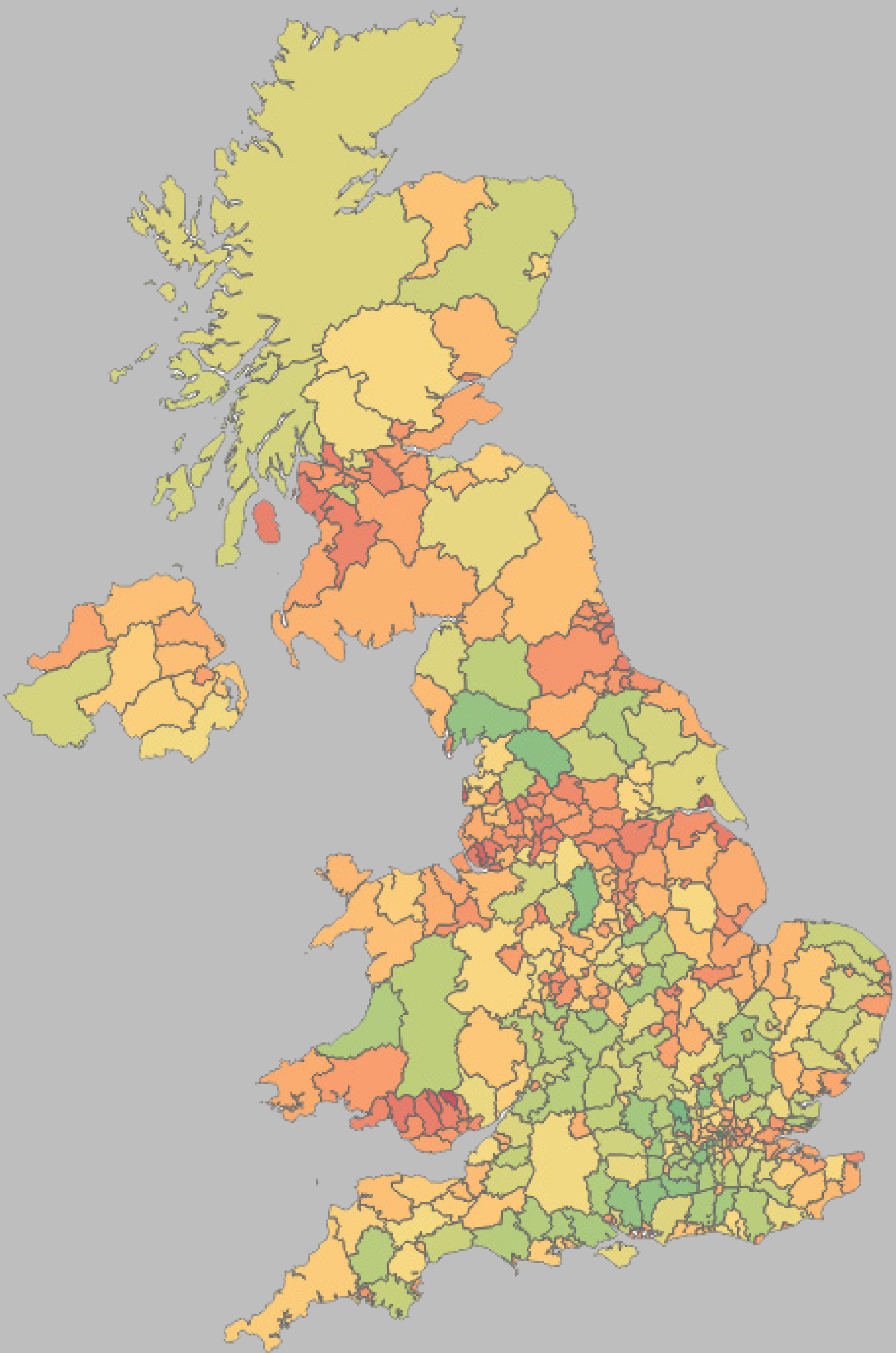
The Good Credit Index

Sacha Hilhorst
Elliot Jones

July 2019



Demos is a champion of people, ideas and democracy. We bring people together. We bridge divides. We listen and we understand. We are practical about the problems we face, but endlessly optimistic and ambitious about our capacity, together, to over-come them.

At a crossroads in Britain's history, we need ideas for renewal, reconnection and the restoration of hope. Challenges from populism to climate change remain unsolved, and a technological revolution dawns, but the centre of politics has been intellectually paralysed. Demos will change that. We can counter the impossible promises of the political extremes, and challenge despair – by bringing to life an aspirational narrative about the future of Britain that is rooted in the hopes and ambitions of people from across our country.

Demos is an independent, educational charity, registered in England and Wales.
(Charity Registration no. 1042046)

Find out more at www.demos.co.uk

DEMOS

This project was made possible thanks to a generous grant from NewDay.

Published by Demos July 2019.

76 Vincent Square
London, SW1P 2PD
T: 020 3878 3955
hello@demos.co.uk
www.demos.co.uk

Contents

Acknowledgements

We owe a debt of gratitude to several people and organisations for their support for this project. This report was made possible by a grant from NewDay. We thank them for their support, expertise and engagement throughout this project, which was an invaluable resource at every stage.

Many organisations kindly and generously shared data and insights with us. First of all, we would like to thank data, analytics and technology company Equifax for sharing data for this project as well as insights from the remarkable credit building programmes they have supported. We would also like to thank trade association ABCUL, cash point network LINK and the Registry Trust.

We would also like to thank all our Demos colleagues for their input, particularly Josh Smith for all his work making the credit environment strand possible, Hettie O'Brien for her brilliant insights, Tessa van Rens for generously offering to proofread, Laurence Cubbon for ironing out difficulties along the way and Izzy Little and Maeve Thompson for their expert guidance in the production and dissemination stages.

Finally, we thank all the participants in our focus groups for sharing their frank and honest assessment of the UK credit economy. Their stories were truly remarkable.

As always, any errors and omissions remain our own.

Sacha Hilhorst and Elliot Jones

Executive Summary

This inaugural Good Credit Index maps access to good credit across the country. Combining a number of public and private data sets measured at the local authority level, the Index is more granular and comprehensive than previously possible. The Index will be repeated yearly.

The Index is divided into three strands: credit need (including variables such as income, the percentage of people struggling to keep up with bills and the volume of credit searches), credit scores (including i.a. rates of CCJs and insolvencies as well as average credit scores) and the credit environment (the number of payday lenders and pawnbrokers but also bank branches and credit unions on the high street).

Key findings include:

- At least 29 local authorities in the UK can be defined as 'credit deserts', which means the average person in the area would struggle to access affordable credit. Credit deserts are defined as areas where poor credit scores intersect with high credit need. The Index shows that credit deserts tend to have a higher density of payday lenders, pawnbrokers and rent-to-own shops.

- Post-industrial towns show particularly high levels of credit need. These places tend to fall towards the bottom of the index, with the South Wales Valleys and Merseyside struggling especially. However, it is worth noting that this does not correspond to high levels of unsecured consumer borrowing overall. In general, this tends to be higher in more affluent parts of the country where more people have access to cheap and abundant credit, such as 0% interest credit cards.

- The credit environment has changed considerably since the height of payday lending on the high street around 2013-2014. The seven biggest payday lenders who were trading on the high street during the peak years have jointly lost over a thousand shops.

- Nevertheless, payday lenders, pawnbrokers and rent-to-own shops are still clustered in areas with high credit need. The areas of the highest credit need have almost five times as many payday lenders, pawnbrokers and rent-to-own shops as the areas with the lowest need.

Considering the wide credit gap between different parts of the country, Demos calls for place-based strategies to build better credit, outlined in the Recommendations at the end of this report.

Introduction

For most UK citizens, credit has become a part of everyday life. Almost four in five UK adults (79 per cent) hold some form of consumer credit, including credit cards, personal loans and retail finance.[1] But when we need a loan, a mortgage or a credit card, not everyone is able to get credit at an affordable price under fair conditions. Inequalities run through the system - some are invisible, such as the credit scores attached to us all, and some visible, through high streets filled with pawnbrokers and payday lenders. Differences in credit need and credit environment result in vastly different experiences from region to region, borough to borough or even street to street. In a London focus group, participants described the difference between their high street and the high streets in more well-to-do parts of town. One woman said: "It's completely sanitized for people [in more affluent areas]... They haven't got a clue how the real world actually operates. They would just go to a merchant bank." Another added: "They've got a bank manager to look after them, I'm sure." In some areas of the country, most people can access an affordable loan, while in other areas, it is a distant fantasy. This research maps these hidden and not-so-hidden inequalities, presenting the inaugural Good Credit Index.

People in our focus groups and polling were clear: good credit is affordable, sustainable (offered only to those who can reasonably pay it back) and transparent (both in it advertising and its use). Users of high-cost credit often see no other option. As one man said, "If you've got children and you need your washing machine fixed, you haven't got any choice, have you?" - but they deserve viable alternatives. Or better still, they need support to ensure they don't need short-term credit in the first place. This Index formulates recommendations to help identify, design and target interventions.

In the Good Credit Index, access to good credit is divided into three different strands:

> *(1) credit need.* Are people in need of credit? It includes indicators such as the percentage of households struggling to keep up with bills, the percentage of people on low incomes and the volume of credit searches.
> *(2) credit scores.* Do people have sufficiently high credit scores to access credit options with lower interest rates?
> *(3) the credit environment.* What type of credit does the local high street offer? This strand classes bank branches, free cash points and credit unions as positive factors and payday lenders as negative factors.

The Good Credit Index brings together 21 different variables across the three streams to present a picture of credit in the UK in a more granular and comprehensive way than ever before. Most of all, the Good Credit Index aims to be a thinking tool. Repeated annually, it will allow us to track progress over time, to identify the areas with the lowest access to good credit and to break down complex issues into their constituent parts. Is it a matter of thin credit files? A lack of affordable provision?

Some local authorities might be called credit havens. These are places where need is low and scores are high. We might look at these places for examples of best practice, especially when they score better than would be expected based on average income alone. We also identify 25 'credit deserts'. Just as food deserts are areas where it is difficult or costly to access healthy and nutritious food, credit deserts are areas where it is difficult or costly to obtain good credit. These divisions tend to reproduce themselves over time, as businesses come to anticipate a higher or a lower default rate and adjust their offer accordingly. Many forms of risk scoring factor in geographic data, calculating a risk premium not just on the basis of data about an individual, but also on the basis of information about the area they live in. This can mean that two otherwise identical people could pay different rates based on where they live. Furthermore, the high street offer will change shape in response to (lack of) demand. Therefore, the UK needs a place-sensitive strategy for economic well-being, and financial inclusion should be a key part of this.

	Credit scores: high	**Credit scores: low**
Credit need: low	Credit haven	Credit-free economy
Credit need: high	Market-based solutions	Credit desert

Users of short term credit on how to define 'good credit'

> *The APR has to be lower [than it is now]. 1,298%, how about that? Your children will be paying for that and their children will be paying for it.*
>
> *I think [we need] a greater level of responsibility, so not just giving it to anyone who walks through the door. Maybe taking a deeper look at, can this person afford to pay it back alright. Or even borrow this much. There's so much emphasis on just, if you come in, you can get this today.*
>
> *I think [payday lenders are] preying on people that are vulnerable and that's not right.*
>
> *[Good loans] are clear and obvious about what you can and can't get. There's nothing hidden.*

01.

Place and credit

"In any run-down town - and plenty of not so run-down towns - the pawn shop and the loan shop are default occupiers", writes geographer Julian Dobson, making them a constant presence on the high street and in people's lives.[2] Choices about credit are not made in a vacuum. In areas with credit unions and local welfare schemes to help people weather financial difficulty, it is easier to maintain healthy finances. For those living in areas with high concentrations of bad credit options, however, it becomes more difficult to make choices that secure financial resilience. When faced with a sea of bad options, people who are already financially unstable or indebted can slide into a downward spiral.

The places themselves are also shaped by differential access to credit. Credit options are unevenly spread across the country, with payday lenders disproportionately clustered in deprived areas.[3] High-cost credit providers have a doubly negative effect on communities and high streets: they can worsen the financial difficulties of local residents and extract money that could otherwise circulate in the local economy, exacerbating processes of urban degeneration. This chapter summarises the academic and grey literature on place and credit, supplemented with findings from focus groups in London and Sheffield.

Geographies of financial inclusion

Policymakers and academics tend to view credit mostly through the lens of personal finance rather than geography. As Leyshon, French and Signoretta note, the lack of interest in the geography of financial inclusion can reflect a "disjuncture" between the perspective industry professionals and policy makers, and the realities of financial inclusion as experienced "on the ground."[4] When a bank branch closes, for instance, what might appear on a map to be a straightforward three mile journey to the nearest alternative becomes far more problematic and time-consuming when immobilities of place - such as access to a car - are taken into account.

Work from the Bureau of Investigative Journalism showed the importance of geography to understanding the distribution of bad credit across the UK. Data collected in 2014[5] suggested that high-cost short-term credit (from here on, HCSTC) and payday loan providers deliberately targeted deprived areas in the UK; Lewisham, the 16th most deprived area in the UK, was the "capital" of high cost credit, with 7.6 providers for every 100,000 residents. At the time of the report, a Lewisham councillor revealed that HCSTC providers had flyered council estates, suggesting a level of geographic and socioeconomic targeting on the part of HCSTC providers. Work from Alan Walks on household debt in Canadian cities notes that "just like income and wealth, debt commitments and highly leveraged households are unevenly distributed across space, with implications for the financial, social and political stability of metropolitan regions and local neighbourhoods."[6]

Despite the fact that many people now access financial products including HCSTC loans online, geography and place are still important for understanding the reality of financial exclusion as experienced by many people in the UK. As research from the Consumer Finance Association in the UK shows, a distinction exists between consumers of high street payday loans and consumers of online payday loans. High street payday loans attract proportionately more consumers from low-income backgrounds than online payday loans.[7] Moreover, even when consumers purchase their loans online, they may still receive targeted advertisements and adjusted risk premiums based on their location.

In focus groups, participants said that high-street lenders facilitated impulsive decision-making. Especially when living hand to mouth for a long time, people described hitting a breaking point. Getting a loan was “like a drug”. This was enabled by retailers doing everything in their power to make the process frictionless.

> *If it's on the high street, you can actually walk into the shop and take the rings off your fingers and the chain off your neck and say, "Okay, take this. I'll do whatever." It's much more a split second thing if you're desperate.*

> *I think there is a difference [compared to online] because when you go into a shop like that, I feel like the staff are trained to be persuasive. When someone comes in, they're going to try and talk you into it. Even when you have somewhere like BrightHouse, they'll try and say to you what a good idea it is to do this.*

> *[The first time I took out credit] was in a local shop. It looked all attractive and inviting, and I thought it was quite targeted and it had a lot of minority people on the displays in the window. I went in there, and it was really easy. I was young and I was quite desperate, and they made it sound like it would be a few minutes, "Oh, just sit down for a few minutes. Give us your photo ID." It was really quick to get the money. It was very quick and really easy. There wasn't much talk of the consequences or paying it back.*

Environments and decision-making

Understanding the role of geography and place in the HCSTC market is also instrumental in grasping how people decide between good and bad credit options. Research on “obesogenic” environments provides a helpful analogy. An obesogenic environment is one that “promotes gaining weight and [...] is not conducive to weight loss”.[8] Such environments are characterised by poor access to healthy food and few opportunities for physical activity. For example, a US study found that people who did not have a walking or biking trail within ten minutes from their house were significantly more likely to be obese.[9] There is also evidence that the presence of unhealthy food options in and around schools heightens the risk of obesity in pupils, particularly for students from less wealthy families.[10] Similarly, UK and US scholarship has identified ‘food deserts’, where it is particularly difficult to access affordable, healthy food.[11] The exact influence of obesogenic environments and the prevalence of food deserts are a matter of academic debate.[12] What is relevant in the present context, however, is that social inequalities are expressed geographically, and that these geographies may subsequently reinforce those same inequalities.

The UK credit landscape can be understood in a similar way to obesogenic environments and food deserts. When people live in places with a deluge of poor choices - high-cost, short term credit and payday loans - they are less able to make sound financial decisions, and more likely to get caught in a downward spiral of indebtedness. Once someone has taken out a loan once, they will receive constant offers of more credit from that point on. It can be very difficult to close credit accounts (such as store cards). Moreover, from the moment someone performs even just a ‘soft search’ to see if they are eligible for credit, they are inundated with flyers in the mail. “It is hard to close your account. They won't do it,” one woman said. “Once I just paid it off, I was like, ‘I want it shut down, I don't want it anymore. Take me off the file.’ It's just impossible.” Many participants in the focus groups described an experience of being “sucked in” or “getting hooked”.

> *It's so easy to just step inside and be like, "Well, this would be a solution for a really difficult problem I have.”*
>
> *People get stuck in this trap so when there's a little offer of a little bit of money, they're not getting from anywhere else, you can't go to your bank and get a loan, it's easy for people to just say, "Yes, I'll do it. Why not?" Because people want to have the normal things they see everyone else having.*
>
> *They are on the high street with all the stuff in the window, which is, you know, a nice sofa, and a nice this and a nice that. [...] The interest rate is still high. I thought the government was supposed to have done something.*

In short

Place matters for financial decision-making. It influences the financial options we see around us and the price we pay for them. Literatures on food deserts and obesogenic environments offer a useful guide to think through issues around credit beyond the limiting lens of personal finance.

> **The intersection between geography and financial indebtedness is crucial for understanding how the high cost credit market operates, why providers target particular places, and why some places have higher levels of household debt.**

Experiences of credit

> *It's just if you don't have savings and you're in need - your washing machine breaks... I just didn't have any savings. You just go and take [a high-cost loan], and obviously, you just begin to learn how bad they are.*
>
> *It's too complex. If you've got a slight mental health problem, you cannot deal with any of that [...] It goes above your head and rather than have to deal with that, you just say, ‘I give up.’*
>
> *You hit a breaking point [after living hand to mouth for a long time] and don't really care how you're going to get it back at that point.*

02.

Policy developments

Where do people turn for credit, other than mainstream lenders? And how have policy developments affected access to good credit from the government, the free market and social lenders? Over recent years, the market for credit has undergone several drastic changes. With the localisation of the social fund, the government largely removed itself as a lender to the lowest-income households. Over the same period, the market for short-term high-cost credit expanded. The government and regulators have attempted to curb the worst excesses associated with high-cost credit, with the FCA setting a credit cap and the government announcing a pilot for a zero interest loan scheme.

Government loans

Some have argued that the state should function as a lender to the lowest income households when they experience financial shocks. To an extent, this was the role of the Social Fund, which was established in 1986 to provide a variety of payment options for the most financially vulnerable within society. One element of the fund was the Budgeting Loan, a means-tested government-led lump sum credit system for people on social security benefits. The Social Fund was localised in the 2012 Social Reform Act, passing the responsibility for budgeting loans to Local Authorities.[13]

Localisation coincided with large cuts to local authority budgets, and welfare funding was not ring-fenced. A 2016 analysis by the National Audit Office found that councils had spent only 56 per cent of the money devolved from the Department for Work and Pensions on welfare programmes.[14] Many limited or restricted the types of loans they provided (e.g. only for white goods). Recent figures from Greater Manchester Poverty Action show that in 2017/18, the number of successful applications for support through local welfare assistance schemes in England was 161,337, compared to the 1,329,693 awards made through the social fund in 2010/11 – an 88 percent decrease.[15]

Under Universal Credit, it is possible to get a budgeting advance to cover unexpected payments. However, conditions are strict and there is no longer any ring-fenced local budget to identify and remedy local need. Charities have voiced major concerns, with several arguing that the Social Fund was not so much localised as it was abolished.[16]

Recently, the government announced that it will be piloting a programme of no-interest loans, modelled, it seems, after the Good Shepherd scheme in Australia which was successful in reducing dependence on payday loans there. This is a positive development, although as of yet, details are sparse and it is not yet clear how many people would be eligible. In addition, the government has made £55 million from the dormant accounts initiative available to Fair4All Finance, an initiative which will seek to improve access to affordable credit and promote alternative solutions to those who need it.[17]

Payday loans

Changes in the payday loan market and subsequent regulatory interventions have further restricted the availability and nature of credit. Payday loans are unsecured loans with a running time under 12 months.[18] The market for payday loans expanded rapidly between 2008 and 2012. By 2012, payday revenue had surpassed £1 billion, with some 10.2 million payday loans written. There is extensive evidence that consumers do not shop around for a payday loan, but rather opt for the most easily available product.[19] In addition, many consumers were structurally dependent on payday loans, taking out an average six loans a year.[20] Many would 'roll over' their loans, extending the duration of the loan, often for a high fee.[21]

The regulator for the financial industry, the Financial Conduct Authority (FCA), has determined that for some it is better not to borrow at all than to borrow at a high price. Using a sophisticated quasi-experimental research design, the FCA could determine that, all else being equal, those who were only just accepted for a payday loan were more likely to fall into further financial difficulty (missing payments, exceeding their overdraft limits and defaulting on debt) compared to people with ever so slightly lower credit scores who were rejected for the same type of loan. "HCSTC", the FCA could determine, "was the cause of these increased risks."[22] Informed by this research, the FCA set a price cap, restricting interest rates at 0.8 per cent per day and total repayment including fees at 100 per cent.[23]

Since the introduction of the cap, the market has contracted. The number of people taking out at least one high-cost short-term loan fell by 800 thousand in 2014-2015 compared to 2012-2013. In large part, this is due to lower applications, rather than more rejections. Those who do still access payday loans are likely doing so at a slightly lower cost. Citizens Advice reported an 86 per cent decline in the number of clients who contact them about payday loan problems, and also saw sharp reductions in people accessing advice about payday loans on the website.[24] Many people who would have previously been able to access a payday loan now cannot. Research from the Carnegie UK Trust, Barrow Cadbury, Toynbee Hall and CBiS suggests that people rely on friends and family or go without, sometimes with harmful consequences.[25] People might also decide to postpone paying 'safe bills', purchase goods on credit and sell them for cash or turn to illegal moneylenders. There is however a lack of data to estimate the prevalence of each of these alternative strategies.

Credit unions and CDFIs

The government has proposed using credit unions in order to challenge the prevalence of payday loans. The number of people using credit unions has grown rapidly, to over 2 million.[26] However, the credit union sector faces significant challenges in its capacity to offer affordable credit at scale. Each union is distinct, and not all desire to reach out to disadvantaged and vulnerable groups, with many opting to focus not on the highest-risk households but rather on those who are 'just about managing.'[27] In addition, credit unions sometimes struggle in an increasingly digital lending environment.[28]

Similarly, community development finance institutions (CDFIs) provide loans to businesses and individuals that cannot access finance from mainstream financial providers. In contrast to credit unions, CDFIs hold no savings, and instead rely on external investment to provide loan capital. In 2016-17 CDFIs in the UK lent £230 million to British businesses, social enterprises and individuals.[29] Of their customers, 33 per cent had a household income below £15,000 and 47 per cent were benefit recipients.[30] CDFIs have traditionally made use of public sector grants, such as the 1999 Phoenix fund and European Union structural funds. The latter provides 10 per cent of annual funding for

UK CDFIs.

The sector now faces numerous pressures, with EU funds frozen since 2016 and the coalition government deciding to dissolve English Regional Development Agencies, a major source of CDFI funding. Responsible Finance, the trading name of the Community Development Finance Association, has advocated for a national CDFI fund of £150 million to unlock investment and scale-up the industry's impact on "excluded and underserved communities".[31] However, to achieve long-term financial sustainability, CDFIs must "demonstrate their viability, without subsidy, to commercial investors".[32]

Reviewing current policy

The Good Credit Index divides access to good credit into three dimensions: credit need, credit scores and the credit environment. Significant policy energy has gone into improving credit scores, especially through data solutions such as fintech-enabled rent recognition, which ensures rent payments boost an individual's credit scores in the same way mortgage payments do. Meanwhile, changes in government provision of loans and regulatory pressures have changed the credit environment, restricting the supply of credit from both the government and commercial lenders. Few policies, however, have addressed the reasons people need credit. Policy interventions such as the credit cap have arguably been a great success, but future strategies will need to tackle credit need as well as credit supply. This will require critically assessing, for example, programs such as Universal Credit and devoting more policy energy and investment to early interventions when people fall behind on essential bills, finding ways to boost incomes and devising schemes to help people access essential goods such as refrigerators and washing machines at a low cost. The final chapter of this report makes a number of policy recommendations to improve access to good credit across all three strands.

03.

Methodology

The Good Credit Index is intended to offer a geographic look at access to good credit around the UK, utilising both private and public sector administrative and geospatial data. The Good Credit Index is based on three sub-indices which measure different aspects of credit which were found to be important based on focus groups and a literature review. These three strands are the credit environment (the physical availability of good and bad credit on the high street); credit scores (the likelihood that citizens would be approved for credit); and credit need (the likely demand for credit, particularly short-term credit). The overall Good Credit Index was created by summing these three sub-indices, with an equal weighting given to each.

Level of analysis

The index is calculated at the local authority district level, which, given the available data, was the most granular level to feasibly examine. We chose to exclude Isles of Scilly, the Orkney and Shetland Islands, the Outer Hebrides and the City of London, for which the index was unreliable due to their small populations.

Data

We used a variety of data sources to produce our indicators for the Good Credit Index. In the pilot stage, we compiled a list of 48 indicators which might have a bearing on access to good credit, which were narrowed down to a shorter list of the most relevant data types. These include publicly available national statistics, publicly published data from financial inclusion charities, geospatial data scraped from Open Street Map and credit provider websites, and private data kindly provided to us by credit reference agency Equifax, credit union trade organisation ABCUL, the Registry Trust and the cash machine network LINK. In every instance we used the most recent available data. The data sets we received were aggregated to the local authority level. None of the data sets offered information about individuals.

Due to time lags in publishing national statistics, some data are from 2019, whereas others are from 2018 or even 2017. For a full list of data sources, see Appendix B.

Some of the indicators used in the index are directly linked to access to good credit. For example, when many people in a particular location are having to declare bankruptcy, this will have a direct, adverse effect on the availability of good credit. Other indicators are used as proxies. Thin credit files, for instance, can also hamper access to credit. Because there are no publicly available data on the percentage of people with a thin file, we opt instead to use proxies such as voter registration rates and the percentage of people in the rented sector, both of which signal thin credit files. In other cases, the proxy intends to capture something which is otherwise difficult to measure. In the credit environment, we include financial services such as free cash points. This is not meant to suggest that in the absence of free cash points, people opt for bad loans, but rather to capture a general measure of geographical financial inclusion.

Weighting

For each of the sub-indices, the sources used to calculate the index were weighted based on our assessment of their relative importance, utilising findings from polling to weight the credit environment and using regressions against suitable proxies for the credit scores and credit need. The table below outlines what the various strands were weighted against.

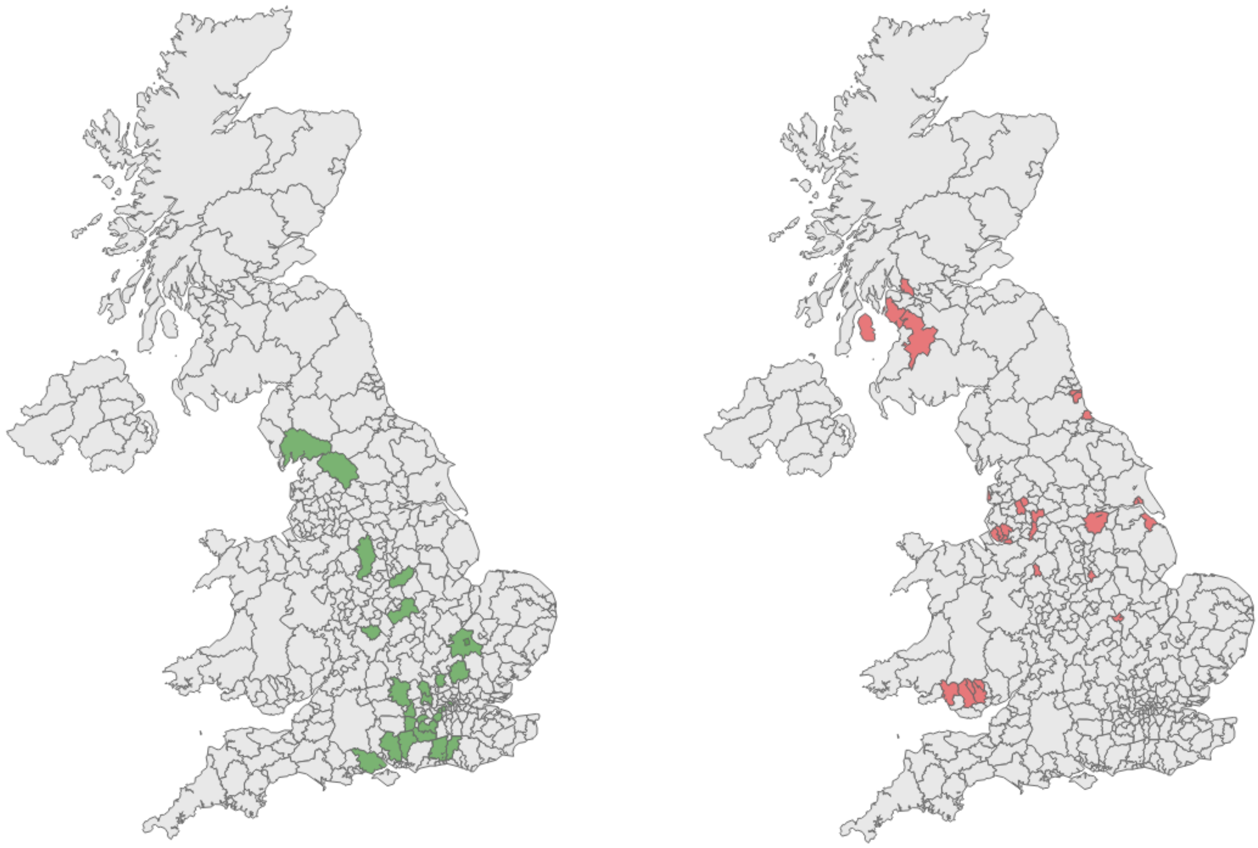
Strand	**Weighted against**
Credit need	Volume of credit broker searches by local authority
Credit scores	Credit scores by local authority
Credit environment	Polling on the relative benefit or harm of having a particular financial service on the high street (e.g. free cash points)

Limitations

The intention of the Good Credit Index is to give a sense of the overall financial health of an area, so we advise against reading too much into a local authority being placed 133th versus 134th and instead focus on the broad patterns and trends that appear in geographic distribution and the similarities and differences across overall higher and lower scoring local authorities. As the Index is repeated over time, we will also be able to assess the performance of each local authority compared to previous years.

There are also elements of access to good credit which were not included because of a lack of suitable data. This includes levels of fraud (which severely affect credit scores) and the use of illegal moneylenders (which is an indication of serious credit need). Unfortunately, there are no data available at the local authority level for either.

For a more detailed methodology, see Appendix B. For more detailed results, see the digital index which can be found online at demos.co.uk.



Maps of the highest-scoring areas (in green) and the lowest-scoring areas (in red)

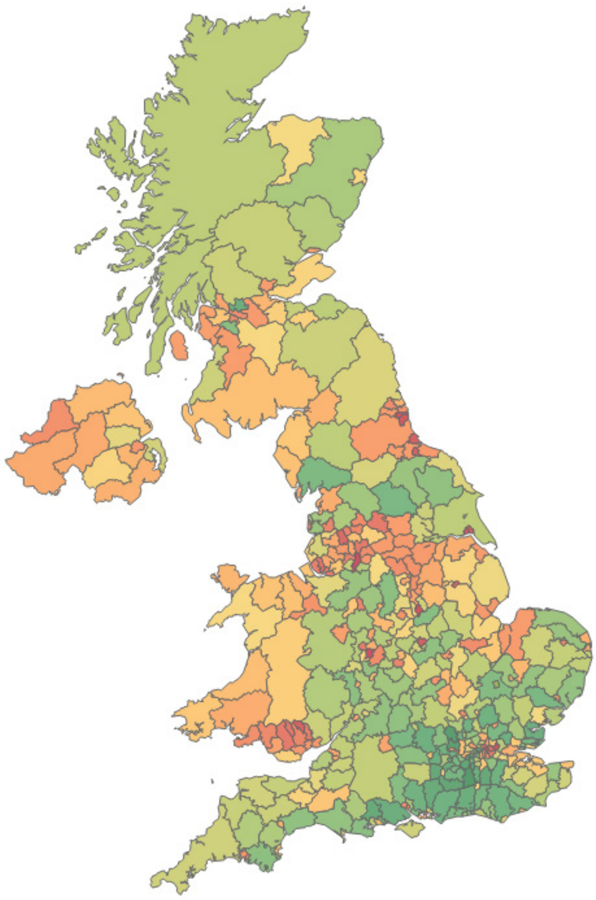
04.

Insights from the Good Credit Index

- Post-industrial towns and cities see particularly high levels of credit need, while affluent areas in the South East (including several London boroughs) see lower levels of need. Several rural areas do very well, e.g. the Derbyshire Dales.
- High credit need does not correspond to high overall volumes of credit use. Credit use is high across the country and more affluent areas, where people can likely access credit at a lower cost, seem to have generally higher overall volumes of credit use.
- 32 local authorities have an average credit rating which is usually defined as 'poor'. Most of these local authorities are credit deserts: they see a confluence of high credit need and low credit scores - discussed in more detail in the next chapter.
- Since 2014, there has been a remarkable retreat from the high street, with many payday lenders shutting down or going online-only.

Credit need

The map of credit need shows a variegated pattern. On the one extreme, we have affluent areas with high levels of financial service provision, including several of the more affluent London boroughs and large swathes of the South East of England. Rural areas fall in the middle with some at the very top, such as the Derbyshire Dales. Towards the other end, we see a clustering of post-industrial and coastal towns and cities. The Welsh Valleys and Merseyside seem to struggle particularly. In Knowsley, for example, 0.7 per cent of the adult population performed a credit broker search in March 2019, compared to a country-wide average of 0.27 per cent.



Map of credit need by local authority

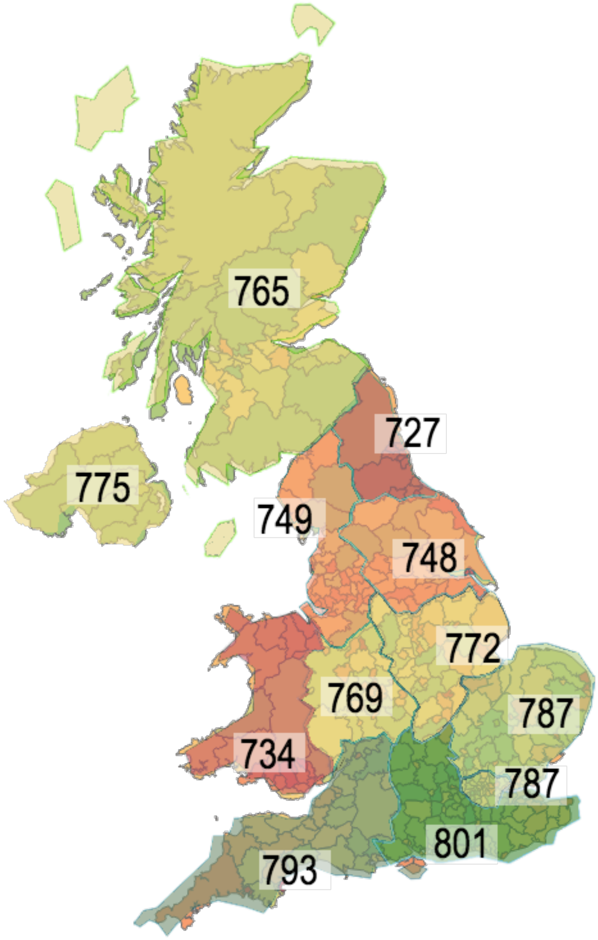
Although some of these patterns are a straightforward reflection of poverty, it is worth noting that these towns are not necessarily the poorest parts of the country. For example, the town of Corby, which is in the bottom 25 local authorities on the overall Good Credit Index, is fairly average in terms of disposable income. But when relatively high wages are accompanied by high earnings volatility and/or seasonal unemployment, this will yield a high need for credit. The over-representation of post-industrial towns in the lower echelons of the index of credit need would suggest that changing employment structures leave a long-lasting mark on credit need and access to good credit (see also the St Helens case study at the end of this chapter).

It is also worth pointing out that low levels of credit need do not necessarily translate into low levels of credit use. Maps produced by the ONS using Equifax data show high levels of consumer credit use across the country, with some of the highest volumes of unsecured consumer borrowing found in affluent areas in the South East.[33] This seems to reflect the fact that wealthier households can access credit more easily, more abundantly and more cheaply. For example, unsecured consumer borrowing in Wokingham (8th from the top in the aggregate index) is 60 per cent higher than unsecured consumer borrowing in Hull (8th from the bottom in the aggregate index), at £4840 per adult resident in Wokingham compared to £3016 per adult resident for Hull. This is consistently the case for the highest-scoring LAs compared to the lowest-scoring ones and dovetails with findings by the FCA that recent growth in consumer credit has been driven largely by people with high credit scores using prime credit products such as credit cards with 0 per cent interest.[34]

People up and down the income ladder make fairly heavy use of credit to smooth their incomes and spread out payments. The difference lies in the type of credit people use and the price they pay.

Credit scores

Credit scores are determined by a large number of different factors, mostly through black-box systems. Debts, county court judgments and insolvencies all drag down credit scores. Lenders may also choose not to lend to an individual because they already have several current lines of credit, while yet another group might be denied credit because they have thin credit files. To assess the latter, we have used proxies such as voter registration rates and the size of the rented sector, as people who rent are much more likely to have a thin credit file.



Average credit score by region

32 local authorities have an average credit score which Experian marks as 'poor' (see the full list in footnote).[1] Looking at the spatial distribution of credit scores, several factors stand out. Rural areas tend to do much better than cities. In part, this may be due to the fact that people who live in the countryside are on average older than people who live in cities. Because credit scores are all about reducing uncertainty, most of us tend to see our credit scores improve as we get older. However, when using age-adjusted credit scores, the same patterns appear.

1 The LAs with a 'poor' average credit score are Thanet, Great Yarmouth, Torfaen, Lincoln, Barnsley, Dundee City, Rochdale, St. Helens, Swansea, Blackburn with Darwen, Nottingham, Hyndburn, South Tyneside, Burnley, Corby, Doncaster, Sandwell, North Ayrshire, Stoke-on-Trent, Halton, Sunderland, Caerphilly, Liverpool, Wolverhampton, Hartlepool, Neath Port Talbot, Rhondda Cynon Taf, North East Lincolnshire, Knowsley, Blackpool, Merthyr Tydfil, Blaenau Gwent, and Kingston upon Hull.

Lowest scores	
Kingston upon Hull, City of	669
Blaenau Gwent	671
Merthyr Tydfil	685
Blackpool	686
North East Lincolnshire	689
Knowsley	689
Rhondda Cynon Taf	700
Neath Port Talbot	703
Hartlepool	705

Highest scores	
Chiltern	859
Wokingham	858
Elmbridge	853
St Albans	851
Waverley	850
Richmond upon Thames	850
Rushcliffe	849
Hart	847
South Bucks	846

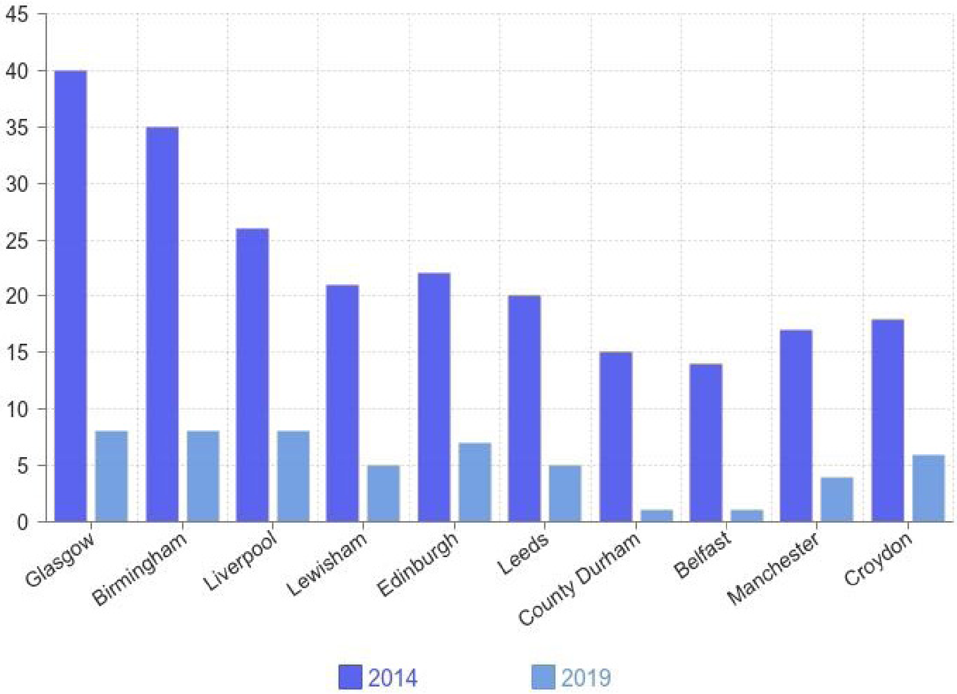
The regional distribution of credit scores shows a fairly clear north-south division. Wales and the North East have the lowest average scores, while scores are highest in the South East and South West (although scores in Cornwall tend to be much lower). The Midlands, Scotland and Northern Ireland fall roughly in the middle. Others have pointed out that within-region variation is higher than between-region variation. It is worth noting, however, that of the 68 local authorities in the South East, 63 have a higher score than any local authority in the North East. Only a few of coastal areas in the South East have credit scores similar to those in the North East (Thanet, Portsmouth, Gosport, Hastings and Southampton). This can rightly be called a credit gap.

Map of credit environment

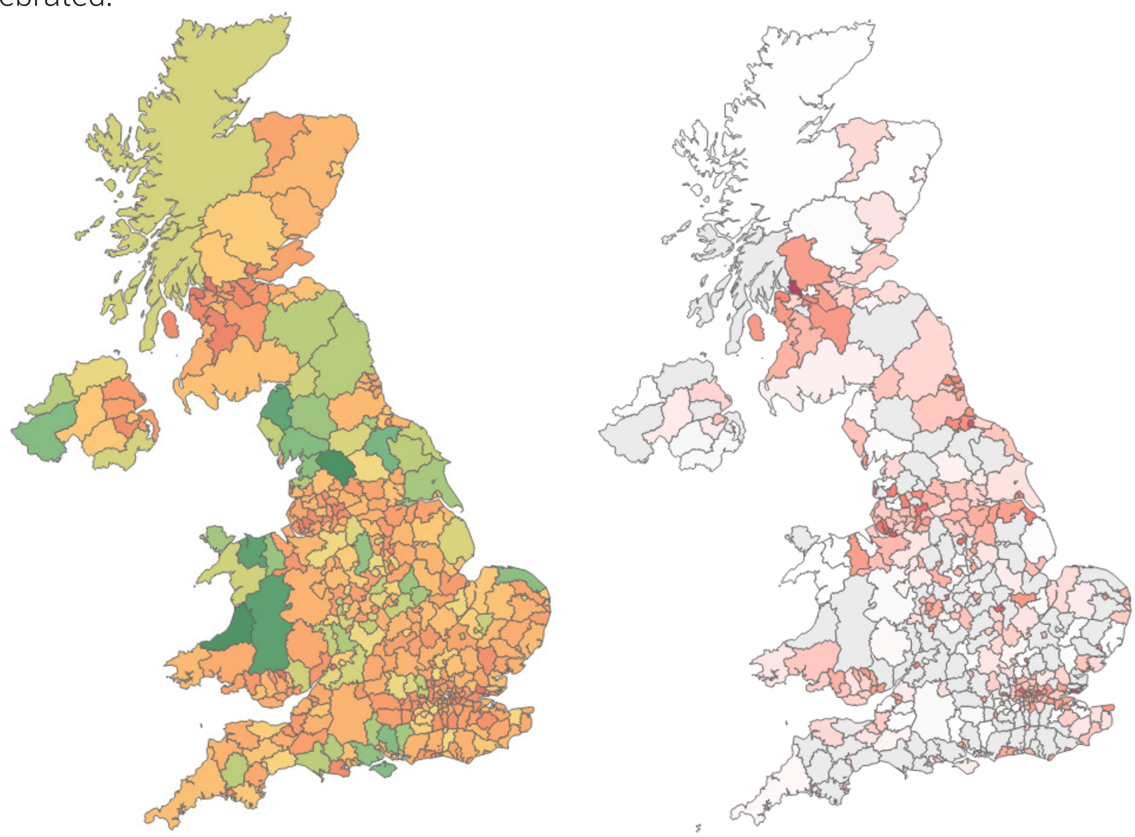
The 'credit environment' strand of the Good Credit Index maps the credit options available to people in their local area. Since their peak around 2014, there has been a remarkable retreat from the high street, with many payday lenders shutting down or going online-only. A map of all major payday lenders published by the Bureau of Investigative Journalism (TBIJ) in 2014 provides a useful benchmark. Of the seven largest lenders identified by the TBIJ at the time, only two are still offering loans on the high street (H & T Pawnbrokers and Cash Converters). Oakam, The Money Shop and Cash Generator have stopped providing personal loans, while The Cheque Centre and Speedy Cash relaunched as online-only.[35]

The FCA has been crucial in this transformation. Even before implementing the credit cap, the FCA had been warning payday lenders that it would be monitoring the market more tightly. The Cheque Centre was the first to stop providing payday loans, having been warned by the FCA that their working practices were not in line with regulation.[36] As the credit cap came into effect, others, too decided to cease their payday loan operations.

Glasgow, where the largest lenders had a combined 40 shops in 2014, there are only eight of their shops left. Cardiff, which used to have seven loan shops, has none left.



This is a remarkable transformation. It does not mean, of course, that people no longer struggle with loans - many will be struggling with other money problems including council tax and rent arrears or loan shark debt. Moreover, with many regular shops now becoming lenders as well, we may not be seeing a disappearance of high-street lending, but rather a diffusion. Many high street retailers now sell their products along with loans. Offering these loans (often with hefty charges for late repayment) has become a major and growing part of retailers' business model. Nevertheless, payday loans do represent a particularly pernicious type of debt and the retreat from the high street can rightly be celebrated.



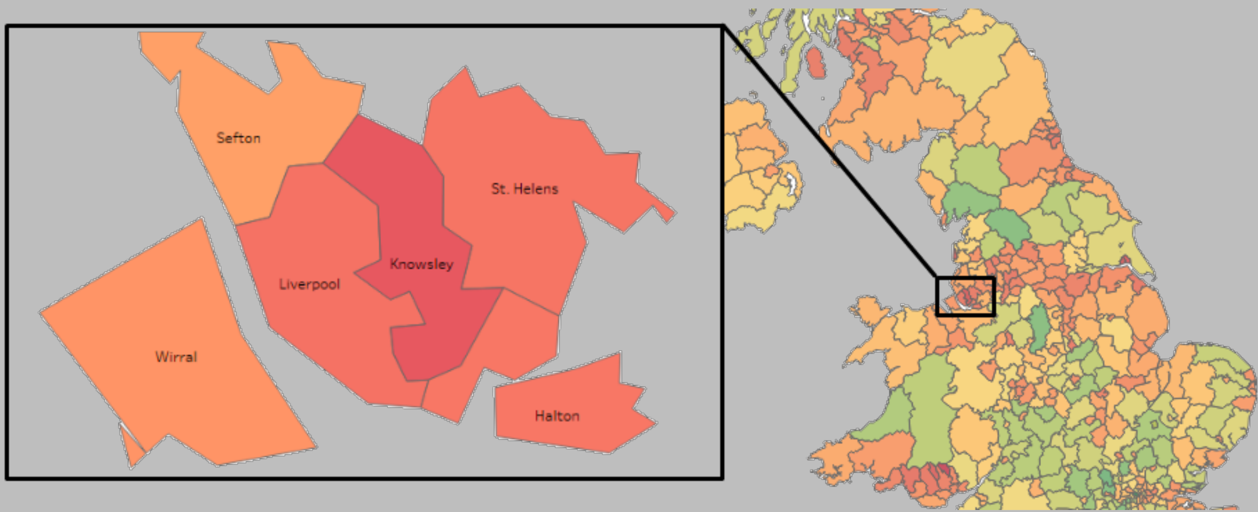
Map of the credit environment (left) and the concentration of payday lenders, pawn shops and rent-to-own shops (right) by local authority

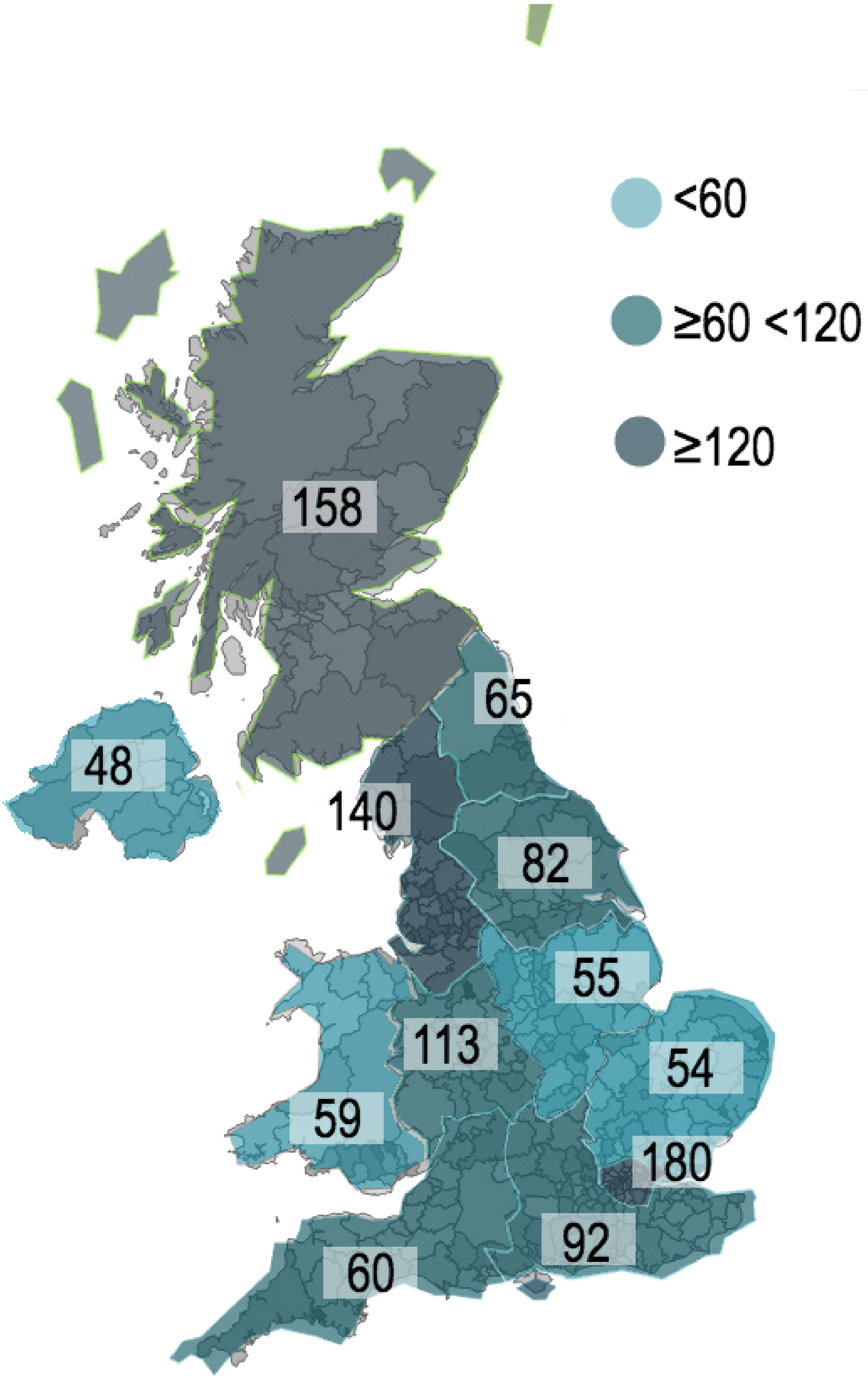
Case study: St Helens

St Helens is a metropolitan borough in Merseyside with 179,300 inhabitants. The borough is named after St Helens, the town at its centre. The town lies on top of the South Lancashire coalfield and throughout the 20th century the area was known for coal mining and glassmaking. St Helens falls in the bottom ten per cent in the Good Credit Index. It places 375th out of 386 local authorities, forming a part of a larger Merseyside cohort falling at the bottom of the index.

Looking at the index more closely, we see that St Helens has very high levels of credit need, with a much lower than average income and a comparatively high percentage of residents trying to get by on less than £10,000 per year. This translates into a very high rate of payday loan debt, personal insolvencies and County Court Judgements. In St Helens, there are 27.5 CCJs per 1000 inhabitants, compared to a national average of 16.

The high street bears the marks of this financial exclusion. The small town centre has a BrightHouse, an H & T Pawnbrokers, a Cash Converters, another two loan shops, another pawnbroker and a shop operated by a doorstep lender just outside of the centre, all in close proximity. Residents of St Helens are particularly reliant on this physical infrastructure, as a relatively high percentage of residents struggle to use the internet.





Number of 'mainstream' payday loan shops which have disappeared between 2014 and 2019, by region[37]

05.

Credit havens and credit deserts

- The Good Credit Index reveals 29 'credit deserts' - places where high need for credit coincides with low credit scores
- We see a clear relationship between credit deserts and high-cost loan shops, pawnbrokers and rent-to-own shops, suggesting a degree of targeting
- The areas of the highest credit need have almost five times as many payday lenders, pawnbrokers and rent-to-own shops as the areas with the lowest need

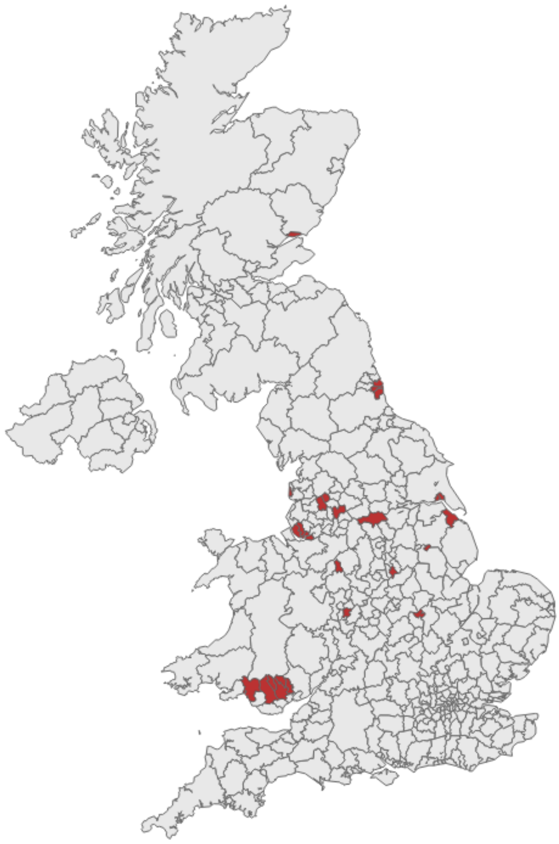
The Good Credit Index shows many different areas dealing with different challenges around credit; in some university towns, we see large numbers of young people with thin credit files, while post-industrial towns struggle with high levels of credit need and some large cities deal with high streets full of high-cost credit options. We define credit deserts as areas where the average resident has a high need for credit but would struggle to access credit at an affordable price. This is operationalised as local authorities which have:

a) A high level of credit need, scoring in the highest 20 per cent and
b) An average credit score generally defined as 'poor'[38]

29 local authorities qualify as credit deserts: Torfaen, Lincoln, Barnsley, Dundee City, Rochdale, Swansea, Blackburn with Darwen, Nottingham, Hyndburn, South Tyneside, Burnley, Corby, Doncaster, Sandwell, Stoke-on-Trent, Halton, Sunderland, Caerphilly, Liverpool, Wolverhampton, Hartlepool, Neath Port Talbot, Rhondda Cynon Taf, North East Lincolnshire, Knowsley, Blackpool, Merthyr Tydfil, Blaenau Gwent, and Kingston upon Hull.

The phrase 'credit desert' might suggest that these areas have no financial infrastructure at all, but that is not quite right. Many of these places do have bank branches, building societies and credit unions, but credit scores are so consistently low that most residents would struggle to access these. In most credit deserts, the paucity of affordable options is accompanied by a concentration of high-cost credit, as most credit deserts feature a very high number of payday lenders, pawnbrokers and rent-to-own shops (with 'very high' defined as the top quintile).

Just like food deserts often have an over-representation of less nutritious options, credit deserts have an over-representation of unaffordable lenders.

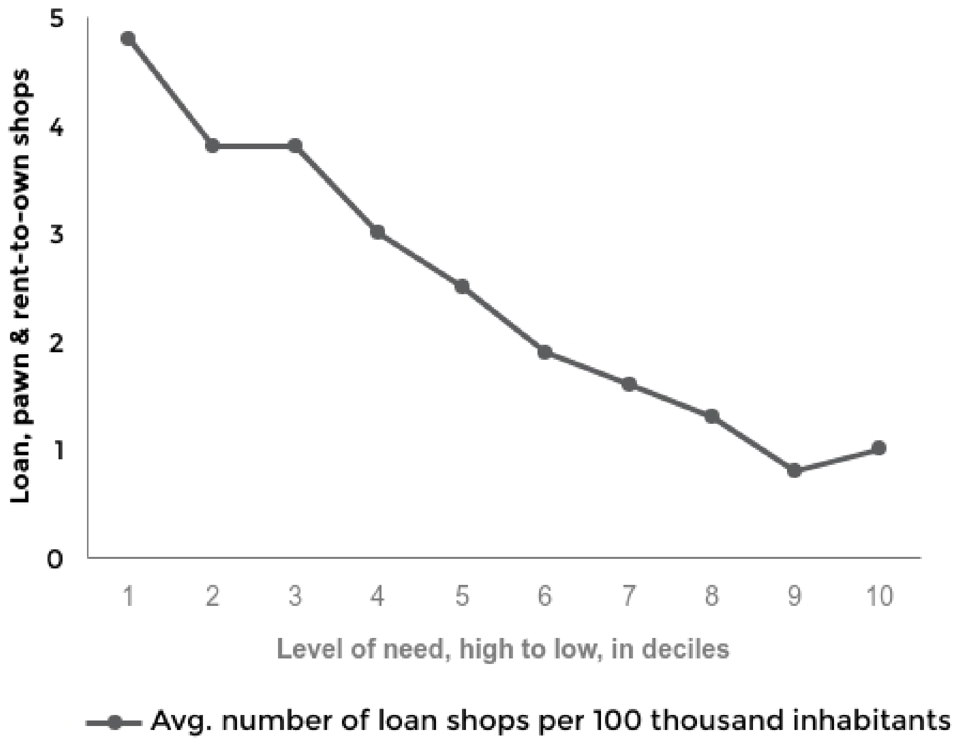


The location of credit deserts

The credit environment of credit deserts

18 of the 29 credit deserts have a 'very high' number of high-cost lenders, with almost all the remaining deserts having a 'high' presence compared to other areas.[39] By comparison, no local authority in the top fifty highest scores has a very high concentration of loan shops, pawnbrokers and rent-to-own shops, and only one (Westminster) falls in the second-highest category.

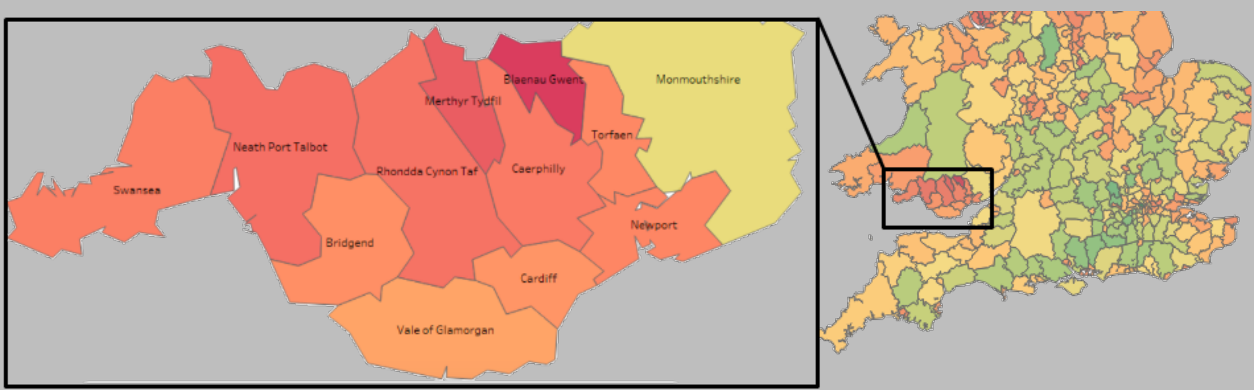
When the FCA instituted the credit cap, some retailers suggested this meant the end of lenders targeting the very poorest. But the correlation between loan shops, need and deprivation has persisted. Perhaps unsurprisingly, there is a strong correlation between the number of pawn shops and payday lenders and both the level of need and the level of credit scores. The areas with the highest credit need have almost five times as many payday lenders, pawn shops and rent-to-own shops as the areas with the lowest credit need. The correlation with credit scores is even stronger.



Case study: Blaenau Gwent

The lowest-scoring area in the index is Blaenau Gwent. Like in most of the lowest-scoring local authorities, local industry used to provide the lion's share of jobs in the area. Since the collapse of local industry, locals have struggled to find employment, with wages among the lowest in the UK.[50] Interestingly, the data suggest that volumes of payday lending are lower than average here, while the volume of searches is only just above average. The area used to have at least one payday lender, a Cheque Centre, but this shop is now closed. Credit scores here are the second-lowest in the country, so it is possible that people are not looking for credit because they know it would not be available to them.

This relatively limited use of credit does not, however, spare inhabitants of Blaenau Gwent from financial difficulty. Mapping by the Money Advice Service suggests 21.6 per cent of adults in the area are acutely struggling to pay their bills. The rates of CCJs and insolvencies are very high. This translates into very bad scores on the Credit Need and Credit Score subindexes.



06.

Policy recommendations

Although it can be a struggle for an individual to gain access to good credit, there are many possible policy solutions to help people along the way. Most notably, the Mayor of Boston, Massachusetts, launched a programme called Boston Builds Credit, recognising that lack of access to credit was holding back Bostonians and perpetuating racial inequalities. A large coalition of community groups, government agencies and private companies has been working to boost credit scores and the early results are promising. Learning from these and other trial initiatives, this chapter presents a number of policy recommendations.

Credit need

There are a number of well-known reasons people turn to credit: because of income shocks, a lack of savings combined with a necessary expenditure (e.g. a washing machine breaking down), structurally low incomes or fluctuating earnings. There are a number of ways central and local government can help people prepare or adjust, starting with a review of the government's own practices.

> *Recommendation one: Local authorities should review their own debt collection practices to ensure these are in line with best practice as outlined in the good practice protocol published by the Local Government Association and Citizens Advice,[40] as only half of local authorities currently take basic steps such as referring clients to debt agencies for help.[41]*

> *Recommendation two: Local Authorities should partner with charities to source second-hand furniture and white goods, as Swindon Council does in collaboration with the British Heart Foundation.[42] Another possibility is to partner up with a credit union to provide loans for second-hand essential items, as Leeds Credit Union does with support from the city council.[43]*

> *Recommendation three: Local authorities and advocacy groups should campaign against irregular payroll payouts, which are a major source of credit need.*

> *Recommendation four: Local authorities and social housing providers should trial early intervention schemes for low-level rent arrears, such as those outlined by Shelter.[44]*

> *Recommendation five: The government and local authorities should jointly trial (and make funds available for) converting council tax debt into a Save As You Borrow loan with a credit union to promote a habit of saving.*

> *Recommendation six: The government and local authorities should steer recipients of Universal Credit towards a specific 'jam jar' account to help them manage their finances, as Bristol City Council have done.[45]*

> *Recommendation seven: Organisations such as Citizens advice should be supported to hold monthly 'welfare reform events' in community venues, offering access to financial capability services, advice and information on welfare benefits and debt. Including financial capability training in these events has been proven to be effective in giving people a greater sense of control over their finances.[46]*

In addition, several larger changes would have to be made to ensure the benefits system helps people overcome debt, rather than worsening it. At present, Universal Credit heightens credit need and uncertainty, because of the five week wait between becoming eligible and receiving a first payment. While advances are now offered, these need to be repaid and reduce the income a claimant receives on an ongoing basis. On top of repaying new advances, a huge number of claimants being moved to UC - by some estimates as many as 70% - are also having to pay back historic overpayments of tax credits. These tax credit debts, of which many claimants were unaware, further reduce the income of new UC claimants, increasing their precarity. Universal Credit was designed to end the rollercoaster of over and under payments that characterised tax credits. It would be fitting to write off the debts from the legacy system, and give both Universal Credit and the claimants dependent on it, a fresh start.

Recommendation eight: The government should appropriately fund and ringfence local welfare schemes to help councils respond more adequately and swiftly to local need.

Recommendation nine: The government should scrap the five week wait for Universal Credit.

Recommendation ten: The government should consider a "tax credit jubilee", forgiving all historic tax credit debt as claimants are transferred to Universal Credit.

Unsurprisingly, one of the most effective ways to reduce credit need is through higher salaries. It is crucial to involve employers in the fight for good credit, lobbying them to offer a living wage, clarity about hours and a commitment to a minimal number of hours, when desired by the employee. In addition, employers could offer employees the opportunity to take part of their salary early, using fintech solutions such as those provided by SalaryFinance and Wagestream. These services allow employees to take part of their salary early for a small fee, at no cost to the employer. Another option to help employees through an expenditure shock is offering extra shifts or overtime with wages paid out immediately, allowing the employee to compensate for the extra expenditure with extra income.

Recommendation eleven: Where possible, employers should adopt best practice in preventing debt among employees, including fintech-powered 'salary advances'.[47]

Recommendation twelve: Employers should consider offering immediate-payout extra hours, so that employees can weather unexpected expenses by taking on an extra shift.

Credit ratings

Preventing acute credit need will often improve credit scores as well. For a more direct approach, several interventions are possible, especially for those who are marked down in conventional credit ratings because they are renters, migrants or self-employed.

Recommendation thirteen: Local authorities and advocacy groups should promote voter registration and rent recognition schemes.

Recommendation fourteen: Financial services should seek to develop fintech-powered income verification to help people on variable incomes, especially the self-employed, demonstrate their creditworthiness.

Recommendation fifteen: Fin-tech companies should team up with credit unions to offer digital integration.
Recommendation sixteen: Credit ratings agencies and advocacy groups should partner to offer credit boosting schemes, modelled after Boston Builds Credit and Atlanta Builds Credit in the US.[48]

Credit environment

Improving the credit environment will require both improving the number of affordable options and limiting predatory targeting for bad options. This will be especially relevant for areas towards the bottom of the index, which tend to have the highest need for affordable options and highest concentration of unaffordable options.

Recommendation seventeen: The government should trial a credit union Growth Fund, targeting credit deserts specifically.

Recommendation eighteen: The government should commit to a formal evaluation of budgeting loans under Universal Credit, to assess whether a) there is sufficient funding available, b) the procedure is adequate to help people avoid high-cost credit and c) how users experience the application and repayment processes.

Recommendation nineteen: Advocacy groups and/or charities should build a 'forget me' tool for (former) borrowers which automatically asks all high-cost lenders to delete all the files and personal information they hold on a person and cease all communications to them, so that those who no longer want to borrow money are not unduly targeted.

Recommendation twenty: Online lenders should be banned from sending reminders and other unsolicited communications to people who started but did not complete a loan application, or selling this information on.

Recommendation twenty-one: Government should legislate so that local authorities have the right to prevent any payday lender or gambling shop to open up within 200 metres of another, to prevent a concentration of adverse options.

Recommendation twenty-two: Government should legislate so that high cost lenders have to offer 'digital real estate' to advice services to signpost people to debt advice and alternatives to high-cost credit.

Recommendation twenty-three: Government should ban payday loans from being taken out between midnight and six in the morning, as evidence suggests these are more likely to exacerbate borrowers' financial difficulty.[49]

Recommendation twenty-four: The government should replace all funding to CDFIs *which is being lost due to the UK leaving the European Union.*

Recommendation twenty-five: The FCA should require companies that sell loans along with other products (e.g. cars and the loans to buy them; household items and the loans to buy them) to always clearly display the disaggregated price, including the full price of the item, the interest on the loan and any fees and charges.

Conclusions

Many of us will rely on credit at pivotal moments in our lives: to help us through an income shock, to pay for our studies, to buy a home or a car. As a result, inequalities in access to good credit ripple through all other domains of life. The Good Credit Index reveals just how much credit is a part of continuing cycles of poverty and disadvantage.

Policymakers should bear this in mind when places experience a shock, for example when a large local employer leaves. This will affect not just employment but also credit scores, credit need and debt. The results of this inaugural Good Credit Index testify to the long-lasting effects of industrial change.

Post-industrial towns were heavily over-represented in the lower rungs of the Good Credit Index, as employment shocks, often from decades ago, still reverberate in credit need and credit scores.

The Index suggests that in the future, a local area that experiences such a shock should proactively put mitigating policies in place, rather than wait until debts have spiraled out of control.

The Good Credit Index has also demonstrated the tremendous impact of the FCA's regulatory action in the payday loan sector. The seven largest high-cost lenders who were active on the high street at the height of payday lending in 2014 have jointly lost over a thousand high street venues or ceased selling payday loans from them. Cities such as Glasgow, Birmingham, Liverpool and London have lost dozens of shops. This is good news, because the literature suggests these shops were attracting an especially disadvantaged group of customers. Focus group participants spoke about the powerful pull of a loan shop when you are desperate for a solution. Equally, we know it is not enough to shut down loan shops to ensure good credit, because the need for credit is largely structural. The South Wales Valleys, for example, tend to have lower concentrations of loan shops and payday lenders, but nevertheless struggle with sky high rates of CCJs and insolvencies.

This is the inaugural edition of the Good Credit Index, which has served to establish a baseline. Future editions will generate insights into the relative trajectories of areas in relation to credit and offer new recommendations to shape credit interventions. At crucial stages in life, credit can spur people forward or hold them back. Therefore, it is essential that policymakers, advocates, politicians and community leaders continue to fight for a country where everyone has access to good credit.

Appendix 1: Full Index

The full index can be found on the report page at demos.co.uk. For any questions or queries, email the authors at sacha.hilhorst@demos.co.uk or elliot.jones@demos.co.uk.

Appendix B: Methodological Appendix

The Good Credit Index intends to offer a geographic look at financial inclusion around the UK, utilising both private and public sector administrative and geospatial data.
To construct the Good Credit Index, we created three sub-indices to measure different aspects of credit that we assessed as important. These are the credit environment, physical availability of good and bad credit; credit scores, the likelihood that citizens would be approved for credit; and credit need, the likely demand for credit, particularly short-term credit.

Level of Granularity

The index is calculated at the local authority district level. Given the available data and the ways in which individuals access financial services, we felt this was the most granular level to feasibly examine. Lower level data such as postcode districts would not reflect the fact that when accessing physical services, customers will often travel to their local highstreet and so regularly access services outside their postcode of residence. Further, most local authorities collect and release their data at a local authority level.

The index includes all local authorities across the four nations of the UK, excluding those with a population below 25,000. This means the index didn't measure the Isles of Scilly, the Orkney and Shetland Islands, the Outer Hebrides and the City of London, which due to their small populations and unique situations (as island chains and world financial centre respectively) had too high a variance and are not comparable with the rest of the country.

Data Sources

We used a variety of data sources to produce our indicators for the Good Credit Index. These include publicly available national statistics, publicly published data from financial inclusion charities, geospatial data scraped from Open Street Map and credit provider websites, and private data kindly provided to us by credit scoring company Equifax and the cash machine network LINK.

Credit Environment Index

Indicator	Source	Year
Number of pawn shops	National Pawnbrokers Association map	2019
Payday lenders:	Cash Generator, Oakam, Everyday Loans, The Money Shop	2019

Indicator	Source	Year
Rent-to-own: BrightHouse	Brighthouse	2019
Free cashpoints	LINK	2019
Bank branches	Open Street Map	2019
Credit union branches	Credit Union Websites	2019

Credit Score Index

Indicator	Source	Year
County Court Judgments	For England, Wales and Scotland: Registry Trust https://www.registry-trust.org.uk/RTView/DoubleMapScotlandLAV.2/atlas.html (Scotland) & https://www.registry-trust.org.uk/RTView/DoubleMapRegionsV.3/atlas.html (England & Wales) For Northern Ireland: defaults and small claims, divided by NI population over 16, divided by two to account for the fact that business and consumer are not separate (Registry Trust press releases)	2016 & 2017 (Northern Ireland only)
Insolvencies	ONS: https://www.gov.uk/government/statistics/ad-hoc-statistics-on-individual-insolvencies-by-counties-and-unitary-authorities-age-and-gender-england-and-wales-2017	2017
Voter registration rates	ONS - https://www.ons.gov.uk/peoplepopulationandcommunity/elections/electoralregistration/datasets/electoralstatisticsforuk	2017
% difference in payday loan, fixed term and credit sale debt per person from national average	Equifax	2019
Percentage of adults in the rented sector	Money Advice Service - http://overindebtednessmap.org/	2017

Credit Need Index

Indicator	Source	Year
Gross disposable household income	ONS - https://www.ons.gov.uk/economy/regionalaccounts/grossdisposablehouseholdincome/datasets/regionalgrossdisposablehouseholdincomegdhibylocalauthorityintheuk	2016
Claimant count	ONS - https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/datasets/claimantcountbyunitaryandlocalauthorityexperimental	2018
Level of overindebtedness	Money Advice Service - http://overindebtednessmap.org/	2017
People earning under 10k	Money Advice Service - http://overindebtednessmap.org/	2017
Credit Broker Searches (% of Adult Population)	Equifax	2019

Weighting

For each of the sub-indexes, the parameters used to calculate the index were weighted based on our assessment of their relative importance. Each sub-index was anchored around 100, with positive and negative factors moving the index for each local authority above or below 100.

Credit Environment Index

The parameters in the credit environment index were weighed using polling data collected by Opinium, who surveyed a nationally representative sample of 2008 British adults on behalf of Demos, from the 12th to the 14th of March, 2019.

They were asked, for each of the physical credit sources in the index:

- *How much do you trust the following sources of credit or finance? Please answer using the scale below, where 0 is 'don't trust at all' and 10 is 'trust completely'.*
- *How much do you think the following sources of credit or finance offer fair terms and conditions? Please answer using the scale below, where 0 is 'not at all fair and 10 is 'completely fair'.*
- *How accessible do you think the following sources of credit or finance are to you? Please answer using the scale below, where 0 is 'totally inaccessible' and 10 is 'fully accessible'.*

For each question, we calculated the average score across all demographics for each physical credit source. The weighting given to each credit source was the average of these average scores minus five, so that physical credit sources with a score below five were given a negative weighting. This means that areas with access to significant amounts of detrimental credit are placed below areas with no access to any form of physical credit.

The aggregate weighted score for each local authority, i.e. the sum of: the number of each physical credit source multiplied by their weighting, was then further scaled by the proportion of those in the local authority who had accessed the internet in the last 6 months. This serves to account for the fact that an increasing amount of credit is accessed online and so in areas with relatively low internet use, the physical credit environment will be more important to the financial health of that area.

Credit Score Index

To calculate the weightings for the various indicators in the credit score index, we used multivariate regression, with local authority credit score data as the dependent variable and the indicators as the independent variables. This allows us to assess the relative importance of each indicator in predicting local credit scores compared to all the other factors. The regression coefficients for each indicator was used as that indicator's weighting.

The local authority credit score data was compiled by scraping a publicly accessible map of credit scores by local authority, published by Experian, hosted here: https://www.thisismoney.co.uk/money/cardsloans/article-7128699/People-living-South-East-highest-average-credit-rating.html

Credit Need Index

To calculate the weightings for the various indicators in the credit need index, we used multivariate regression, with the percentage of the local adult population whose credit file was checked by a credit broker as the dependent variable and the indicators as the independent variables. This allows us to assess the relative importance of each indicator in predicting local credit need compared to all the other factors. The regression coefficient for each indicator was used as that indicator's weighting.

We believe that the percentage of the local adult population whose credit file was checked by a credit broker is a good proxy for the level of credit need in an area as it shows the amount of people making active requests of credit (regardless of whether they are successful, and therefore need rather than ability to access) and credit brokers particularly indicate requests for short-term credit from those who are or do not feel able to request credit from other financial institutions like banks or credit card providers.

Good Credit Index

The overall Good Credit Index was created by summing the three sub-indexes, with an equal weighting given to each. The sub-indexes were each created to measure different things and the indicators used within them are difficult to compare between indexes. As the intention of the overall Good Credit Index is to give a sense of the overall financial health of an area, and the sub-indexes address more granular topics, we felt it was most sensible to aggregate the sub-indexes with equal weighting, with a note of caution on reading too much into a local authority being placed 133th versus 134th and instead focus on the broad patterns and trends that appear in geographic distribution and the similarities and differences across overall higher and lower scoring local authorities.

Endnotes

1 FCA (2017). Financial Lives Survey. Retrieved from https://www.fca.org.uk/publications/research/understanding-financial-lives-uk-adults. Excluding don't knows, over a 12 month period. P_CC3/4/5/6sum1 (REBASED TO EXCL DK, GROSS WEIGHTED). "All Consumer Credit Products: Forms of credit/ loans held now or in the last 12 months".
2 Dobson, Julian (2015). How to save our town centres: a Radical Agenda for the future of high streets.
3 Warren, Tom (2014). "UK: One short term lender for every seven banks on the high street". The Bureau of Investigative Journalism. Retrieved from: https://www.thebureauinvestigates.com/stories/2014-03-12/uk-one-short-term-lender-for-every-seven-banks-on-the-high-street
4 French, S, Leyshon, A, Signoretta, P (2008). "Financial exclusion and the geography of bank and building society branch closure in Britain". Transactions, 33.
5 ibid.
6 Walks, Alan (2011). "Mapping the Urban Debtscape: the Geography of Household Debt in Canadian Cities". Urban Geography, 34.
7 Consumer Finance Association (2016). "A Modern Credit Revolution: an Analysis of the Short-Term Credit Market" Retrieved from http://cfa-uk.co.uk/wp-content/uploads/2016/11/SMF-Report-AKT10796.pdf
8 Powell, Pamela, Spears, Karen, Rebori, Marlene (2010). What is Obesogenic Environment? University of Nevada Fact Sheet. Retrieved from: https://www.unce.unr.edu/publications/files/hn/2010/fs1011.pdf
9 Boehmer, T. K., Lovegreen, S. L., Haire-Joshu, D., & Brownson, R. C. (2006). What constitutes an obesogenic environment in rural communities?. American Journal of Health Promotion, 20(6), 411-421.
10 Virtanen, M., Kivimäki, H., Ervasti, J., Oksanen, T., Pentti, J., Kouvonen, A., ... & Vahtera, J. (2015). Fast-food outlets and grocery stores near school and adolescents' eating habits and overweight in Finland. The European Journal of Public Health, 25(4), 650-655.
11 Corfe, Scott (2018). "What are the barriers to eating healthily in the UK?". Social Market Foundation. Retrieved from: http://www.smf.co.uk/publications/barriers-eating-healthily-uk/
12 Cummins, S and Macintyre, S (2004). "Food Deserts - evidence and assumptions in health policy making". The British Medical Journal.
13 https://www.parliament.uk/documents/impact-assessments/IA11-040C.pdf
14 https://www.nao.org.uk/wp-content/uploads/2016/01/Local-welfare-provision.pdf, p. 16
15 Whitham, Graham (2018). "The Decline of Crisis Support in England". Greater Manchester Poverty Action. Retrieved from: https://www.gmpovertyaction.org/wp-content/uploads/2018/09/The-decline-of-crisis-support-in-England-A-GMPA-REPORT.pdf
16 https://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06413#fullreport
17 The National Lottery Community Fund (2018, August 8). 'Dormant accounts financial inclusion programme - Statement of intent' [press release]. Retrieved from https://www.tnlcommunityfund.org.uk/funding/funding-guidance/dormant-accounts-financial-inclusion-statement-of-intent
18 https://assets.publishing.service.gov.uk/media/54ebb03bed915d0cf7000014/Payday_investigation_Final_report.pdf, p. 3.
19 https://www.fca.org.uk/publication/consultation/cp14-10.pdf, p. 15
20 https://assets.publishing.service.gov.uk/media/54ebb03bed915d0cf7000014/Payday_investigation_Final_report.pdf, p. 5.
21 https://assets.publishing.service.gov.uk/media/54ebb03bed915d0cf7000014/Payday_investigation_Final_report.pdf, p. 5.
22 https://www.fca.org.uk/publication/call-for-input/call-input-high-cost-short-term-credit.pdf, p. 21
23 https://www.fca.org.uk/publication/call-for-input/call-input-high-cost-short-term-credit.pdf, p. 20
24 https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/For%20publication%20-%20Part1-Overviewofthetrendsinthepaydaymarketreport.pdf
25 Appleyard, L., Packman, C., & Lazell, J. (2018). Payday Denied: Exploring the lived experience of declined payday loan applicants. Dunfermline: Carnegie UK Trust.
26 https://www.bbc.co.uk/news/business-46757620
27 Carnegie Trust (2016). "Gateway to Affordable Credit: Report of the Affordable Credit Working

Group". Retrived from: https://d1ssu070pg2v9i.cloudfront.net/pex/carnegie_uk_trust/2016/04/Gateway-to-Affordable-Credit.pdf
28 https://www.bbc.co.uk/news/business-46757620
29 Responsible Finance, "The industry in 2017" (2017). Retrieved from: http://responsiblefinance.org.uk/policy-research/annual-industry-report/
30 Responsible Finance, "The industry in 2017" (2017). Retrieved from: http://responsiblefinance.org.uk/policy-research/annual-industry-report/
31 Responsible Finance, "The industry in 2017" (2017). Retrieved from: http://responsiblefinance.org.uk/policy-research/annual-industry-report/
32 Carnegie Trust (2016). "Gateway to Affordable Credit: Report of the Affordable Credit Working Group". Retrieved from: https://d1ssu070pg2v9i.cloudfront.net/pex/carnegie_uk_trust/2016/04/Gateway-to-Affordable-Credit.pdf
33 Office for National Statistics (2019). 'Economic Statistics Transformation Programme: enhanced financial accounts (UK flow of funds) – using Equifax data to visualise patterns of borrowing across the UK', ONS. Newport: Office for National Statistics. Retrieved from https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/articles/economicstatisticstransformationprogramme/enhancedfinancialaccountsukflowoffundsusingequifaxdatatovisualisepatternsofborrowingacrosstheuk
34 https://www.fca.org.uk/insight/whos-driving-consumer-credit-growth
35 For the Money Shop, see The Money Shop (2018, Aug 1st). 'Important Customer Notice - High Cost Short Term Credit loan facility' [web page], retrieved from https://www.themoneyshop.com/short-term-loans/; for Cheque Centre see https://www.chequecentre.co.uk/
and Edinburgh Evening News (2014, May 14th). 'Cheque Centre stops payday loans after criticism', retrieved from https://www.edinburghnews.scotsman.com/news/cheque-centre-stops-payday-loans-after-criticism-1-3410318; for SpeedyCash see O'Connor, S. (2018, Feb 3rd). 'Wonga's demise will not set workers free from the labour trap', FT, and see https://www.speedycash.com/online-loans/; Cash Generator never formally announced their withdrawal from the payday loan market, but no longer list loans online or in-store, see https://www.cashgenerator.co.uk/finance; similarly, Oakam never formally announced they were going online-only, but their shops have been closed and the Oakam website and telephone number inform inquirers that loan applications can be made online only.
36 Edinburgh Evening News (2014, May 14th). 'Cheque Centre stops payday loans after criticism', retrieved from https://www.edinburghnews.scotsman.com/news/cheque-centre-stops-payday-loans-after-criticism-1-3410318
37 This includes the seven largest payday lenders active in 2014, being The Money Shop, H & T Pawnbrokers, Cash Converters, Cash Generator, Oakam, Cheque Centre, and Speedy Cash.
38 According to Experian's typology.
39 'Very high' is defined as the top quintile. The credit deserts with a very high concentration of high-cost credit options on the high street are Hull, Corby, Blackpool, Blaenau Gwent, Liverpool, Sunderland, North East Lincolnshire, Knowsley, Blackburn with Darwen, Halton, South Tyneside, Nottingham, Rochdale, Hartlepool, Sandwell, Doncaster, Dundee and Burnley.
40 Citizens Advice & Local Government Association (2017). Council Tax Protocol. Retrieved from https://www.citizensadvice.org.uk/Global/CitizensAdvice/campaigns/Council%20Tax/Citizens%20Advice%20Council%20Tax%20Protocol%202017.pdf
41 The Debt Counsellors (2017). Supporting local authorities to achieve best practice in the collection of council tax arrears. Retrieved from http://www.credit-connect.co.uk/wp-content/uploads/2017/06/1221-TDC-Report-All-Pages-FINAL-1.pdf.
42 National Audit Office (2016). Local Welfare Provision, NAO. Retrieved from https://www.nao.org.uk/wp-content/uploads/2016/01/Local-welfare-provision.pdf
43 Gibbons, D. & Walker, C. (2019). Reshaping financial support How councils can help to support low-income households in financial difficulty, Local Government Association. Retrieved from https://www.local.gov.uk/sites/default/files/documents/5.49%20Reshaping%20Financial%20Support_v02.pdf
44 E.g. Shelter (2011). Good practice briefing. Eviction – assessing and meeting the needs of children. Retrieved from https://england.shelter.org.uk/__data/assets/pdf_file/0005/357998/Good_practice_briefing_Eviction_assessing_and_meeting_the_needs_of_children.pdf
45 Gibbons, D. & Walker, C. (2019). Reshaping financial support How councils can help to support low-income households in financial difficulty, Local Government Association. Retrieved from https://www.local.gov.uk/sites/default/files/documents/5.49%20Reshaping%20Financial%20Support_v02.pdf
46 Clark, T. & Webster, A. (2018). MAS What Works Fund: Final Evaluation, Citizens Advice Southwark. Retrieved from https://prismic-io.s3.amazonaws.com/fincap-two%2Fd03ec1fe-a19d-4326-9f84-

155924598a1b_a185+citizens+advice+southwark+wwf+evaluation+final+report.pdf

47 For an academic assessment of the salary link see Baker, T. & Kumar, S. (2018). The Power of the Salary Link: Assessing the Benefits of Employer-Sponsored FinTech Liquidity and Credit Solutions for Low-Wage Working Americans and their Employers (working paper). Cambridge, MA: Harvard Kennedy School, Mossavar-Rahmani Center for Business and Government. Retrieved from https://www.hks.harvard.edu/sites/default/files/centers/mrcbg/working.papers/88_final.pdf

48 See https://www.bostonbuildscredit.org/

49 Newcastle University (2019, May 23rd). 'Credit 'Curfews' Answer to UK Debt Crisis' [press release]. Retrieved from https://esrc.ukri.org/news-events-and-publications/news/news-items/credit-curfews-answer-to-uk-debt-crisis/?utm_medium=email&utm_source=govdelivery

50 Bloodworth, J. (2017, Dec 21). 'There's no life here': a journey into Britain's precarious future', The Guardian. Retrieved from https://www.theguardian.com/inequality/2017/dec/16/journey-to-heart-of-britain-precarious-future-ebbw-vale.

Licence to publish

Demos – License to Publish

The work (as defined below) is provided under the terms of this licence ('licence'). The work is protected by copyright and/or other applicable law. Any use of the work other than as authorized under this licence is prohibited. By exercising any rights to the work provided here, you accept and agree to be bound by the terms of this licence. Demos grants you the rights contained here in consideration of your acceptance of such terms and conditions.

1 Definitions

a 'Collective Work' means a work, such as a periodical issue, anthology or encyclopedia, in which the Work in its entirety in unmodified form, along with a number of other contributions, constituting separate and independent works in themselves, are assembled into a collective whole. A work that constitutes a Collective Work will not be considered a Derivative Work (as defined below) for the purposes of this License.

b 'Derivative Work' means a work based upon the Work or upon the Work and other pre-existing works, such as a musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which the Work may be recast, transformed, or adapted, except that a work that constitutes a Collective Work or a translation from English into another language will not be considered a Derivative Work for the purpose of this License.

c 'Licensor' means the individual or entity that offers the Work under the terms of this License.

d 'Original Author' means the individual or entity who created the Work.

e 'Work' means the copyrightable work of authorship offered under the terms of this License.

f 'You' means an individual or entity exercising rights under this License who has not previously violated the terms of this License with respect to the Work, or who has received express permission from Demos to exercise rights under this License despite a previous violation.

2 Fair Use Rights

Nothing in this licence is intended to reduce, limit, or restrict any rights arising from fair use, first sale or other limitations on the exclusive rights of the copyright owner under copyright law or other applicable laws.

3 License Grant

Subject to the terms and conditions of this License, Licensor hereby grants You a worldwide, royalty-free, non-exclusive, perpetual (for the duration of the applicable copyright) licence to exercise the rights in the Work as stated below:

a to reproduce the Work, to incorporate the Work into one or more Collective Works, and to reproduce the Work as incorporated in the Collective Works;

b to distribute copies or phono-records of, display publicly, perform publicly, and perform publicly by means of a digital audio transmission the Work including as incorporated in Collective Works; The above rights may be exercised in all media and formats whether now known or hereafter devised. The above rights include the right to make such modifications as are technically necessary to exercise the rights in other media and formats. All rights not expressly granted by Licensor are hereby reserved.

4 Restrictions

The licence granted in Section 3 above is expressly made subject to and limited by the following restrictions:

a You may distribute, publicly display, publicly perform, or publicly digitally perform the Work only under the terms of this License, and You must include a copy of, or the Uniform Resource Identifier for, this License with every copy or phono-record of the Work You distribute, publicly display, publicly perform, or publicly digitally perform. You may not offer or impose any terms on the Work that alter or restrict the terms of this License or the recipients' exercise of the rights granted hereunder. You may not sublicence the Work. You must keep intact all notices that refer to this License and to the disclaimer of warranties. You may not distribute, publicly display, publicly perform, or publicly digitally perform the Work with any technological measures that control access or use of the Work in a manner inconsistent with the terms of this License Agreement. The above applies to the Work as incorporated in a Collective Work, but this does not require the Collective Work apart from the Work itself to be made subject to the terms of this License. If You create a Collective Work, upon notice from any Licensor You must, to the extent practicable, remove from the Collective Work any reference to such Licensor or the Original Author, as requested.

b You may not exercise any of the rights granted to You in Section 3 above in any manner that is primarily intended for or directed toward commercial advantage or private monetary compensation. The exchange of the Work for other copyrighted works by means of digital file sharing or otherwise shall not be considered to be intended for or directed toward commercial advantage or private monetary compensation, provided there is no payment of any monetary compensation in connection with the exchange of copyrighted works.
c If you distribute, publicly display, publicly perform, or publicly digitally perform the Work or any Collective Works, you must keep intact all copyright notices for the Work and give the Original Author credit reasonable to the medium or means You are utilizing by conveying the name (or pseudonym if applicable) of the Original Author if supplied; the title of the Work if supplied. Such credit may be implemented in any reasonable manner; provided, however, that in the case of a Collective Work, at a minimum such credit will appear where any other comparable authorship credit appears and in a manner at least as prominent as such other comparable authorship credit.

5 Representations, Warranties and Disclaimer
a By offering the Work for public release under this License, Licensor represents and warrants that, to the best of Licensor's knowledge after reasonable inquiry:
i Licensor has secured all rights in the Work necessary to grant the licence rights hereunder
and to permit the lawful exercise of the rights granted hereunder without You having any obligation to pay any royalties, compulsory licence fees, residuals or any other payments;
ii The Work does not infringe the copyright, trademark, publicity rights, common law rights or any other right of any third party or constitute defamation, invasion of privacy or other tortious injury to any third party.
b Except as expressly stated in this licence or otherwise agreed in writing or required by applicable law, the work is licenced on an 'as is' basis, without warranties of any kind, either express or implied including, without limitation, any warranties regarding the contents or accuracy of the work.

6 Limitation on Liability
Except to the extent required by applicable law, and except for damages arising from liability to a third party resulting from breach of the warranties in section 5, in no event will licensor be liable to you on any legal theory for any special, incidental, consequential, punitive or exemplary damages arising out of this licence or the use of the work, even if licensor has been advised of the possibility of such damages.

7 Termination
a This License and the rights granted hereunder will terminate automatically upon any breach by You of the terms of this License. Individuals or entities who have received Collective Works from You under this License, however, will not have their licences terminated provided such individuals or entities remain in full compliance with those licences. Sections 1, 2, 5, 6, 7, and 8 will survive any termination of this License.
b Subject to the above terms and conditions, the licence granted here is perpetual (for the duration of the applicable copyright in the Work). Notwithstanding the above, Licensor reserves the right to release the Work under different licence terms or to stop distributing the Work at any time; provided, however that any such election will not serve to withdraw this License (or any other licence that has been, or is required to be, granted under the terms of this License), and this License will continue in full force and effect unless terminated as stated above.

8 Miscellaneous
a Each time You distribute or publicly digitally perform the Work or a Collective Work, Demos offers to the recipient a licence to the Work on the same terms and conditions as the licence granted to You under this License.
b If any provision of this License is invalid or unenforceable under applicable law, it shall not affect the validity or enforceability of the remainder of the terms of this License, and without further action by the parties to this agreement, such provision shall be reformed to the minimum extent necessary to make such provision valid and enforceable.
c No term or provision of this License shall be deemed waived and no breach consented to unless such waiver or consent shall be in writing and signed by the party to be charged with such waiver or consent.
d This License constitutes the entire agreement between the parties with respect to the Work licensed here. There are no understandings, agreements or representations with respect to the Work not specified here. Licensor shall not be bound by any additional provisions that may appear in any communication from You. This License may not be modified without the mutual written agreement of Demos and You.