Delivering a Real Alternative to High Cost Lending

The Social Impact of Fair for You | First Report

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About the Centre for Responsible Credit

The Centre for Responsible Credit is an independent research and policy unit hosted by the Learning and Work Institute. Established in 2010, we have a remit to monitor the development of credit markets, to research models of responsible provision, and to promote policy responses which protect the long term interests of households.

We strive to challenge the economic orthodoxy that has led to Britain's current personal debt crisis and provide high quality research to support effective policy and service delivery. Our work has a high impact, and is often cited in Parliament and the national media. Examples include our research into the regulation of high cost and predatory lending in the UK, which led to a cap on the total cost of credit that can be charged by payday lenders.

Our current work programme is grouped around three themes:

- Improving Credit Regulation;
- Getting Britain out of Debt; and
- Supporting Financially Healthy Lives.

Further details can be found on our website at www.responsible-credit.org.uk

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1. Introduction

1.1 In December 2015, Fair for You Enterprise CIC launched with its initial offering of affordable, unsecured, loans to help people on low to middle incomes purchase essential white goods. Fair for You Enterprise CIC is a Community Interest Company wholly owned by Fair for You Ltd, a registered charity, which has as its aims: the advancement of education in relation to money and debt management, and the relief of financial hardship and distress through the advancement, provision and facilitation of affordable sources of credit. The lending subsidiary is run on a not for profit basis and has the ambition of changing the way that lending is conducted for lower income households – providing them with loans that are flexible, supportive, highly visible and transparent and meet the modern borrowing needs identified, as well as treating the customer with respect.

1.2 Both the charity and its lending subsidiary have been created in order to provide a real alternative to the high cost credit sector. Although credit unions and other forms of community finance lenders exist, these are often only available to people living within defined local areas and have struggled to gain a national profile. In contrast, Fair for You has a national on-line presence and is open for business throughout the UK.

1.3 The initial Fair for You offering of loans to support the purchase of white goods represents the first national not for profit challenge to the high cost rent to own sector, which is currently dominated by BrightHouse. Problems in that sector are long standing and include:

- The high cost of goods, which are purchased using very lengthy conditional sale agreements. These typically run for 156 weeks. Church Action on Poverty has calculated that if a BrightHouse customer were to purchase a fridge freezer of the same model through Fair for You then this would be fully repaid much more quickly, after only 69 weeks[1].

[1] This calculation assumes that the customer makes the same weekly repayment as for the BrightHouse agreement of £8.50 per week.

- The selling of additional warranties and insurances, and levying of default fees, which can significantly increase the overall cost of the agreement over its lifetime;
- The lack of protection for the customer due to the fact that essential goods purchased using conditional sale agreements can be repossessed if the customer experiences financial problems;
- Poor service, with reports including customers being put under pressure to purchase higher cost items and 'heavy handed' recovery tactics

1.4 These problems are well known to regulators and policy makers. Indeed, last year saw an inquiry into the sector by the All Party Parliamentary Group ('APPG') on Debt and Personal Finance. During this inquiry, the Financial Conduct Authority ('FCA') expressed particular concern about:

- The adequacy of affordability assessments made by Rent to Own firms;
- A lack of forbearance for customers who were struggling to repay;
- A lack of transparency in firms' charging structures and advertising; and
- That customers may be overly focused on the weekly cost of repayment with little attention paid to the base cost of the item, the cost of add-ons or the total amount payable for the item, including all charges and fees.

1.5 As a consequence, the FCA brought forward its timescale for putting lenders in this sector through its authorisation process. To date, that process is still ongoing and no rent to own lenders have yet obtained full authorisation, although they continue to trade on the basis of 'interim permissions'.

1.6 Importantly, the final APPG report commended the development of alternative, not for profit, challengers to this sector. Fair for You, which at that point was in the process of raising capital and pursuing an application for authorisation from the FCA, was specifically mentioned. In contrast to the rent to own firms, Fair For You obtained full authorisation in November. It started making loans within three weeks of being authorised.

1.7 We are delighted that the Centre for Responsible Credit has been selected and contracted by the Charity parent organisation to review progress throughout the current year and to report on the impact that Fair for You is having. This is our first such report, covering the period from the launch of Fair for You through to the end of February 2016. Future reporting will be on a quarterly basis.

Our approach to measuring Social Impact

1.8 Over the course of the year, we are focused on providing a robust evaluation of the social impacts of Fair for You.

1.9 Our starting point is to examine how many of Fair for You's customers would otherwise have to resort to using high cost lenders, and to quantify the savings that they make in interest and other payments as a result.

1.10 However, there is a need to go much further than this. For example, we are interested in demonstrating the extent to which Fair for You moves people away from high cost credit use, helps them to rehabilitate their credit score and at the difference that cost savings make to people's everyday lives. Whether this means that customers are better able to heat their homes, feed and clothe their children, or obtain other essential items that they could previously not afford as a result. These are longer term impacts, and to help us gain a more detailed understanding of these, we are establishing a panel of customers who can be tracked over time.

1.11 We are also interested in whether or not people have been going without essential items, or using inefficient appliances, for some time and how this has affected them. Research in the development phase of Fair for You indicated that the breakdown of domestic appliances such as cookers, washing machines and fridge freezers was hugely disruptive for lower income families. For example, lower income single parents reported that they often had to either rely on family and friends, or faced much higher costs and greater inconvenience because they had to buy microwave meals, travel to launderettes, and could not buy food in bulk and store this properly. For families containing people with long term illnesses, including mental health problems, and disabilities going without basic appliances often constituted an emergency, and led them into using high cost lenders out of desperation.

1.12 But the social impacts do not end there. We are also interested in how the experience of using Fair for You contrasts with that of using high cost lenders and how this makes people feel about themselves: whether they feel valued as a customer and that they are being treated with respect, and how that feeds through into more general well-being. In this respect, an important aspect of Fair for You's service is the recognition that not all applicants will be in a position to take out a loan. Fair for You refers these applicants to Turn 2 Us for a full benefit check and a hardship grant search, and is able to track and monitor outcomes and offers to reconsider future applications.

1.13 For those who are in a position to take out a loan, many will require a flexible and supportive approach to maintain payments, and potentially require these to be rescheduled at no additional cost to ensure that these remain manageable when circumstances change.

About this report

1.14 Chapter two provides details of the Fair for You lending operation to date, including how well it is reaching the target demographic of rent to own customers; the challenges that it faces in doing this and the role that other agencies, notably local authorities and social housing providers could play and the barriers to this.

1.15 Chapter three then provides several case studies of customers that have used the service, drawing out the initial qualitative evidence concerning impact. As mentioned, we will build on this in future reports. This section of the report also reports on the outcome of referrals made to Turn 2 Us and on the work that Fair for You is doing to ensure that people are provided with the required level of repayment flexibility.

1.16 Finally, chapter four provides our conclusions and recommendations for future practice and reporting.

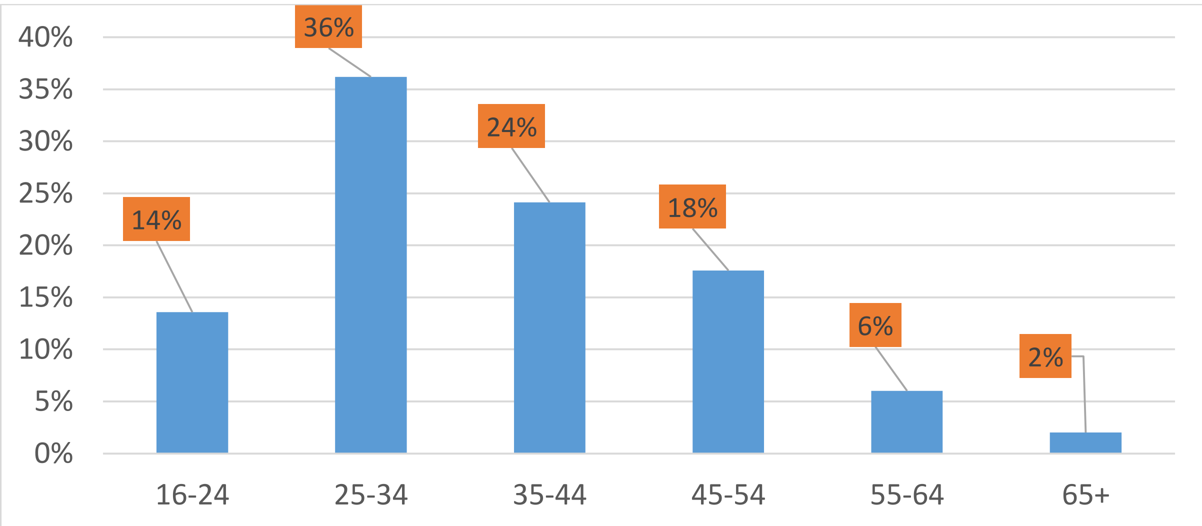
2. Reaching the target audience

2.1 The APPG inquiry into rent to own elicited important information about the typical profile of customers in this market, finding that:

- Up to 78 percent of customers are female
- Customers are usually aged 22-49;
- 60 percent have children;
- 50 percent of customers are wholly or partly reliant on benefit income;
- 94 percent live in rented accommodation; and
- On average, rent to own customers have just £19 per week to set aside for one-off costs.

2.2 The early evidence from Fair for You is that this demographic is being targeted effectively. Although not all of this information is gathered routinely from the application process, a customer survey undertaken in February revealed that 73 percent of applicants were female and that the median age range was between 25 and 34 years old. Indeed, 60 percent of all customers completing the survey were aged between 25 and 44 years old (see figure 1, below).

Figure 1: Age distribution of Fair for You Customers, February 2016



2.3 The proportion of customers in the survey with dependent children is also in line with the rent to own market profile, with 64 percent of households containing these.

Further to this, over half (58 percent) of all households were headed by a single adult indicating that Fair for You is also reaching into the single parent demographic.

2.4 In terms of income, just over half of all customers have someone in the household who is in paid employment (52 percent) but 48 percent do not, and are wholly reliant on benefits. Of those households with someone in employment, many of these are likely to receive some form of income related benefit due to the fact that nearly 40 percent of these work on a part-time basis. Again, this would indicate that younger single parents are the main demographic that is being reached.

2.5 Indeed the median income for customers is just £170 per week, which places them in the poorest 25 percent of the income distribution, and around three quarters of this income is comprised of benefits, including child benefit.

2.6 Further to this, it is clear from information obtained from credit reference agencies that all of Fair for You customers have a history of using high cost credit in the prior 12 months, including door to door moneylenders and/or rent to own stores.

2.7 Detailed calls with customers have also revealed that many households approaching Fair for You contain someone with a long term health problem or disability, with other members of the family often receiving Carer's Allowance. This allowance is not usually included in income assessments by lenders, but is often critical to the financial sustainability of the household. As we go onto report in the following chapter, basic appliances such as washing machines and cookers are also vital for this group, and breakdowns can create significant anxiety.

Challenges in reaching out

2.8 Despite the fact that Fair for You has been successfully marketing itself in ways which clearly attract the target demographic, its social impact is heavily dependent on it getting to scale. In this respect it faces challenges in getting its marketing materials out via sources other than the internet. The primary difficulty reported to us in the initial phase has been nervousness amongst local authorities, housing associations and the voluntary and community sector concerning the interest rate charged by Fair for You. This appears to have translated into a reluctance to actively inform service users about Fair for You.

2.9 Nervousness amongst potential supporting agencies appears to be centred on the APR rate of Fair for You loans, which is quoted as a representative 42.6 percent on marketing materials. This is despite the fact that:

- Many credit unions receiving grant assistance from local authorities and with existing partnerships with housing associations charge 42.6 percent APR. They were previously capped at 26.8 percent but many of these, including ABCUL, argued for an increase in the cap in order to allow them to compete better with high cost lenders;

- Fair for You's representative APR is significantly lower than that of BrightHouse, which quotes a figure of 69.9 percent for its loans; and

- Fair for You's loans are made over a much shorter period – typically between 6 months and one year. The statutory APR calculation, which favours long term agreements, is skewed against this;

- Rent to own firms artificially lower the APRs on their agreements by inflating the 'cash price' of goods. This makes it look as though they are charging less interest but the total price paid by the customer is extortionate. In contrast, Fair for You provides tailored and supportive loans to purchase essential items from wholesalers and retailers who are obliged under contract to maintain prices that compare to the high street.

- Finally, rent to own firms also impose additional costs for the removal of old items and inflate installation fees. It has been reported to us that rent to own firms charge as much as £55 for the delivery and installation of fridge freezer. In comparison, Fair for You charges only £8.40 for installation into the correct position in the home with free delivery and removal of the old item.

2.10 It is also perhaps worth recalling the FCA's observations on the peculiarities of the statutory APR calculation, and the way in which this misrepresents the true cost of shorter term agreements[2]:

[2] Para 1.15, 'Proposals for price cap on high cost short term credit', Financial Conduct Authority, July 2014

> *"We decided not to specify our proposed cap in terms of APR (the annual percentage rate of charge) as, while it is useful for comparing the basic cost of loans of the same size and duration that are paid back on time, it is not easy to compare loans of different size and length – for example, a shorter loan that costs the same as a longer one would have a much larger APR."*

2.11 Fundamentally, the actual costs of a loan from Fair for You, even at the maximum credit union rate, are much lower than borrowing from BrightHouse or any other rent to own firm. For example, a tumble dryer from BrightHouse would cost £780 over three years with interest and compulsory insurance and service cover. Buying through Fair for You at high street prices and with an APR of 42.6% would result in less than half the cost[3].

2.12 In our view, local authorities, housing associations and the voluntary and community sector could, and should, do more to help Fair for You get to market. This is particularly important since the end of the discretionary Social Fund and the replacement of community care grants by 'local welfare schemes'.

The cessation of Community Care Grants and decline of Local Welfare Schemes

2.13 As part of its programme of welfare reforms the Department for Work and Pensions (DWP) took the decision to abolish the Community Care Grant and Crisis Loan elements of the Discretionary Social Fund in April 2013. Since that date the funding previously used to support this provision has been allocated to upper-tier local authorities in England and to the devolved administrations in Scotland and Wales.

2.14 Community Care Grants were particularly used to support the purchase of essential household items, and were available to people in receipt of qualifying benefits who faced 'exceptional' financial pressures or who needed help to meet expenses in order to prevent them from going into residential or institutional care. Grants could also be awarded to people who were not in receipt of benefits but who needed help to furnish a new home following a stay in residential or institutional care or as part of a planned resettlement programme, for example where someone has previously been homeless.

[3] See, for example, 'Credit Unions Vs Payday and High Cost Credit', Association of British Credit Unions Limited

2.15 Following the ending of Community Care Grants, local authorities were funded to provide Local Welfare Schemes to meet these types of need. However, the budget has been subject to cuts and many have imposed much tighter eligibility criteria and rolled back the level of support available[4].

2.16 In January this year, the National Audit Office reported[5] that because funding for local welfare schemes is not ring-fenced within the general Revenue Support Grant:

> *"The future of local welfare provision appears uncertain. With reducing resources and competing pressures, many councils say they cannot afford to continue offering this support without specific government funding. Some have already stopped or reduced the provision they introduced in April 2013."*

2.17 The National Audit Office has recommended that Councils review what support is available locally and particularly consider whether public agencies and the charitable sector, to which many people are having to turn, has the capacity to deal with demand.

2.18 In our view, these reviews now need to consider how Fair for You fits within the landscape of possible solutions, including charitable grants, for people needing essential items, and how Fair for You can be promoted to people who are not eligible for grants.

2.19 For example, several local authorities have acted to stop public computers being used to access payday lending sites, instead providing pop ups which refer people to credit unions. This type of action could be replicated with respect to rent to own sites, with people redirected to Fair for You instead.

2.20 More broadly, councils, housing associations, and the voluntary and community sector could also include information about Fair for You in their newsletters and communications with residents, tenants, and service users and feature the types of

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[4] We have previously reported on problems with the delivery of local welfare schemes. See Gibbons, D. (2015), 'Where next for local welfare schemes?', Centre for Responsible Credit.

[5] 'Local Welfare Provision', January 2016, National Audit Office.

case studies reported in the following chapter to illustrate when a loan from Fair for You is likely to help.

3. What impacts are customers reporting?

3.1 Although Fair for You has only recently started to lend, we have been able to determine a number of social impacts from qualitative interviews with customers.

3.2 These impacts reflect the nature of the product range on offer from Fair for you at this point in time. Around 70 percent of loans made in the initial period of lending have supported the purchase of cookers, washing machines, and fridge freezers. Most customers that we interviewed have therefore reported the inconvenience caused by the loss of use of these appliances or focused on the additional costs that they have incurred as a result. Even where the customer has managed to obtain a replacement via Fair for You before their existing appliance has completely stopped working, it is apparent that the threat of these appliances failing causes stress and anxiety within households, and many customers reported that they expected to have to resort to using high cost lenders in order to have them replaced. Many people we spoke to were delighted to finally be provided with an affordable and friendly alternative.

3.3 Susan's story was typical of many that we encountered. **A hard working single mum, Susan is 46 years old, works part-time in a local supermarket and receives Tax Credits.** She lives with her 20 year old daughter, who is also working, and her 14 year old son. Following the break-up of her relationship with the children's father Susan had to deal with a number of debts that had been incurred and also suffered with depression. However, she has agreed regular payments towards these and has been in permanent employment for the past 4 years.

3.4 Susan has previously used BrightHouse, most recently to obtain a mobile phone for her son at Christmas time. However, she did not find the application process easy noting that 'with BrightHouse you don't get an instant decision and have to take all your paperwork to the shop'. She also found the staff very unfriendly, and received a number of phone calls afterwards 'hassling' her for payment even though she wasn't late with this.

3.5 Unfortunately, Susan's oven, which was quite old, developed a fault a few months ago, which meant that it was operating inefficiently: taking twice as long to cook meals and costing more too. Fair For You provided a loan for a new cooker, which was delivered to her within three working days. Although she was not able to determine exactly how much she would save, she knew that it would be cheaper to run. Just as importantly to her, she would now be able to put food on the table at a scheduled time for her children.

3.6 When asked about the service she received from Fair for You, Susan gave them 'ten out of ten' for ease of use, friendliness of service, and value for money, commenting:

> *"It's much cheaper than BrightHouse. I wouldn't recommend them [BrightHouse] to anyone unless they were really desperate".*

3.7 However, Susan also noted that unless Fair for You is able to expand its offering beyond white goods she may still have to use high cost lenders.

3.8 The importance of replacement appliances was greater for customers we spoke to whose existing items had ceased to work altogether. For example, **Zena, a 34 year old single parent with a 14 year old son, and who is working full time in a customer service centre,** needed help to buy a new fridge freezer. Her existing appliance had stopped working and this meant that she was unable to buy in bulk, which was increasing the amount she paid for food. In fact, she had been without a freezer for over a year. Although she knew that this had cost her a lot of money she was not able to put a figure on this.

3.9 Zena's previous fridge freezer had been obtained from BrightHouse. However, she was very reluctant to use them again because she had found them to be very expensive. At the time she was desperate and felt she had no other options. Again, Zena rated Fair for You '10 out of 10' for ease of use, friendliness of service and value for money and was 'really happy' with her new fridge freezer.

3.10 Similarly, **Jane and her partner Mike, who are both in their fifties and are out of work with long term health problems,** had lived without a working cooker and tumble dryer 'for months' before becoming aware of Fair for You. Although they described living without a tumble dryer as 'inconvenient', their main problem was the lack of a cooker. The couple, who receive Employment Support Allowance, had been living off microwave meals, which they were finding very expensive. They had struggled financially as a result, and on occasion they had to have meals provided to them by their adult children who visited, which they found embarrassing. Although Jane had not used rent to own stores like BrightHouse, and did not generally like using credit at all, she described Fair For You as 'brilliant'.

3.11 Although she had not been without a cooker for anything like as long, **Leila, a 24 year old single parent with two young children**, felt under pressure because her four year old son's birthday was approaching and she was hosting a party for him and his friends. Leila's cooker had been broken for five days, during which time she had not been able to cook a 'proper meal' for her or her children; something she prided herself on always doing. She had also had to freeze all the food that they had previously bought but which could no longer be cooked and do a new food shop to get microwave meals.

3.12 Leila had previously used BrightHouse to furnish her flat. However, she told us that this experience could 'not have been worse'. She describes the service as 'terrible', and told us that they were 'always on the phone chasing payments' and were 'very patronising'.

3.13 She also told us that BrightHouse are terrible value for money, giving them only 2 out of 10 for this. After repaying BrightHouse she had only £25 per week left for food, which was 'a real struggle', but she felt she had no other choice available to her at the time. In contrast, Leila gave Fair for You '10 out of 10' for ease of use, friendliness and value for money and told us she would definitely recommend them to others. She 'definitely' won't be using BrightHouse in the future.

3.14 Even the knowledge that essential items are on their 'way out' can be particularly worrying for households containing someone with a long-term health problem or disability. We spoke to **John, a 49 year old man who is partially deaf following the removal of a brain tumour and who also has spinal problems**. His wife, Karen, is also waiting for a hip replacement. Together, they receive Personal Independence Payment and Employment Support Allowance, and also get help with their housing and Council Tax costs. John had previously used BrightHouse to obtain a cooker and a tumble dryer. However, the cooker was now 'on its way out' and John was aware that he had been charged a lot of money for the tumble dryer: paying 'well in excess' of £900 for an item that should 'probably have only cost about £200'. He has never missed a payment with BrightHouse, but found it 'heartbreaking' that he had paid out so much in interest. The cooker now needed 'urgent replacement', and John described getting this sorted out as a top priority as it was making him and his wife very anxious that they wouldn't be able to eat properly.

3.15 If Fair for You hadn't been available John was convinced that he would have had no choice but to 'pay over the odds' again with BrightHouse, which he described as 'greedy'. As well as obtaining a new cooker, he also used Fair for You to obtain a new kettle, as his old one was 'falling to pieces'. He describes his new products as being 'absolutely perfect. I love them' and he is '99 percent certain' that he won't be using BrightHouse again. He rated Fair For You '10 out of 10' for ease of use, friendliness, and value for money and only wished that Fair For You could expand their range of products so that he could get other household items through them.

3.16 Likewise, **Louise, a 55 year old single parent with full time caring responsibilities for her severely autistic son**, Jonathan, found the risk of her washing machine breaking down very stressful. Louise found Fair for You online when searching for options to get a new washing machine as this was 'on its way out', and it was very important for her to get a replacement at a reasonable price. She has had to borrow from high cost lenders before but didn't want to have to do so again, telling us that she borrowed from Provident in the run up to Christmas when she was 'very short of money', and that she had also previously used BrightHouse in the past. She knew these lenders were not good value for money and didn't want to use them again.

3.17 Louise was really pleased with the service that she received and with the cost of the loan. Rating Fair For You as '10 out 10' on ease of use, friendliness of service, and value for money' she told us:

> *"I can't fault them at all. It was all done very quickly, and they were very helpful. You get a good price for what you are buying and a really low rate of interest. And you can choose the length of time you need to pay over as well."*

3.18 Finally, we also heard how taking out a lengthy three year rent to own contract to replace one item can mean that people then can't afford to replace other items in their home**. Julie, who is 30 years old and who has young twins,** told us how she had obtained a fridge freezer and tumble dryer from BrightHouse, but had found the cost of these too much and had eventually returned them. In the meantime, the high repayments that Julie had been making to BrightHouse meant she wasn't able to afford to replace a washing machine and kettle, which had broken down. She has since got a fridge freezer and tumble dryer following a loan from Fair for You and commented that:

> *"The service has been absolutely brilliant. The cost is much better and the appliances are better too."*

3.19 Again, Julie gave Fair For You '10 out of 10' for ease of use, friendliness and value for money' and wished that they did other items too.

Working with people to get things right

3.20 Customer interviews have also revealed how Fair for You is working to provide the repayment flexibility that people require, and responding to changes in circumstance.

3.21 On some occasions this is responsive. For example, **Ronald contacted Fair for You to advise that he had changed jobs in February and this had caused a problem with the payment of wages**. He expected this problem to be resolved in March and asked that Fair for You collect two payments when he is paid, which was agreed to with no additional fees and without affecting his credit file.

3.22 But often people are embarrassed about their inability to make a payment on time, and are worried about reporting their financial difficulties. Being pro-active and treating people with respect, assuming that there is a genuine problem which needs to be resolved rather than an intent not to pay, is critical.

3.23 **Victoria was contacted by the Fair for You team following a missed payment**. She told them that she had lost her job shortly after taking out her loan and, as she was unable to make any payment at all, was anxious about speaking to them. Fair for You accepted that there was a need to provide her with time and told her not to worry but to stay in contact. A few weeks later, Victoria phoned back to say she had been successful in obtaining a new job and she made a payment to reduce the arrears and reschedule her payments. She expressed her thanks for Fair for You being interested in the reason for the missed payments and for not demanding the full arrears balance straight away.

3.24 Whilst moving in and out of employment is a frequent cause of missed payments, Fair for You has also witnessed a high level of health related problems which impact on repayments.

3.25 For example, **Julie was called into hospital for an operation at short notice due to another patient's cancellation**. As a result she was unable to transfer money into her account to cover her loan repayment. Fair for You got in touch asking her if everything was alright. She called us immediately on her discharge from hospital and cleared the arrears on the account, and was grateful for the friendly nature of the communication and that there were no charges for late payment.

3.26 Similarly, **Lesley spent three weeks in hospital having been diagnosed with cancer**. Fair for You accepted that this was a difficult time and asked that she get in touch when she was in a position to deal with things. When she left hospital Lesley immediately cleared all of the arrears and thanked Fair for You for being so understanding.

What about people who can't afford a loan?

3.27 Fair for You is a responsible lender and refers all of those that can't apply for a loan to Turn 2 Us for a hardship grant search or to review benefits. Over 25 percent of people who have been refused a loan have followed the link to Turn 2 Us sent to them by Fair for You.

3.28 In future impact reports we will be following up on some of these applicants and interviewing them to determine their outcomes and what further support may be required.

4. Conclusions and Recommendations

4.1 Although Fair for You has only recently started lending, it is clear that it has been successful in providing an attractive offer to people who have previously used high cost lenders, and rent to own firms in particular.

4.2 From the information provided to us from Fair for You's customer survey it is clear that the demographic of Fair for You's customers closely matches that of rent to own firms, with low income single parents particularly prevalent. Fair for You is also finding that many of its customers live in households containing someone with a long term health problem or disability. Some further work is needed to monitor the prevalence of health problems amongst the customer base, and look at how accessibility can be improved for people with disabilities. In addition, Fair for You could also improve its customer survey to gather information on housing tenure, which is not currently recorded.

4.3 These aspects aside, it is clear that Fair for You is having an impact in a number of important ways:

- There is a recognition by its customers that Fair for You is different. This goes beyond simply being cheaper than the rent to own firms, although the price savings are considerable. In particular, customers recognise Fair for You as 'easy to use' and 'friendly'. This appears to improve its chances of successfully maintaining contact with customers and rescheduling payments when problems occur, as is inevitable when targeting lower income households;

- The goods that are offered by Fair for You are seen as essential. There is evidence that households incur higher costs by having dilapidated or broken appliances, for example, because they cannot feed themselves and their families cheaply, store food effectively or have to use launderettes. However, the cost savings associated with new cookers, fridge freezers, and washing machines are not the only impact. For many customers, there is also the 'pride' of being able to cook 'proper' meals for their families; the independence from having to rely on friends or family, and the sense of achievement that comes from attaining a 'normal' living standard;

- For many customers, having to go without, or feeling that they may have to go without, essential appliances, adds to their general anxiety and struggle of managing on a low income. Customers also expressed to us that they were fearful of having to use rent to own firms again because of their previous bad experiences of these, and the knowledge that they were extremely expensive. It is apparent from the case studies in this report that the experience of using Fair for You is altogether more positive for customers than that of using rent to own firms, and BrightHouse in particular.

4.4 Our next report will explore these impacts in greater detail, and will benefit from tracking customers over a six month period. We are particularly keen to explore how Fair for You is contributing to a reduction in anxiety and to the improvement in mental health for customers who have previously been reliant on high cost lenders.

4.5 We will also need to look in more detail at those applicants who are not provided with a loan to determine the effectiveness of the signposting to Turn 2 Us and what other support may be required.

4.6 However, we also call on local authorities, housing associations, and the voluntary and community sector to do more to help Fair for You get to scale. Many of Fair for You's customers are likely to have previously been eligible for Community Care Grants from the Discretionary Social Fund, because they face 'exceptional pressures' or their health would be at risk if they were unable to obtain essential household appliances for any length of time. However, Community Care Grants have not been available from April 2013 onwards, and local authorities have cut back on local welfare provision. As a consequence many people have had no other alternative but to use high cost lenders. Until now. This report has provided compelling evidence that a real alternative is now available, and we recommend that:

- Local authorities extend their approaches to counter payday lending to the rent to own sector. Searches on public computers for rent to own firms should be redirected to the promotion of Fair for You and other, not for profit, affordable lenders;

- Local authorities, housing associations, and voluntary and community sector agencies should actively promote Fair for You to their residents, tenants, and service users by featuring Fair for You in newsletters and other communications and by using case study examples of how Fair for You can help.