Building a better future.

Personal lending report

2021

Responsible Finance

Contents.

About Responsible Finance

We believe in a fair financial system where investment flows into communities to create positive economic, social and environmental impact. To enable this we lead a strong responsible finance sector. This gives communities access to finance to build businesses, grow social enterprises and help people without savings cover one off costs without having to resort to a high-cost lender.

Responsible Finance is the UK industry body for Community Development Finance Institutions (CDFIs) and purpose-driven lenders. CDFIs support and lend money to businesses, social enterprises, and people unable to access it from mainstream lenders. They are legally structured so the profits they make are reinvested to increase their impact and reach even more customers.

"Think about how much easier it feels to run a race when you have someone cheering you on. That's what CDFIs do every day for their customers."

– Theodora Hadjimichael,
Chief Executive,
Responsible Finance.

Responsible Finance
7-10 Adam Street, London,
WC2N 6AA

info@responsiblefinance.org.uk
www.responsiblefinance.org.uk
@resp_finance

About this report

This report is based on impact data collected from our member organisations covering the period 1st April 2019 – 31st December 2020. All the quotes and case studies are from real CDFI customers.

Due to the impact of Covid-19 on the responsible finance sector, data collection for this report was delayed. The reporting period has been amended going forwards to align with the calendar year.

This report was written by Eleanor Pughe with input from Theodora Hadjimichael and Jamie Veitch.

"Still in 2021 the exclusion of millions of individuals from basic financial services is a blight on our society…we need more innovation in this space, we need more strutures – CDFIs are one example."

– Lord Chris Holmes of Richmond MBE.

"Only they [CDFIs and community banks] can understand local issues in such a ways as they enable community development and they also begin to draw in the financially excluded."

– Baroness Kramer.

"Responsible credit allows borrowers to meet unexpected costs, to smooth incomes or to make essential purchases that are otherwise unaffordable upfront. Conversely, a lack of access can mean going without essential appliances like a boiler or a washing machine, or being unable to afford school uniforms or birthday presents for children. Affordable lenders operate with the care, forbearance and support that customers in vulnerable circumstances need, and can save families hundreds or thousands of pounds a year in repayments compared to the rates charged by payday or doorstep lenders.[1]"

– Sacha Romanovitch OBE, CEO, Fair4All Finance.

Using finance compassionately to make change.

£36 million lent in 42,000 loans to 31,000 customers

88% of loans had a value < £1,000

93% of loans had a repayment term < 52 weeks

This is a report about Community Development Finance Institutions (CDFIs). It is also about their customers and their resilience in the face of adversity; determined to build a better future.

£11 million saved in interest repayments compared to if the customer had gone to a high-cost alternative.

Why is credit needed?

When the pandemic struck, few could have anticipated the lasting impact it would have on our lives. 2020 was characterised by stark health, social and economic turbulence, with the UK yo-yoing in and out of local and national lockdowns.

Even before the pandemic hit, 20% of UK adults had low financial resilience, defined by the Financial Conduct Authority (FCA) as a person being over-indebted or having little capacity to withstand financial shocks because of low or erratic incomes and a lack of savings[2]. Between March and October 2020, the number of people with low financial resilience grew to 14.2 million, or over a quarter of the adult population (27%)[3]. That's equivalent to all the adults in England and Wales aged under 40[4].

51% of adults in the UK use credit[5], and for the significant portion of people with low financial resilience, the need for credit does not go away. It is an essential tool when faced with unexpected expenses, to spread the costs of larger purchases or cover periods of increased expenditure like school holidays. Access to affordable credit can provide stability and a sense of control, yet many households don't have this.

A small portion of specialist CDFI loans are made to homeowners to enable them to make essential improvements to their properties.

£3 million lent in 230 loans to 230 customers

"You will never know how desperate I was at that time and literally had no idea what I was going to do. Your call and first meeting with me when you listened and understood without judgement meant so much. I felt so low and ashamed although I know now my situation wasn't my fault but you made it all a lot easier to cope with and I thank you for restoring my dignity!"
– Lancashire Community Finance customer.

Why are CDFIs needed to provide access to affordable credit?

Covid-19 exposed how quickly financial stability can become financial fragility. Having a supportive and positive relationship with a financial institution makes a big difference when navigating uncertainty. When faced with unexpected expenses, lots of people can fall back on savings, an overdraft, or a credit card. The financial system is designed around these people with predictable incomes and lives.

But for those with less predictability, such as people on low, variable or unstable incomes or with low financial resilience, these traditional products are not available. The odds are often stacked against them, and they can struggle to access a loan due to:

Low income

Including where the main source of income is benefits.

Low wealth

In terms of property or cash savings.

Type of credit needed not offered by banks

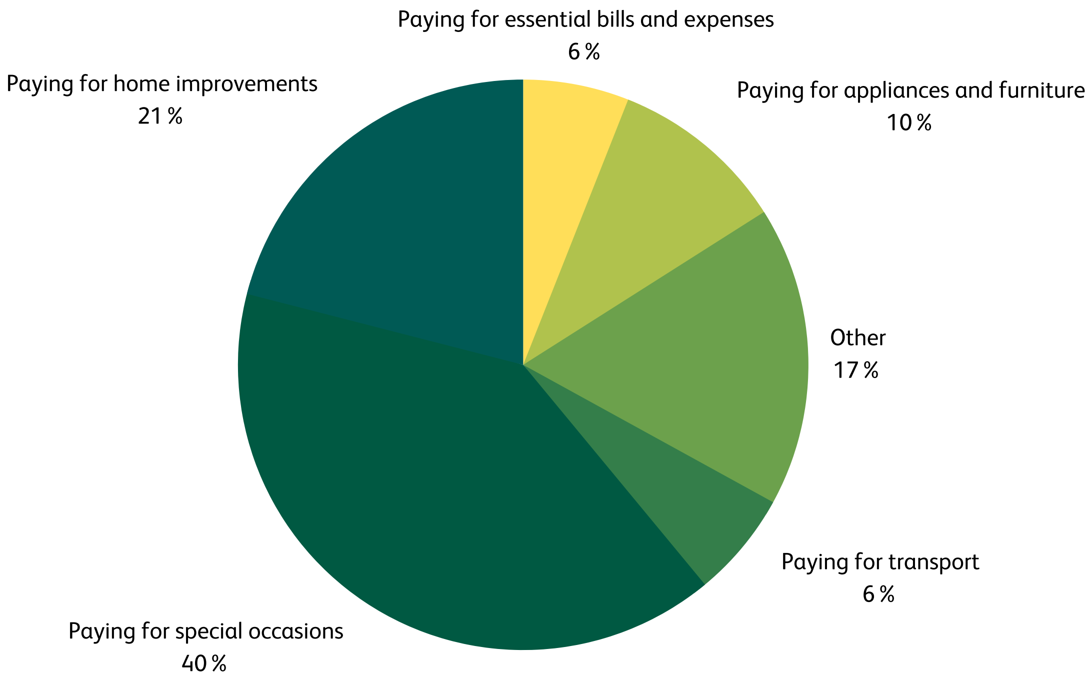
Low value (<£1,000), short term (<52 weeks) loans to bridge gaps are not commonly offered by banks because they are expensive to deliver and not profitable.

Thin or low credit score

For example caused by not having a credit history, or by missed payments.

"It's humiliating, to tell them your circumstances. I expected them to say 'no', to say 'you're a liability' but they were so lovely, non-judgmental, really understanding of my circumstances and they realised that life happens. I have thought about this a lot, and I am not being flippant when I say that they were a life changer for me".
– Moneyline customer.

CDFI customers' reasons for borrowing, 2019-2020



The demand for credit in the subprime market is filled by commercial lenders that charge a higher rate for credit to cover the risks of unpredictability. To date many high-cost lenders, including payday lenders, rent-to-own firms and home collected credit have not made affordable lending decisions. When it's not affordable, additional debt can cause stress, relationship breakdown and poorer health. The FCA found that between 2015 and 2017 the credit scores of those who used high-cost credit worsened, increasing their financial vulnerability and exclusion[6]. As of February 2020, one in 9 UK adults – more people than the whole population of Scotland – had taken a high-cost loan in the previous 12 months[7].

Relying on borrowing from friends and family can have negative social consequences too, as well as the poor financial impacts of borrowing from people who themselves cannot afford to lend. And going without credit can also have downsides, as it may force a person into unacceptable hardship such as skipping meals and rationing basic utilities.

When credit is done well and the motives of the lender match those of the customer, it can be an important buffer for families to improve financial resilience and provide a gateway to other support.

CDFIs provide access to fair and affordable credit. They are unique; the only people they want to make richer are their customers. This is because their social mission and asset lock means their organisational purpose is to create on positive outcomes for their customers above all else.

Moneyline customer Megan* lives alone with her 4 year old son and receives benefits as her main source of income. She first used Moneyline in 2017 to cover some essential Christmas shopping and to help make her little boy's Christmas special.

At the time Megan felt her chances of being approved were unlikely "I did go in with the attitude that I wasn't going to be accepted, I thought my income would be too low and I wasn't going to get the help but I definitely gained more than just a loan. It changed my outlook on things. You were there when I needed it." "It turned me completely around and I managed to save after I used Moneyline. I haven't stopped saving since." Megan finished repaying her loan and continued saving, firstly just with Moneyline but she now saves independently and has four types of savings accounts.

Prior to taking out her loan, Megan had been homeless for around a year after her supported housing for young people tenancy was terminated after getting into rent arrears. She had lived on the streets and various women's refuges, but after falling pregnant was able to find some more permanent accommodation from the Council which she has maintained for almost 4 years now. "Before having my son I was homeless…Money wasn't really something that was around, I just went from one day to the next, it was all very chaotic and when my son came into my life things needed to change you gave me that motivation and help I'd never received before with money."

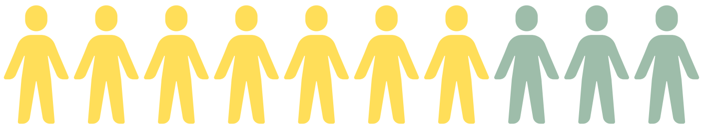
Megan has only ever used Moneyline once because her ability to save since using Moneyline has meant she has been able to save for the things she wanted/needed rather than take out a loan. Even when she was experiencing some issues with housing disrepair in her council house linked with leaks and damp issues, because of her good savings habits, instead of needing another loan she managed to save and make the repairs one at a time rather than get everything done all at once.

Even during lockdown, Megan's focussed approach to savings remained strong: "I took the opportunity during lockdown to save really hard and put as much away as I can each month." Megan mentioned she's not really saving for anything in particular, "I look at it like a security blanket". Megan is hoping to get a job next year when her son is at school full time, something she hasn't been able to do so far due to not having have any support with childcare.

*name changed

Who are CDFIs' customers?

Many CDFIs use Open Banking instead of solely relying on credit scores. They look in depth at a person's finances to see if they can truly afford to borrow, and offer a range of other services to build consumer financial resilience. This means they can lend to some of the most vulnerable households.

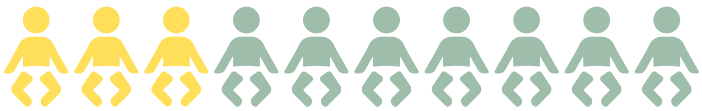


70% of borrowers identify as female

74% have an income under £23,300

42% are currently in work

58% are social housing tenants



29% are lone parents with a child under the age of 18

71% are benefits recipients

The wrap-around services CDFIs provide alongside credit – such as helping people to claim benefits, providing budgeting advice, and directing people to debt advice – empowers their customers to take control of their finances, whether or not they are able to offer them a loan.

"Very Happy. I am now just waiting on receiving my second loan from Scotcash. Again it was easy to apply, easy to provide them with the proof they required and very easy to adjust my monthly payments when I wanted to pay a bit more than required each month. Each step of the way I have been able to get any advice / information I needed and at all stages I have been given the options to access the full range of services they offer."

– Scotcash customer.

Scotcash customer Mary*, 29, lives with her young son in Glasgow. She earns between £10,000 and £12,000 per year from her part-time job working with people who have experienced homelessness and additions.

It's a rewarding job but with a monthly salary of £800 to £1,000, depending on overtime, any unexpected or large bills can be a big challenge. Mary first heard about CDFI Scotcash five years ago from a friend who, like her, is a Glasgow Housing Association (GHA) tenant – GHA had recommended Scotcash to Mary's friend.

At the time Mary needed a small loan and visited Scotcash's branch where she went through the application process with an advisor. "I had to submit bank statements and answer questions but the advisor went through everything with me and explained why Scotcash needed all the information."

Since repaying her first £200 loan, Mary has typically borrowed from Scotcash either once or twice per year – now applying online through Scotcash's website – and has always made all her repayments on time, "I've never had any late payments or had any issues repaying. I like to live and pay within my means."

Her most recent loan, approved by Scotcash at the start of February 2021, was for £600: "I needed the money to get some work done on my car," says Mary, "but after Christmas I didn't have enough saved. Without my car I can't get around or get to work."

Mary says she turns to Scotcash if she needs a loan because she like the fact it's a responsible lender: "I know that if and when I need a loan Scotcash is there, and I like their approach. A couple of years ago I applied for £800 and their advisor went through everything with me and worked out that £500 was, at the time, the maximum amount they could lend me. They take the time to ensure I can afford the repayments – it's much better, and cheaper, than the alternatives I could borrow from."

*name changed.

How did the financial lives of CDFIs' customers change during the pandemic?

Fair Finance, a CDFI rooted in London but lending across the UK online and on the phone, commissioned research to understand the impact of the pandemic on its clients beyond just their finances[8].

Fair Finance's clients, like many other CDFIs', were often particularly vulnerable to the impacts of the pandemic. Their lives were characterised by living on low, unstable incomes, with low savings, and high levels of debt. Three distinct groups emerged from the research:

1. Stretched but stable (for now)

'This group are used to living with financial vulnerability and are mostly dependent on benefits, so their finances haven't changed much with Covid-19. However, they are often surviving on very limited means, and the recession poses a threat to their aspirations of finding secure, well-paid work and building a better life.'

"The children found lockdown stressful. They were crawling up the walls!"

"The first time, I was told I was only going to get £29 [through Universal Credit] because they took my partner's income through furlough into account. But now we've both been made redundant and we'll have to apply all over again."

2. Squeezed and struggling more

'In low paid, insecure work, this group have been hit hard by Covid-19. Reduced hours and lost jobs have caused this group to fall further into debt and – in some cases – forced them to apply for benefits support for the first time.'

3. Accidental savers

‘For the first time in their lives, ‘Accidental Savers’ have found themselves with ‘money to spare’ as a result of the social restrictions enforced by lockdown. Rather than seeing these savings as an opportunity to make moves towards building their financial stability, Accidental Savers view this money as a temporary bonus that’s likely to evaporate in the near future.’

“I’m not good at saving, because I cannot struggle while my own money is sitting over there. So even if money goes in, it usually comes out again.”

The groups all presented different risks and needed tailored support, such as help to understand benefits entitlement, help around budgeting, or encouragement to save. Fair Finance was able to use the detailed insights to support its customers’ needs through the pandemic, and as we move into the recovery.

55-year old Miguel and his partner have both lost their jobs as a result of the pandemic. They have been told that they are eligible for a combined Universal Credit payment of around £850 – far below the earnings of around £3000 per month that they have been accustomed to.

Miguel is half Portuguese and half Angolan and came to London in 1997. He raised his two daughters as a single parent in the flat he still lives in: a 2-bedroom council property near Stratford. His two daughters are now grown up and live elsewhere with their own families. For the past year, Miguel has been working in catering, helping to organise and run events across London. When the pandemic hit, he lost all of his work, as did his partner, who works as a chef. The couple were both put on furlough and have been surviving on the money from that, although Miguel was only receiving £400 per month (much lower than his usual income of between £1,600-£2,200 per month) and is not sure why it was so low: as a result, the couple began to use up their savings.

As of July 2020, both Miguel and his partner have been made redundant and come off the furlough scheme. Miguel applied for Universal Credit, but because at that time they took his partner’s income (who was still on furlough) into account, he was told he was only eligible for £29 per month. The couple will now have to reapply; in the meantime they are already in rent arrears. Miguel has a £1,000 loan with Fair Finance that he took out for a holiday and is now paying reduced loan repayments by arrangement.

Responding to the crisis: a CDFI in action.

Scotcash is a Glasgow-based CDFI that lends across the UK. In the summer of 2020 Responsible Finance spoke to Chief Executive Sharon MacPherson about their response to the Covid-19 pandemic[9].

It has always been clear to Sharon MacPherson, chief executive of Scotcash, a CDFI in Glasgow, that her customers are careful with money. "They might be excluded from mainstream financial services, but they're exceptional at managing their budgets." So when Covid-19 struck how did it affect customers – and what was the impact on Scotcash's products and services?

"There was an immediate and significant drop in demand in March," says Sharon, "with applications reducing by around 70% and loans reducing by about half." The affordable credit provider, established since 2007, was receiving 4,000 applications per month this time last year; now it's 1,000, she says. Despite the drop in demand for credit, Scotcash was agile and offered other services to support its customers' financial needs.

Flexible products

As it became clear the UK needed to enter lockdown, there was an immediate increase in requests for payment holidays. "When the crisis started, we communicated with all our customers – well before the FCA instructed credit providers to do so – and offered payment holidays. Around a third of customers are now doing so."

While this was clearly the right thing for this ethical lender to do, there's naturally been an impact on Scotcash's income. And Sharon is concerned about the future impact on customers of taking longer to pay off their loans.

Personalised support

Sharon and her staff spent a lot of time on the telephone with customers in April and May 2020. A grant from Foundation Scotland gave Scotcash the means to make hardship awards of £50 each to 80 households, all existing customers. "Talking on the phone allowed us to do what we do best: help customers with their specific and overall financial circumstances," she says. "We identified eligible people for the hardship grants through these conversations, their requests for payment holidays, and by our team pinpointing vulnerable households which needed support.

“We used flexible criteria: our only key requirement was that customers had been ‘impacted by the crisis’.” “We had conversations with every single one of these households. We looked at their specific circumstances and we’d identified what support was available in each local authority area. Most customers didn’t know what help they could get from their local council, so they really valued us finding this for them. We told them about our online benefit checker tool too. There’s a big assumption that people on low incomes know everything they are entitled to, but they really don’t.” In May and June, 136 benefit checks were made and over £26,400-worth of benefits were identified through the tool by users.

Lockdown meant Scotcash could not give people face-to-face advice, though. “There are a cohort of customers who we know can’t use online services,” says Sharon, “so our loan officers were proactive in contacting them and helping them where necessary.”

Innovative products and partnerships

A partnership with Snoop, a free money management app, launched in July 2020. This useful money-saving tool is being offered to everyone who applies to Scotcash for a loan, whether or not they are successful. It continues Scotcash’s long track record in effective partnership working. Collaborations with Money Advice Scotland, Glasgow CAB, and numerous local authorities and housing associations have all been effective thanks to a shared purpose between Scotcash and partners to support the most vulnerable.

High customer satisfaction

Customer feedback about Scotcash during lockdown remains exceptional, with participants in a customer survey making comments including “the Scotcash adviser was a joy to interact with, from start to finish she was incredibly helpful, friendly, positive and empathetic, and I cannot put into words how good the level of service offered to me was”. 93% of customers described Scotcash’s services as very high or high quality.

What next?

Local authority partners, politicians, policymakers, journalists, academics and funders frequently praise Scotcash for the difference its financial and wraparound services make to customers’ lives. 2018-19 had been a particularly strong year for Scotcash. It expanded across UK, increased both the number of affordable loans it made and its turnover by around 40%, and reduced its cost of delivering each loan by over a third. “We are completely committed to realising our growth ambitions across the UK,” says Sharon, “We’re proud of every pound we can save our customers, every pound we can help them to put into a savings account, and every way we can help make life fairer for them.”

The financial health of NHS workers.

Responsible finance provider Salad Money lends exclusively to NHS workers, making decisions using Open Banking data instead of traditional credit scoring.

In 2020 Salad Money commissioned the University of Edinburgh to independently report on the financial lives of NHS workers using the anonymised Open Banking data of almost 10,000 of its applicants – allowing them to see every transaction going through an applicant's bank account for up to two years– and shared the unique insight in a report published this year[10].

Whilst it notes that this sub-set of NHS workers is not a representative sample as they had all applied for a loan with Salad Money, the report highlighted serious concerns about the financial resilience of NHS workers:

- **60% of those in the sample had evidence of returned direct debit payments, indicating financial difficulty**
- **Many were using multiple (especially high-cost) loan providers, and a significant proportion were in persistent overdraft**
- **Loans and repayments made up an average of 7% of NHS employees' total outgoings (compared to an average of 8% outgoings on housing)**
- **At least half would struggle to sustain an unexpected expenditure of £100 in a month without going into overdraft, or further into overdraft**
- **Only 4% showed evidence of payments going into savings and investment**
- **50% were receiving benefits, which make up a significant proportion of income for many**
- **68% had at least one gambling transaction in their account history**

More than 100 different lenders were being used by the NHS workers included in the study, with a significant number charging an extremely high cost for credit. The list of high-cost lenders can be found in table 7 of the report. This prevalence in the use of credit and loans, particularly from high-cost loan providers, is concerning. It is clear that individuals need access to support and financial education, as well as better awareness and access to more affordable loan options.

The cost of borrowing from CDFIs.

'While interest rates on [CDFI] personal loans are usually between 100-200%, that is a fraction of payday lenders' rates. Smart secured a £200 loan at an annual rate of 191% – compared with the 1,604% she paid on a payday loan.'
– The Observer, 2021[11].

CDFIs offer a cheaper alternative to high-cost credit. Not only that, but their customers get a lot more for their money. They get access to a wealth of wrap-around services, and compassionate, patient forbearance when things go wrong and they can't keep up with their loan repayments.

CDFIs save their customers on average £262 compared to if they had taken out a high-cost loan for £500 over 26 weeks. That's more than 2 months' worth of gas and electricity bills. And for a £750 loan over 6 months, they can save their customers an average of £403 on each loan[12].

"I've had many loans from Moneyline over the last few years. They have helped me lots of times when needed. The repayments are always affordable, and the interest is very little, compared to other companies. Thank you for always helping me."
– Moneyline customer.

Comparing the cost of a £500 loan from a typical CDFI, Moneyline, with two high-cost credit providers over 6 months.

MONEYLINE

Cost of credit
£160.78
total to repay
£660.78

Mr Lender

Cost of credit
£473
total to repay
£973

LoanPig

Cost of credit
£500
total to repay
£1,000

Short-term products, particularly for higher-risk customers, tend to have a higher cost. This is because people on low, insecure incomes are more likely to have unpredictable finances, and therefore are at a higher risk of defaulting on their loans. Within this market CDFIs are the significantly cheaper option. CDFIs charge the cost of delivering the loan to maintain their own sustainability.

Given the well documented consumer detriment that high cost debt has caused, there can be negative perceptions when it comes to interest rates and Annual Percentage Rate (APR). When talking about short-term credit, it's more accurate to focus on the cost of a loan rather than APR. For long-term loans like mortgages, APR can be a good way to measure and compare the cost over a longer period. But for short-term loans APR can be misleading.

Kathryn, 45, was juggling part-time work with home-schooling her six-year old son during the lockdown, so her typical monthly earnings fell to around £800 each month, topped up with child tax credits: "I used to earn more" she says, "but I had to cut down my hours because of lockdown so I could look after my son's home-schooling."

She's determined to rebuild her poor credit rating which she knows is due to "mistakes I made when I was younger." And when she needed a small loan to help cover living expenses – "It's hard to make ends meet at the moment, £800 a month really doesn't go very far," she was determined not to turn to payday lenders, having been badly burned by her experiences with them in the past.

"I searched online for loans for people with adverse credit, and wanted to go direct to a lender, not through a broker. They just add more fees and complications. "Fair Finance came up, and I noticed they have really good reviews on Trustpilot, much better than payday lenders. I liked what they said about treating people with poor credit ratings fairly and ethically. And then googling them I couldn't find any bad words about them."

Kathryn first borrowed £200. After making her repayments she was able to borrow a further £300 for clothes for her son. "Fair Finance were really easy to talk to and really helpful. And as I pay back their loans I'm also improving my credit rating. I've had a payday loan in the past, and that wasn't a good experience – they added hidden fees for things like insurance and other charges, whereas Fair Finance are much more transparent so you know exactly what the amount is you're paying back. And the payday lender I borrowed from in the past made it easy to extend or top up your loan so it was easy to get deeper and deeper into debt – but Fair Finance won't let you get into that sort of hole, you can only have a second loan if you've shown you can repay the first."

As lockdown ends Kathryn hopes to increase her income, but meanwhile Fair Finance has been an immediate lifeline when she needed money for essentials – while at the same time helping Kathryn to rebuild her credit score.

The importance of partnerships in improving access to affordable credit.

Partnerships are central to breaking down the barriers to accessing affordable credit. Our vision is for every adult in the UK to have access to appropriate and affordable financial services.

Local Authorities and Social Housing providers sit at the heart of their communities and support the creation of resilient, vibrant and happy places to live. As part of this, they can play a central role in diverting people away from using high-cost credit.

"We recommend that RSLs, local authorities, relevant charities and consumer bodies consider how they can effectively signpost consumers to where they can find further information [about alternative to high-cost credit]."

– Financial Conduct Authority, 2019

But it's not just social landlords and Local Authorities who can partner with CDFIs to improve access to alternatives to high-cost credit. The CDFI sector already has innovative partnerships ranging from corporations, banks, and community based organisations, and it is ready to step these up.

- **Fair For You – a CDFI which specialises in supporting people to buy essential items for their homes – recently launched a 'food club' partnership with Iceland to enable people to stock up their freezers using a preloaded card. This will help hard pressed parents spread the cost of the school holidays[13].**
- **Credit reporting company Experian recently partnered with CDFI Scotcash to divert the people using its loan comparison service who are ineligible for mainstream lenders away from high-cost credit providers[14].**

These kinds of pioneering relationships will be a key driver for scaling up the CDFI sector. As the county rebuilds and recovers from Covid-19, now is a perfect opportunity to work together on creative solutions to increase financial resilience.

Moneyline customer Lynne* is 50 years old and lives in the West Midlands. She has been through a lot, and described her situation back then as "rubbish" and a "pickle".

MONEYLINE

A messy divorce, from an abusive relationship: "There are words for it now, I know now that he was 'financially abusive', that it was 'coercive control' of my life, and, as a parent you want to protect your children" "I was at such a low, it's difficult to tell you how debilitating the stress at the time was, on my own, with the boys, it was crippling".

"At one point I was working five jobs, at that time I was working two. Then, I had a job interview; if I got the job it would mean 3 times, 4 times what I was earning, but you know, it's so difficult, the washer wasn't working, my options were non-existent.

"I saw a leaflet for Moneyline, actually, as I think on it now, I saw it at my interview, it was on a rack, I discreetly took it, and checked them out. They were ethical, reputable".

"When I told them my circumstances, they were amazing. They showed faith in me, it is no exaggeration to say that their support at that time meant I could keep my family together. I know they're not the cheapest, they're taking a risk on high risk people, people who need a break, but the stability I got from that loan to fix that washer, to give me a little extra to get sorted for work, they'll never know how grateful I am, still am..."

Lynne got the job. She is now in secure employment with a good job, decent pay and no housing debt. "What they are, a non-profiteering firm with the right ethos. It is evident in their thinking, in their support for people. They did not need to take an interest in me, to see me as a person. A lot of other lenders turn their back on you. When they transferred me those funds, that day, they were saying 'let us see how we can help'. What a difference it made. What a relief. They have helped me to progress, to the point now where I can say 'I've got this'."

*name changed

Thank you.

We would like to thank our members who were able to complete the survey this year.

References:

[1] Fair4All Finance (2020) Transforming Affordable Credit in the UK.
[2] Financial Conduct Authority (2021) Financial Lives 2020: The Impact of Coronavirus.
[3] Ibid.
[4] Gov.uk Ethnicity Facts and Figures: Age Groups, accessed 05/05/21.
[5] Financial Conduct Authority (2021) Financial Lives 2020: The Impact of Coronavirus.
[6] Financial Conduct Authority (2017) High-cost credit, Including Review of the High-Cost Short-Term Credit Price Cap.
[7] Financial Conduct Authority (2021) Financial Lives 2020: The Impact of Coronavirus.
[8] Fair Finance and Shift Design (2020) Understanding the impact of Covid-19 on Fair Finance Customers.
[9] Full case study available at responsiblefinance.org.uk
[10] Harrison, T. and Andreeva, Dr G. (2021) The Financial Health of NHS Workers. Final Report. University of Edinburgh Business School.
[11] Kalyeena Makortoff (2021) The Observer, CDFI: the community spirit that's saving borrowers from payday loans
[12] Based on a £500 loan over 6 months/£750 loan over 6 months. CDFI cost of lending taken from Responsible Finance's survey. High-cost lending comparison carried out using providers' online tools accessed 19/05/2021 for Peachy.co.uk, Moneyboat.co.uk, Loan Pig and Mr Lender.
[13] Fair For You: Shop at Food Club
[14] Co-op News (2021) Experian launches loans from credit unions and other non-profits.

Appendix.

All data is from the reporting period 1st April 2019 - 31st December 2020.

Where figures refer to traditional CDFIs, this is data from CDFIs who are captured in the FCA definition of a Community Finance Organisation*.

Loan disbursals and characteristics

Total lending to individuals and homeowners (personal and home improvement) – all lenders

Total loans (#)	Total unique customers (#)	Total (£)
42,442	31,231	£39,044,700

Total personal loans to individuals – all lenders

Total loans (#)	42,211
Total unique customers (#)	31,000
Total loans (£)	£35,633,737
Total number of new loans made with a value of £1,000 or less (%)	88 %
Total number of new loans made with a repayment term of 52 weeks or less (%)	93 %
Average overall loan size (£)	£844
Average traditional CDFI loan size (£)	£655

*a community benefit society, a registered charity or a community interest company limited by guarantee (within the meaning of Part 2 of the Companies (Audit, Investigations and Community Enterprise) Act 2004).

Total home improvement loans to homeowners – all lenders

Total loans (#)	231
Total unique customers (#)	231
Total loans (£)	£3,410,963

Average cost of borrowing – traditional CDFIs

£500 over 3 months	£98
£500 over 6 months	£163
£500 over 9 months	£234
£750 over 3 months	£147
£750 over 6 months	£242
£750 over 9 months	£349
£1,000 over 3 months	£197
£1,000 over 6 months	£321
£1,000 over 9 months	£464

Borrower characteristics

All figures are from traditional personal lending CDFIs.

Gender identity

Female	70 %
Male	30 %

Age

18-24	9 %
25-44	60 %
45-64	27 %
65-75	3 %
75+	1 %

Residency status

Social housing tenants	58 %
Private rental tenants	28 %
Owner occupiers	2 %
Other, e.g. living with friends and family	11 %
Undisclosed	1 %

Employment status

Unemployed	55 %
Employed	42 %
- Part time	35 %
- Full time*	65 %
Other, e.g. retired, student	3 %

*for those who recorded it

Individual gross annual income

< £13,900	35 %
£13,900 - £16,200	16 %
£16,200 - £18,600	12 %
£18,600 - £21,300	11 %

Dependents

Lone parent with a child/children under the age of 18	29 %
Couple with a child/children under the age of 18	9 %

Living with a disability

Living with a disability	8 %

Benefits recipients

Benefits recipients	71 %

Region

East Midlands	1 %
East of England	1 %
London	18 %
North East	2 %
North West	21 %
South East	2 %
South West	1 %
West Midlands	23 %
Yorkshire and the Humber	3 %
Scotland	9 %
Wales	19 %
Northern Ireland	0 %

Reason for borrowing

Paying essential bills and expenses, including unexpected bills (e.g. electric and gas, groceries, funeral expenses)	6 %
Paying for an appliance/white goods (e.g. washing machine, cooker)	6 %
Paying for furniture and electricals (e.g. TV, sofa)	4 %
Paying off/consolidating other debts	1 %
Paying for transportation (e.g. car, car repairs)	6 %
Paying for special occasions (e.g. Christmas, birthdays, wedding, holidays)	40 %
Paying a rental deposit or moving house	2 %
Related to child's school or baby (e.g. school uniforms)	2 %
Paying for a student loan or training course or university costs	0 %
Paying for home improvements	21 %
Other	12 %