A blueprint to double the loan book

FINANCIAL INCLUSION FOR SCOTLAND

nestegg

10:00

Introduction

Data used

What does doubling mean?

10:10

The context

Credit profiling

Loan sizing

Accept rates

10:20

The market

The decline funnel

10:30

Loan book growth

Small, medium and larger loans

Key challenges

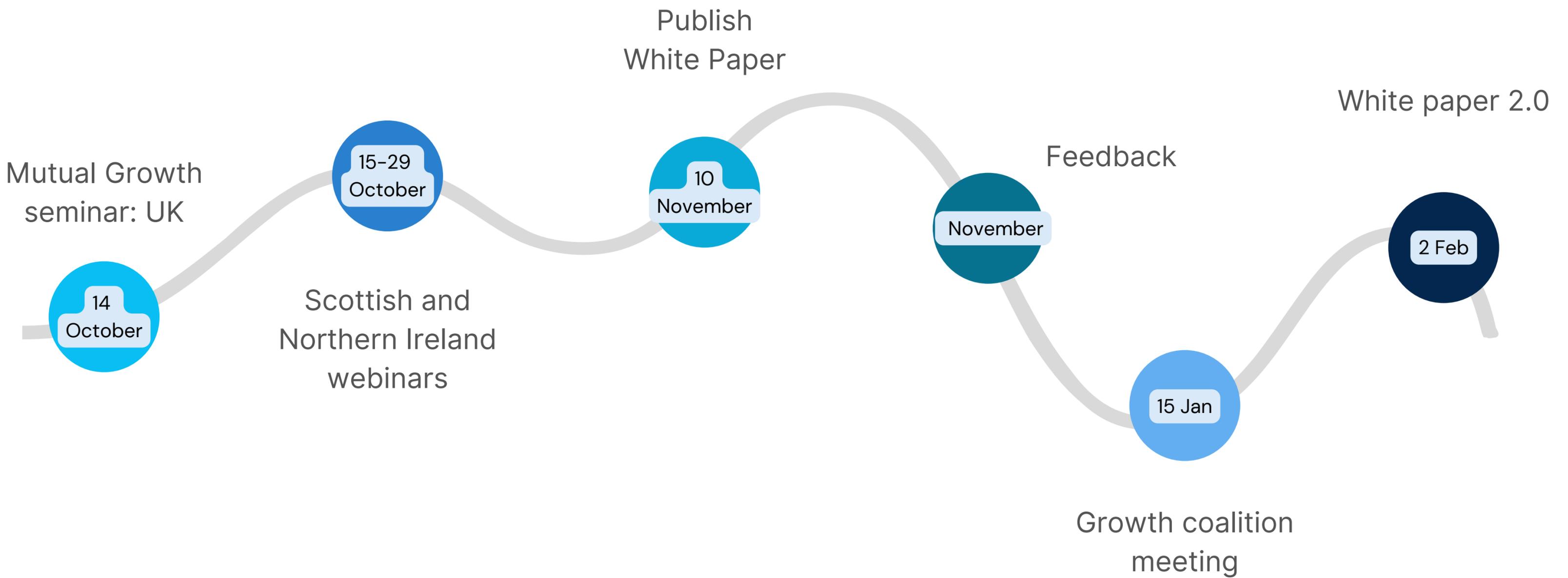**10:45**

Drivers of bad debt
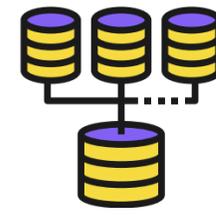
11:00

A First Loss Fund

Support for Small Loan Growth (Financial Inclusion Scotland)

adrian@nestegg.ai

Innovate UK

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Combined

15,000 connections

Open banking connections

20,000 credit reports

Credit data

18,000 applicants

12 months to 30 September 2025

Matching people looking for affordable credit with community-based lenders
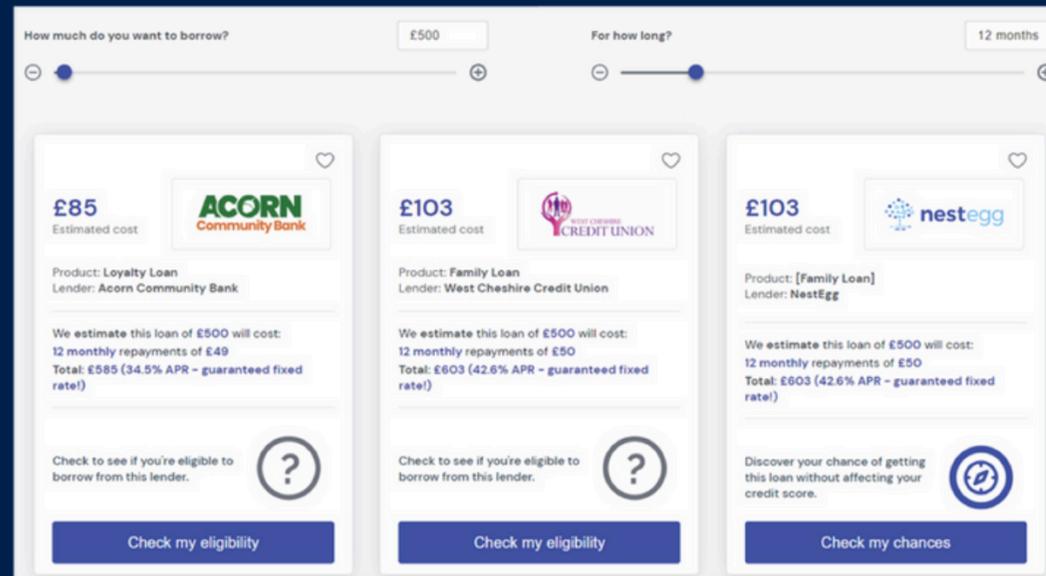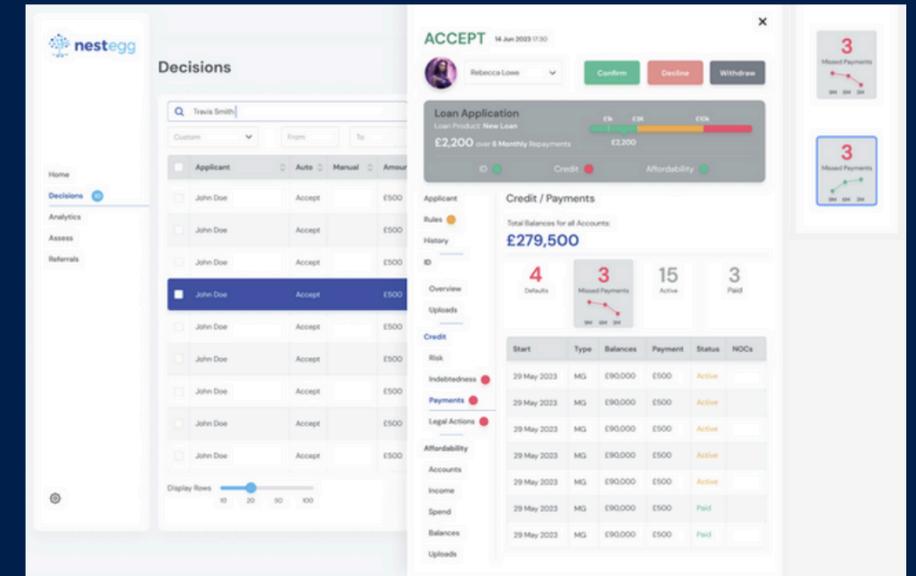
Loan Match
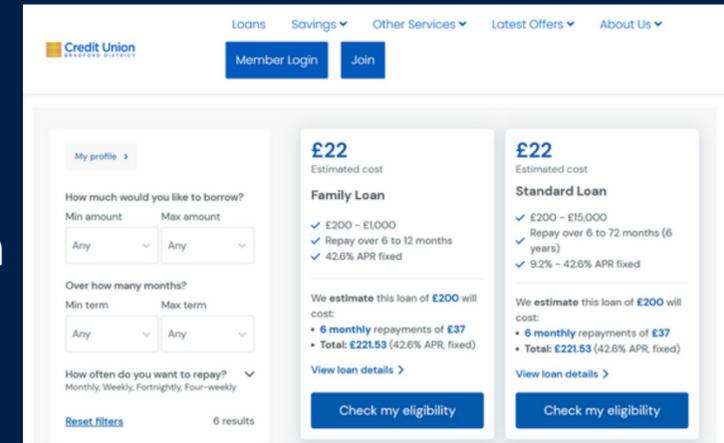
Data

Data

Applicants (Free)

Broker platform

Decision Engine

£1.7 billion decisioned so far

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Loan book growth

Region	2020	2021	2022	2023	2024	£ Change (m)
UK	£1.6bn	£1.7bn	£1.9bn	£2.3bn	£2.6bn	£1bn
England	£613m	£706m	£870m	£1bn	£1.03bn	£420m
Scotland	*£333m*	*£340m*	*£396m*	*£594m*	*£762m*	*£429m*
Wales	£23m	£23m	£24m	£26m	£28m	£5m
Northern Ireland	£598m	£597m	£638m	£701m	£756m	£158m

Years to double

Region	2020–21 Growth	2021–22 Growth	2022–23 Growth	2023–24 Growth	Avg Annual Growth	Overall 2020–24	Years to Double
UK	6.3%	15.7%	21.33	10.2%	13.4%	64.4%	5.5
England	15.2%	23.2%	17.0%	1.5%	14.2%	68.4%	5.2
Scotland	*2.2%*	*16.4%*	*50.0%*	*28.2%*	*24.2%*	*128.7%*	*3.2*
Wales	0.32%	3.0%	10.5%	4.3%	4.5%	19.1%	15.7
Northern Ireland	–0.2%	6.9%	9.9%	7.7%	6.1%	26.4%	11.7

Credit profiles: Scotland (UK)

Credit profile	credit score	Defaults	CCJs	Income	Amount applied for
Very poor	< 560	45% (45%)	25% (45%)	£3k (£2.1k)	£2k (£2.2k)
Poor	561 – 565	40% (30%)	10% (30%)	£2k (£2.2k)	£3k (£3.7k)
Fair	566 – 603	20% (20%)	5% (15%)	£2.5k (£3.9k)	£4k (£5k)
Good	604 – 627	5% (5%)	0% (5%)	£2.6k (2.7k)	£4.7k (£7k)
Excellent	628 – 710	1% (0%)	0% (1%)	£2k (£2.9k)	£5.3k (£7.5k)

Source: NestEgg decision engine applications, 2025

Scotland vs GB credit unions

Applications by credit profile

Scotland

- Excellent 15.9%
- Good 11.4%
- Fair 23.7%
- Poor 4.7%
- Very poor 44.3%

GB

- Good 5.1%
- Excellent 4.9%
- Fair 18.6%
- Poor 4.3%
- Very poor 67%

Loan size spread

Soctland

Large
5.7%

Medium
30.2%

Small
64.2%

GB

Large
4.6%
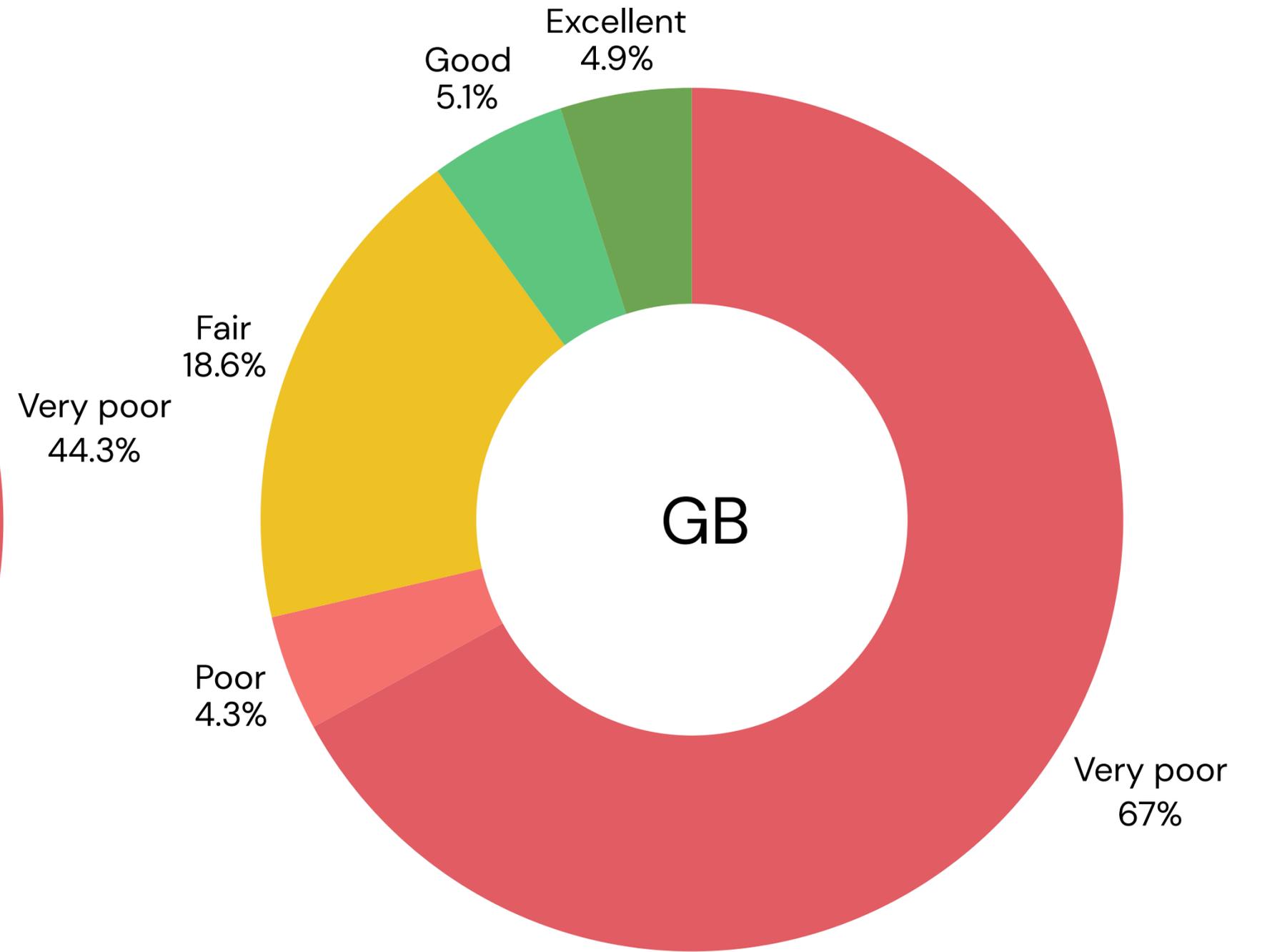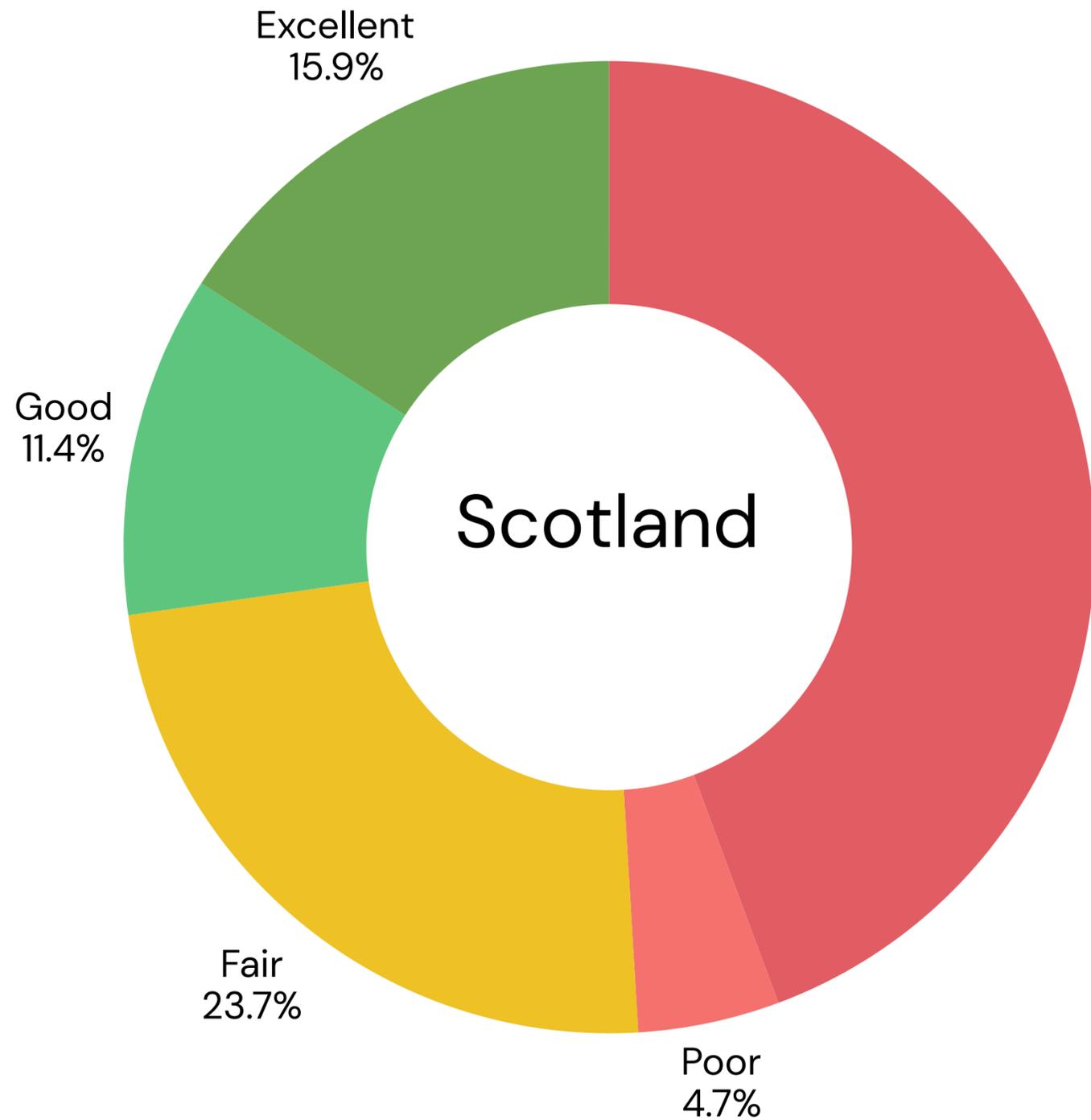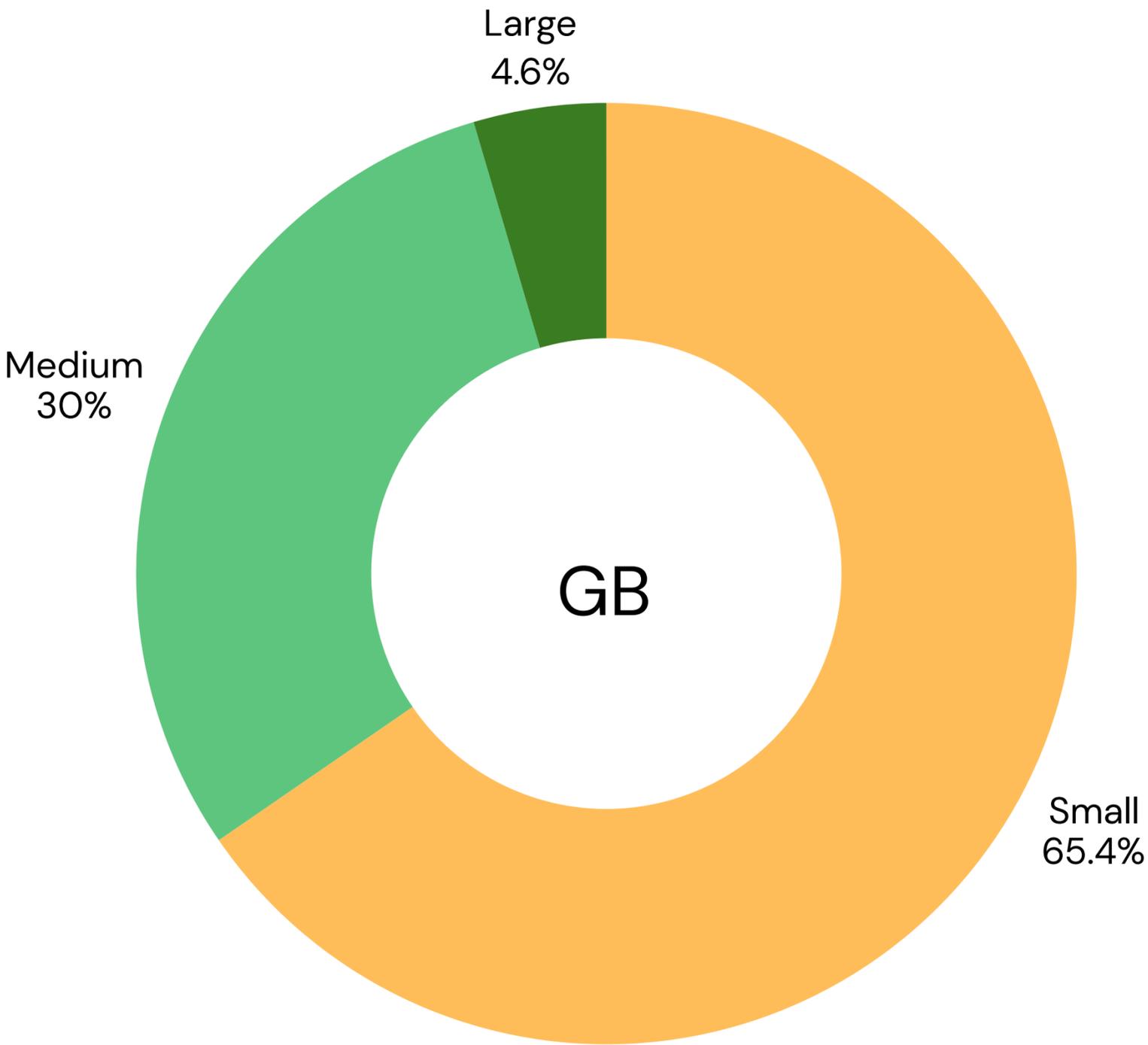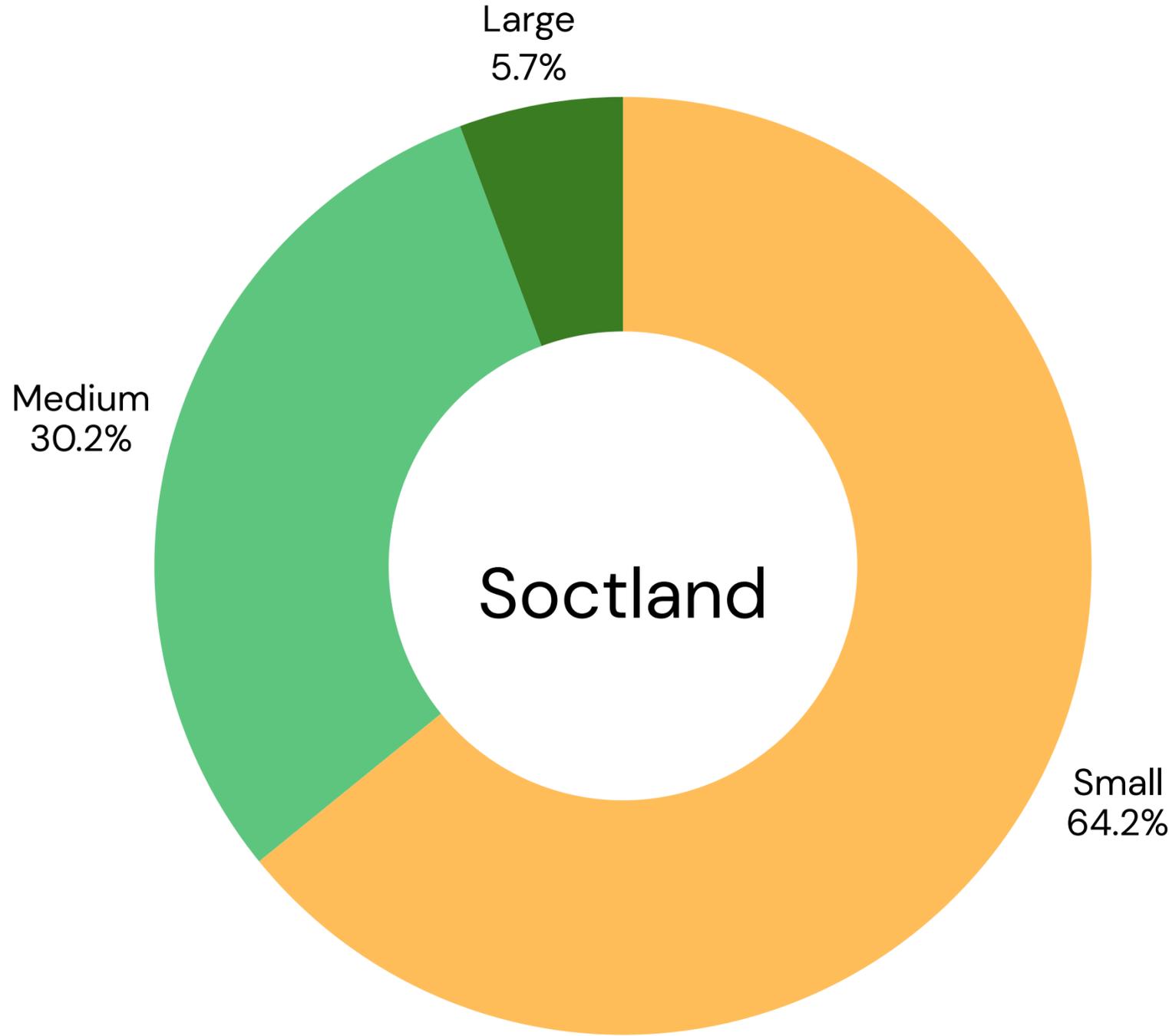
Medium
30%

Small
65.4%

Annual declined *population:* Scotland

Adult population	Annual applications	Unmet credit need	Choose a credit union	Are accepted
4.6m	**621k**	**370k**	**67k**	**44k**
	13.5% population	**8%** population	**18%** penetration	**65%** accept
England: 48m Wales: 2.7m Scotland: 4.6m NI: 1.5m	**FCA** Financial Lives Survey: application data	**22%** rejection **225k** self excluded	England: 4% Wales: 5% Scotland: 18% NI: 50%	England: 40% Wales: 45% Scotland: 55% NI: 75%

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Annual decline *value: Scotland*

Annual

Total Addressable Market

Small (up to £1.5k)	£189m
Medium (£1.5k – £10k)	£542m
Large (over £10k)	£270m

Serviceable Addressable Market

Small (up to £1.5k)	£34m
Medium (£1.5k – £10k)	£98m
Large (over £10k)	£49m

Serviceable Obtainable Market

Small (up to £1.5k)*	£22m
Medium (£1.5k – £10k)	£59m
Large (over £10k)	£30m

* With subsidy to increase accepts by **10%** (**£2.2m**)

% borrowers

All declined applicants

£1.1bn

8%
population

Applicants to credit unions

£181m

18%
penetration

Accepts

£111m

61%
Accept*

42k new members

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Challenges for all value loans
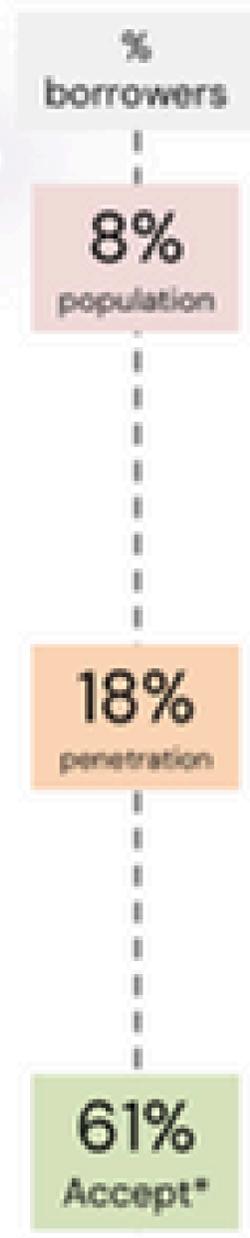
Liquidity & capital
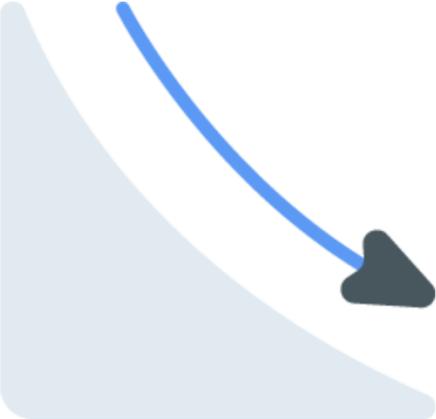
£555m of loans

Technology

350k
applications

Acquisition

210k
new members

Smaller loans

< £1,501

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Compliance

Robust affordability assessments to meet credit worthiness and CONC standards

Risk
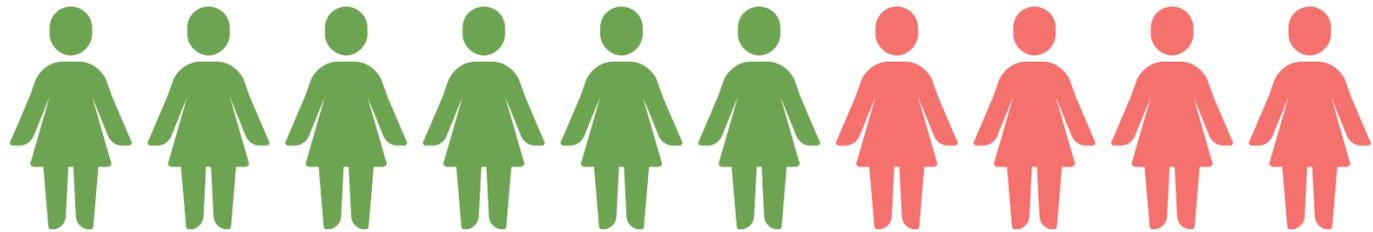
Subsidies for the highest risk loans
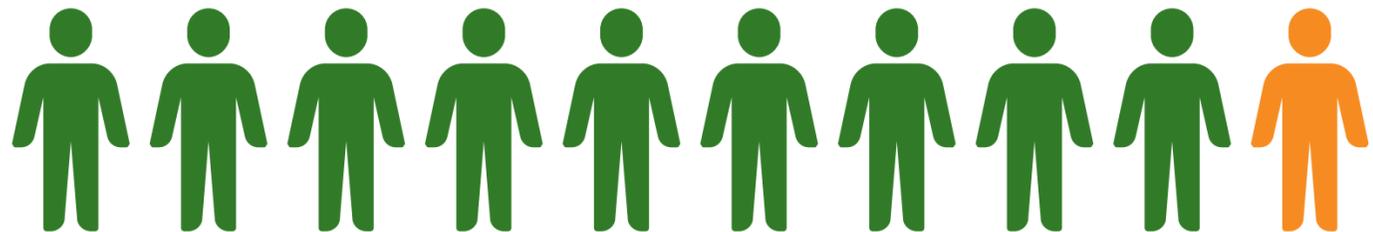
Exising members

Existing members have lower bad debt

Medium loans

£1,500 – £9,999

Key strategies

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Withdrawal rates

7% of loans are not completed
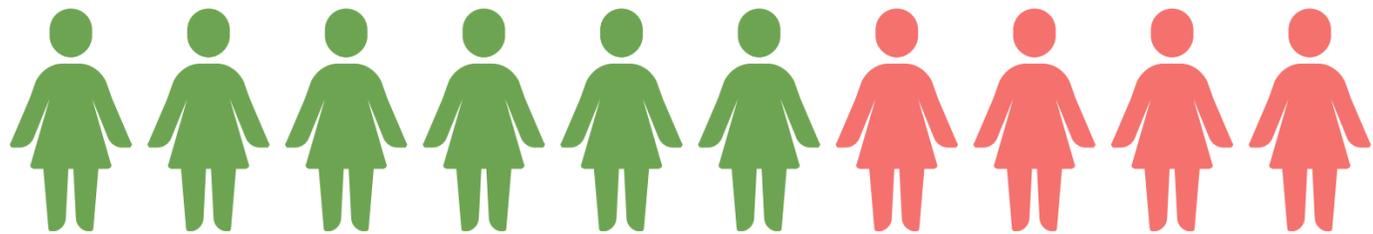
Turnaround

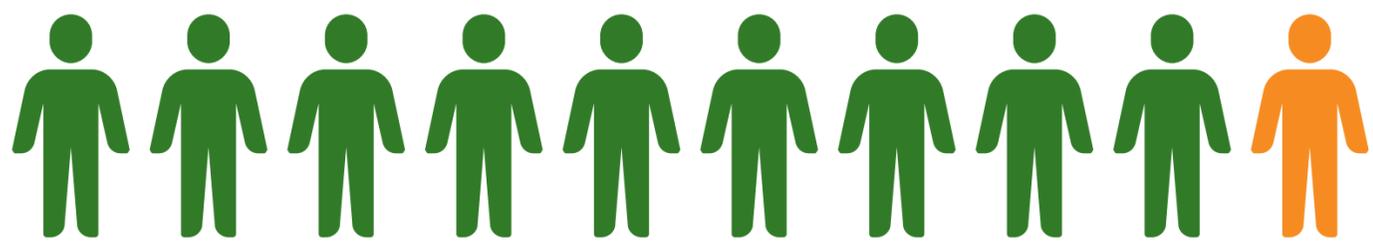4x growth for same day loans

Soft credit checks

65% conversion, 20% more loans

Higher value loans

> £10,000

Higher loans

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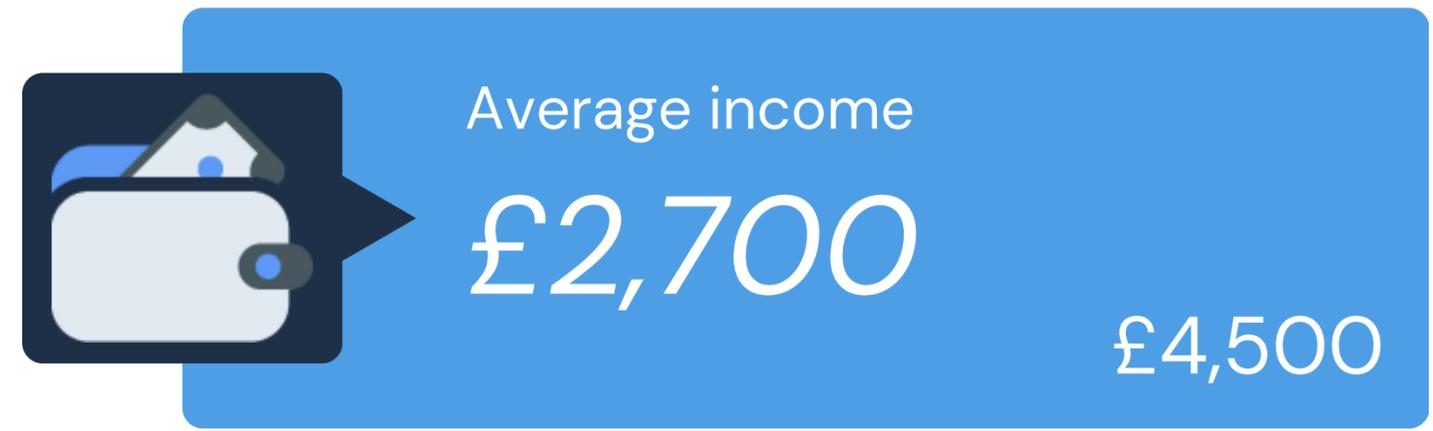
60% Accept rate

7% with defaults or CCJs

Credit profile Good

Credit cards 65%

Key characteristics

Average loan
£16,000
£15,000

Average income
£2,700
£4,500

Key strategies

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Product

Data

Indebtedness

Rate and features emphasis

Savings and assets
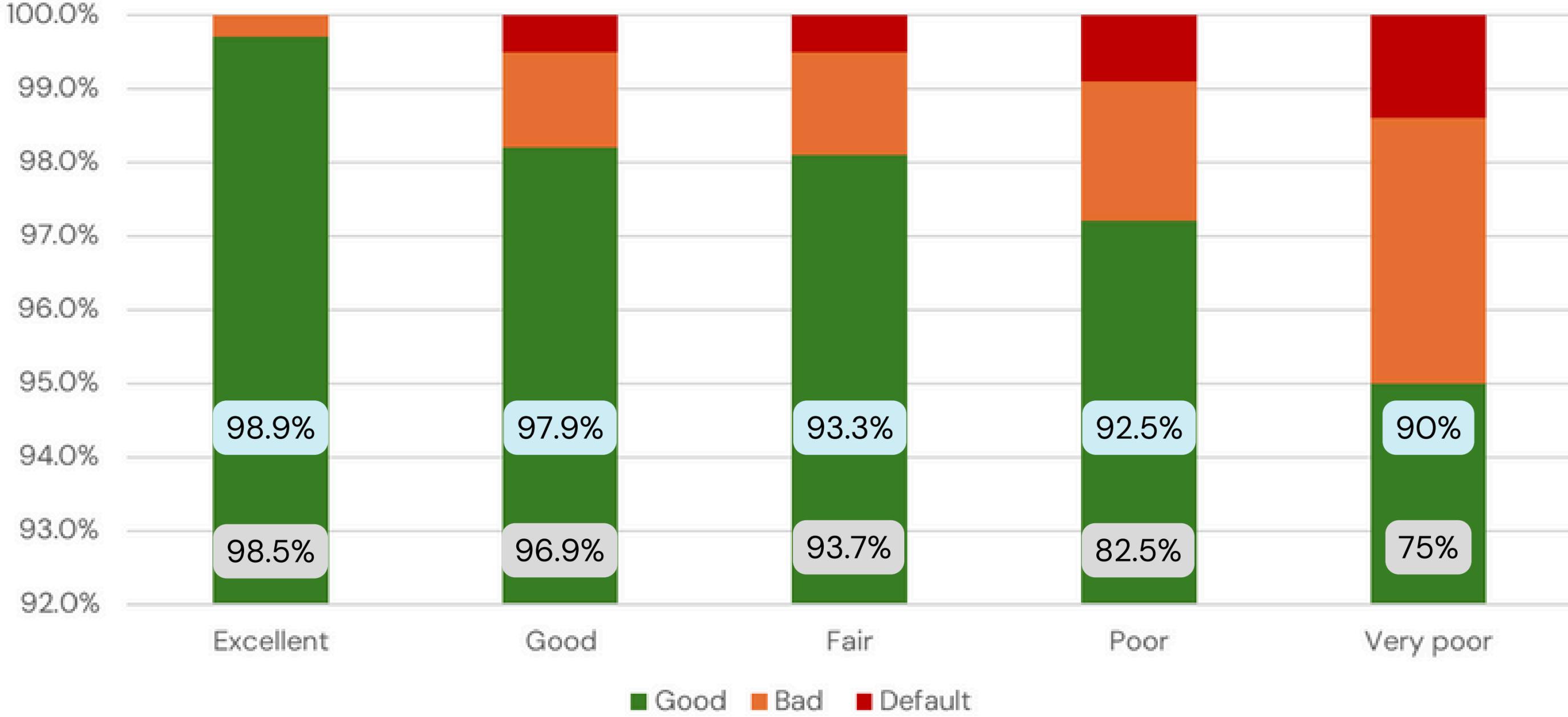
Review debt ratios carefully

What's driving arrears?

Arrears and default by credit profile

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Delinquency by credit profile			
Credit profile	**Good**	**Bad**	**Default**
All	92.0%	5.0%	3.0%
Excellent	98.9%	0.6%	0.5%
Good	97.9%	1.5%	0.6%
Fair	95.3%	2.0%	2.7%
Poor	92.5%	4.0%	3.5%
Very Poor	90.0%	6.0%	4.0%

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Account status by credit profile

credit unions

Financial services

	Excellent	Good	Fair	Poor	Very poor
credit unions	98.9%	97.9%	93.3%	92.5%	90%
Financial services	98.5%	96.9%	93.7%	82.5%	75%

■ Good ■ Bad ■ Default

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Good and Bad loan rates by first and repeat applications			
First time applicants (3,500)	3,000	350 (10%)	150 (4.2%)
Repeat applicants (5,100)	5,000	55 (0.1%)	45 (0.8%)
	Good loan	Bad loan	Default

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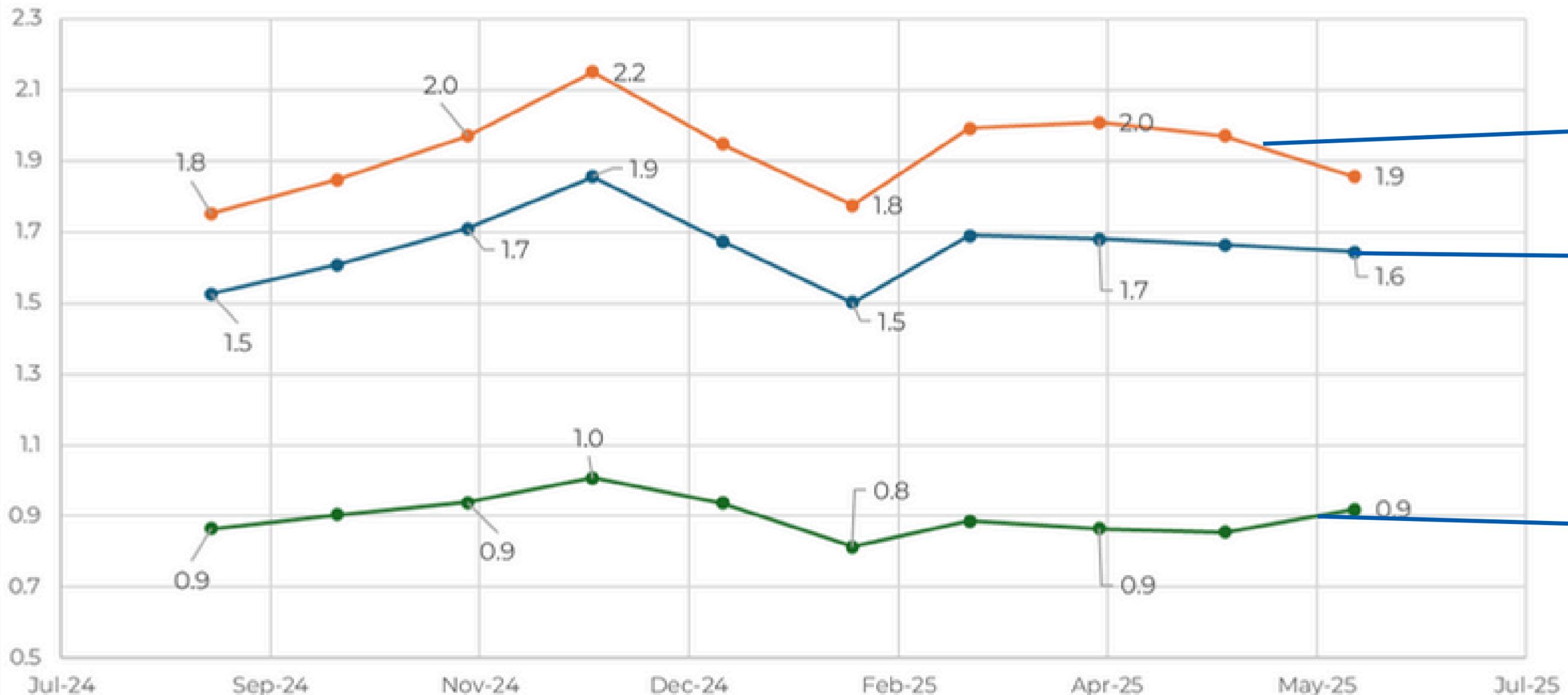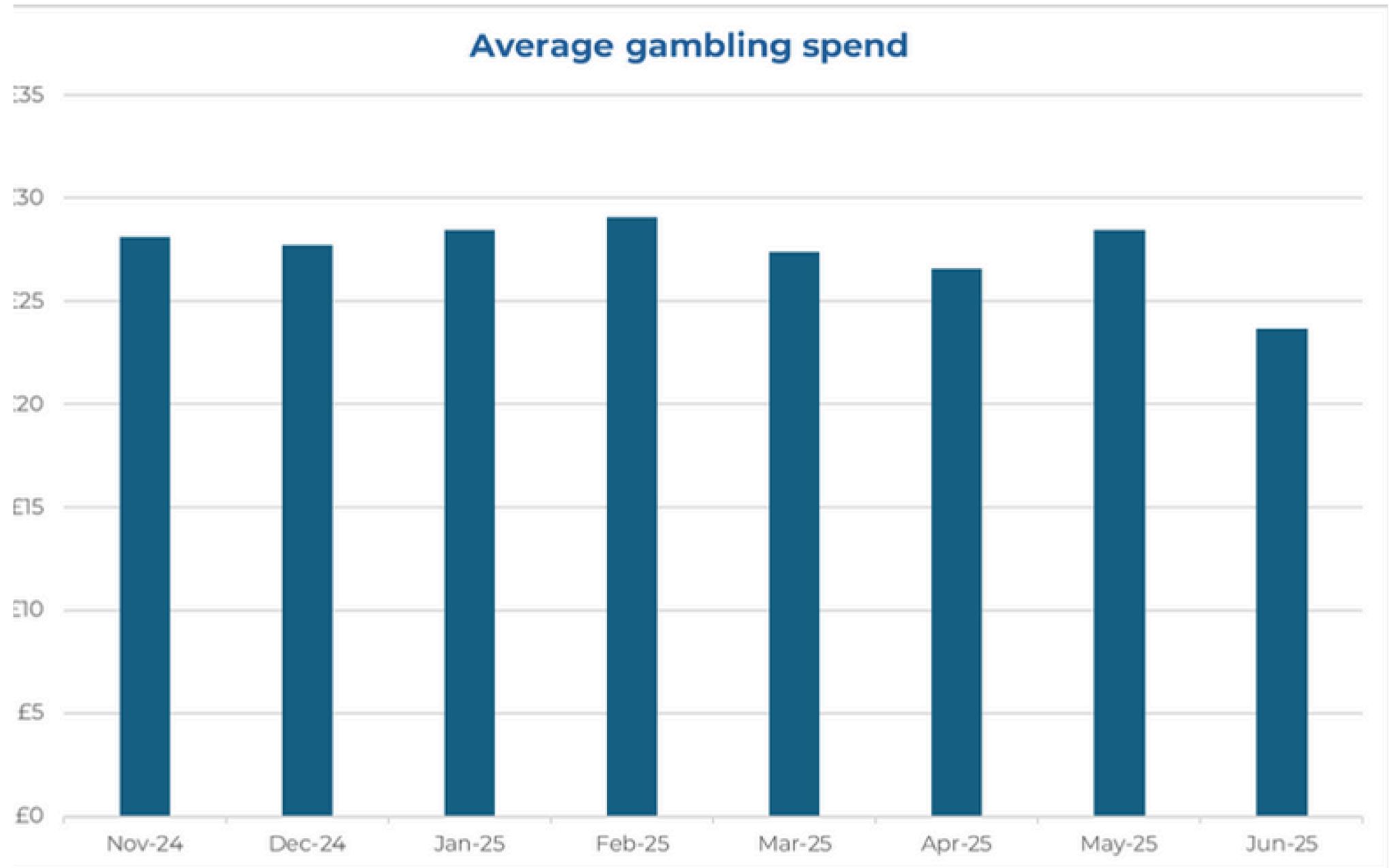
(Decline rule) 1 default > £500 L12M

Proportion of borrowers with a default on their file in last 12			
	1 default	**2 defaults**	**> 2 defaults**
Applications	6.5%	3.6%	0.4%
Accept	3.7%	1.3%	0.04%

Defaults: 0.6%

Arrears: 4%

CCJs / Decrees

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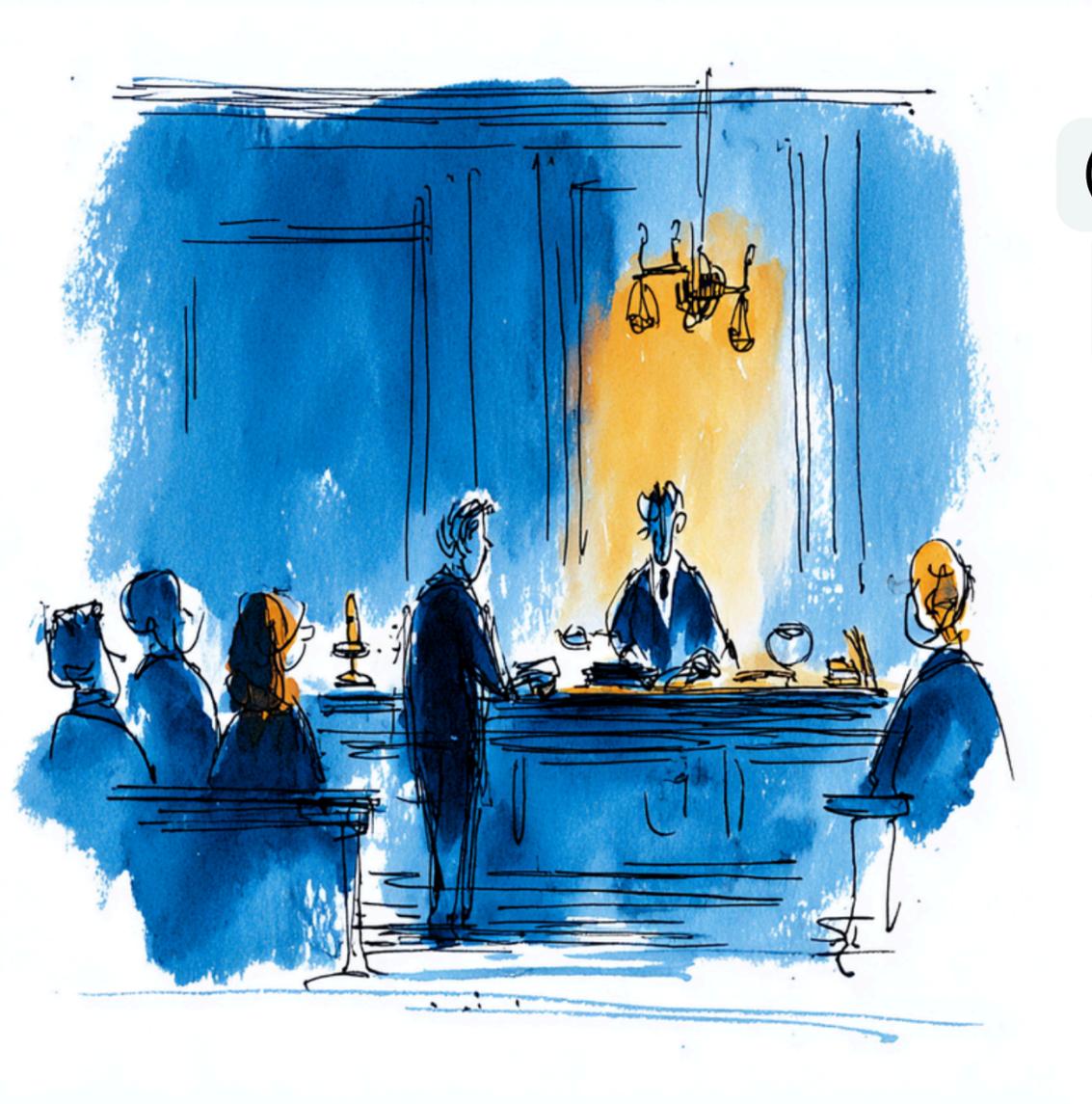
(Decline rule) 1 CCJ> £500 L12M

Proportion of borrowers with a CCJ on their file in last 12 months			
	1 CCJ	**2 CCJs**	**> 2 CCJs**
Applications	0.9% (6%)	0.1% (0.7%)	0% (0.1%)
Accept	0.4% (4.5%)	0% (0.4%)	0% (0.%)

Defaults: 2%

Arrears: 0%

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3%

of applications

Defaults: 2%

Arrears: 5%

Credit cards
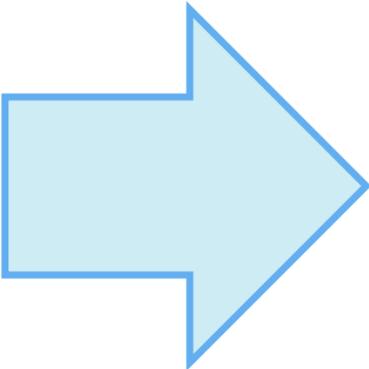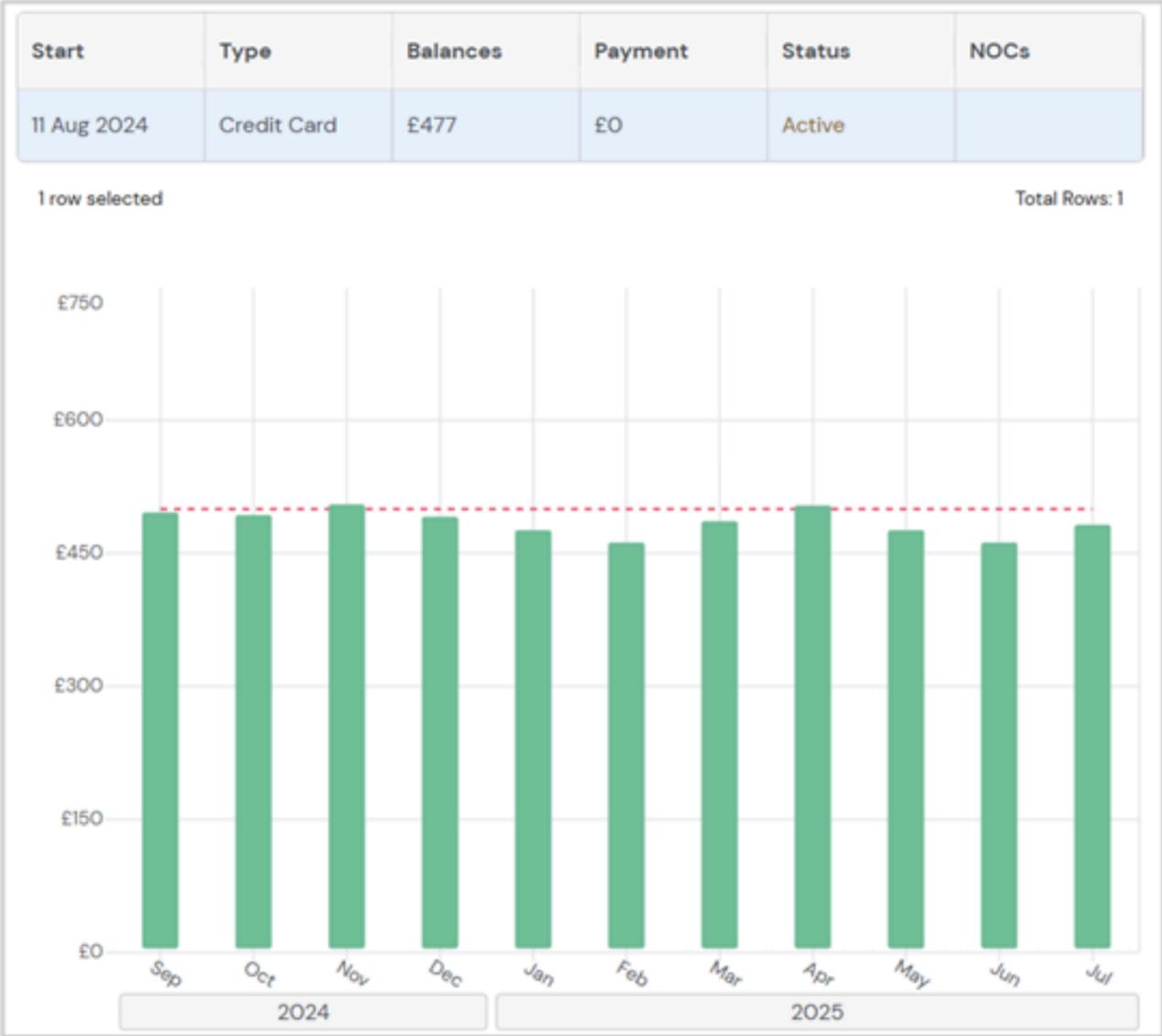
Defaults: 6%

Arrears: 7%

Annual debt ratio

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All debts (excluding first mortgage) / annual income

3%

of applications

Defaults: 2.5%

Arrears: 3.5%

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6%

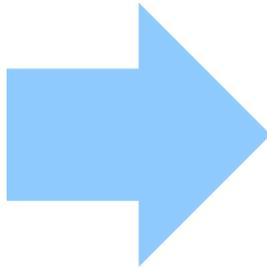of applications

Defaults: 6%

Arrears: 8%

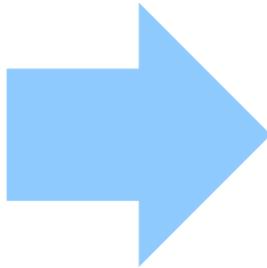New members

Subsidies

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£34m

of new applications from

40k

applicants (£850 loan)

£20m

of new applications from

24k

applicants (£850 loan)

Credit score: 565

Defaults: 4%

Write off*: £680k

*85% of defaults

£2m

of marginal declines from

2.4k

applicants (£850 loan)

Credit score: 550

Defaults: 6%

Write off*: £100k

Join the growth coalition

Benefits

- Detailed benchmarking
- Access to risk models
- Access to partnership opportunities
- Quarterly performance dashboards
- Recognition in case studies

The Growth Index

- Scale and reach
- Financial inclusion impact
- Risk management performance
- Operational efficiency
- Member outcomes

First Loss – Support for Small Loan Growth

Sharon MacPherson

29th October 2025

FINANCIAL INCLUSION FOR SCOTLAND

THE CHALLENGE

- Small loans under £1,000 are vital but costly to deliver

- Higher default risk and admin costs limit growth

- Demand is increasing among financially excluded groups

- Credit unions want to help – but need risk sharing tools

What is a First Loss Fund?

A pooled reserve that absorbs the first portion of any loan losses.

Reduces risk for lenders and encourages inclusive lending

Unlocks co-investment and supports innovation

Builds confidence to serve financially vulnerable members

Proven approach to scaling access to affordable credit

EVALUATION OF THE DWP GROWTH FUND
REVISED FINAL REPORT

SHARON COLLARD, PERSONAL FINANCE RESEARCH CENTRE
UNIVERSITY OF BRISTOL
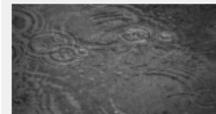
CHRIS HALE AND LAURIE DAY, ECORYS

DECEMBER 2010

fair4all
finance

Blog:

A little (first loss) goes a long way

The Role of First Loss Funding in Financial Inclusion and Economic Growth

Last October, Responsible Finance launched a pilot to explore first-loss funding's potential to crowd-in private investment to personal lending CDFIs to help them scale their lending and support financial inclusion. We are monitoring the work closely...
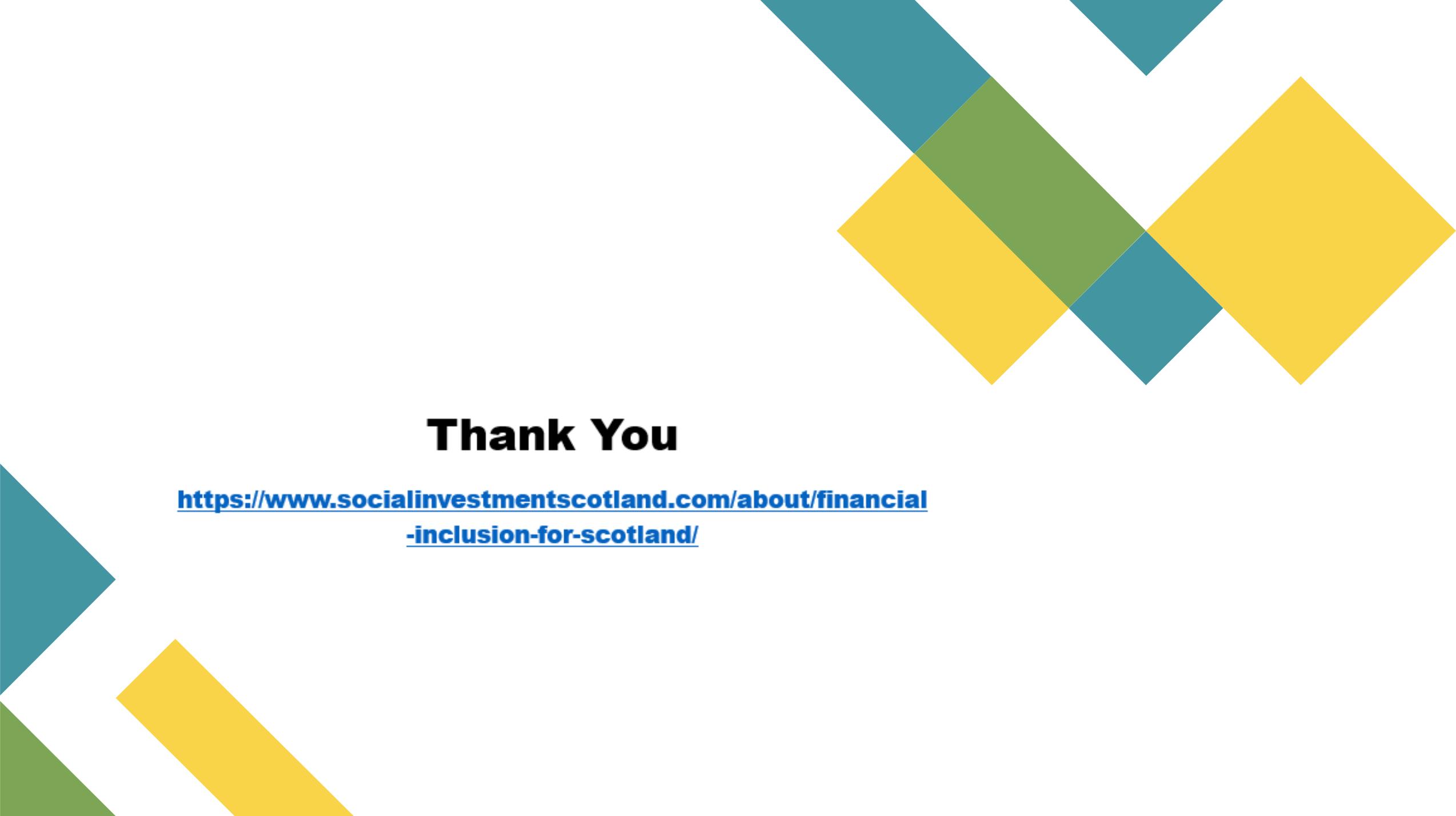
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25/10/2024   Opinion

How It Could Work in Scotland

- Shared risk pool for credit unions and social lenders.
- Could attract co-investment from government or social investors.
- Supports innovation – digital tools, salary-linked lending, youth pilots.
- Aligns with FIFS partnerships and financial inclusion initiatives.

Thank You

https://www.socialinvestmentscotland.com/about/financial-inclusion-for-scotland/