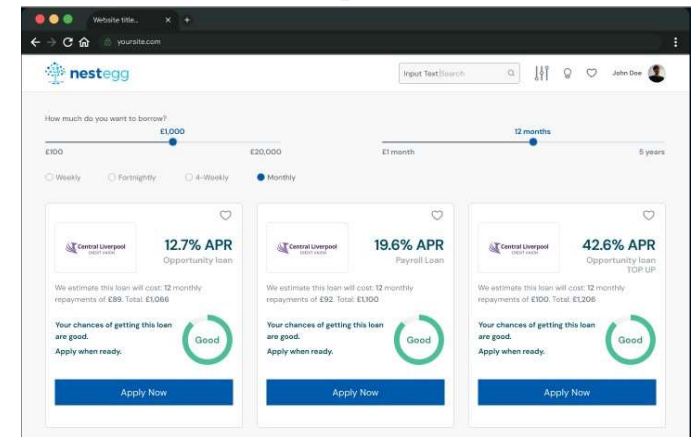
Decision Engine



Helping you navigate the cost of living crisis with inclusive & configurable credit decisions



Broker platform



One place for people to check eligibility to join and qualify for loans from responsible lenders across the UK

