DEMOS

GOOD CREDIT INDEX 2022

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Charlotte Campbell-Nieves, Dr Kate Harrison, and Jakub Wisniewski

EXECUTIVE SUMMARY

2022 marks the first year free of lockdowns and other restrictions since the beginning of the Covid-19 pandemic. However, as the country begins to recover from the effects of the pandemic, we face new challenges as rising prices have produced a cost of living crisis.

In the previous two years, rising unemployment and economic inactivity, as well as record numbers of people claiming unemployment benefits have had a significant impact on household finances.[1] Interventions such as the furlough scheme and debt 'payment holidays' have been beneficial in protecting those most at risk of experiencing financial difficulty. However, those on lower incomes and not in employment were less likely to have or accumulate savings during the pandemic, making them more vulnerable to falling into financial difficulty.[2]

The rising cost of basics, including fuel, food and housing, mean that pressure on households is set to continue into 2023 and beyond. In 2021, the number of households struggling with a heavy debt burden increased by 35%.[3] Research has shown geographic disparities in the cost of living crisis, with households in London, Reading and Cambridge more insulated from rising costs than those in Burnley, Blackburn and Blackpool.[4]

As people affected by the crisis are likely to turn to credit as a safety net, understanding the geography of access to credit is as important now as it has ever been. Compared to last year, our 2022 Good Credit Index shows remarkably little change, with limited evidence of recovery. Low credit scores, high need for credit and lack of access to good sources of credit remain entrenched in certain parts of the UK.

Credit scores improved by 0.66% on average, which shows positive growth but is lower than the 2.02% improvement we reported in 2021. This limited growth may be a symptom of the removal of government support initiatives that were in place to assist people with debt during the height of the Covid-19 pandemic.

The credit environment has seen negligible changes. This is likely to be due to the drop in physical lenders and banks seen during the pandemic, following years of store closures. The growing importance of online credit means that we wouldn't expect to see significantly more high street branches of lenders and any declines are now likely to be comparatively small. This year's report did see a very slight improvement in credit availability scores, however, this was still not enough to bring the credit availability sub-index back to its pre-covid levels.

Similarly, there have been few changes in credit need. The proportion of the population claiming benefits has fallen overall since the pandemic but remained relatively stable at a local authority level. The most recent data on gross disposable household income also shows little change. It is worth noting, though, that the lag on household income data being published means it reflects pre-pandemic income levels.

Likewise, the best and worst performing local authorities across the index have changed very little, indicating entrenched geographic inequalities. Like last year, wealthy areas of London, such as Kensington and Chelsea, Westminster and Richmond-upon-Thames, dominate the top of the

1 Powell, A., Francis-Devine, B., and Clark, H., *'Coronavirus: Impact on the labour market'*, House of Commons Library, 2022, p.1-38, available at: https://researchbriefings.files.parliament.uk/documents/CBP-8898/CBP-8898.pdf, [accessed 23/11/22].

2 Franklin, J., Green, G., Rice-Jones, L., Venables, S., and Wukovits-Votzi, *'Household debt and Covid'*, Bank of England, 2021, available at:www.bankofengland.co.uk/quarterly-bulletin/2021/2021-q2/household-debt-and-covid, [accessed 23/11/22].

3 Cox, J., *'Alarming surge in household debt as cost-of-living crisis bites'*, Debt Justice, 2022, available at: https://debtjustice.org.uk/news/alarming-surge-in-household-debt-as-cost-of-living-crisis-bites, [accessed 23/11/22].

4 Rodrigues, G. and Quinio, V., *'Out of Pocket: the places at the sharp end of the cost of living crisis'*, Centre for Cities, 2022, available at: www.centreforcities.org/publication/out-of-pocket-the-cost-of-living-crisis, [accessed 23/11/22].

index. Areas in the Midlands and the North also remain stubbornly low scoring, while Blaenau Gwent returns to the bottom 10 lowest scores having also been there in 2019 and 2020.

It is often the most deprived areas that have the lowest credit index scores. This means that some of the most vulnerable communities in the UK are also facing further inequality in the provision of access to what can be deemed 'good credit'.

There is a tendency in policymaking to reduce geographic trends to a simple North-South divide, but this year's Good Credit Index shows a far more nuanced picture. It is undeniable that overall, the North of England has a greater need for credit. Indeed, there is a 'corridor' of low scores from coast to coast across the cities of Liverpool, Manchester, Sheffield, Leeds and Hull. However, our research also exposes an incredibly fractured United Kingdom. There is a very strong need for good credit in certain areas of London and the South Coast, as well as within the devolved nations.

In South Wales there are clusters of lower credit scores in Neath Port Talbot, Rhondda Cynon Taf and Merthyr Tydfil. The need for credit is relatively high across the whole of Wales, as well as Northern Ireland. Scotland is more variable, with some pockets of good access to credit. However, there are still very few local authorities in Scotland with the lowest need for credit.

Overall, the Good Credit Index shows that many parts of the UK have already been struggling to access good sources of credit, even before they confront a cost of living crisis. Given these challenges, we propose five policy recommendations to support those with the highest credit need.

1. We welcome the Chancellor's announcement in the Autumn Statement that benefits will be uprated in line with inflation. However, this is not due to take place until the new financial year, leaving benefits claimants on the lower rate through the winter months, which is likely to place additional strain on their finances. As such, we are calling for the government to bring forward the benefit uprating to January.

2. In 2023, energy bills are set to be double what they were before the crisis. In response, we urge the government to expand the eligibility of households able to claim cost-of-living payments after April 2023. Additional government support for those on low incomes is limited to pensioners and those on benefits. Those earning just above the benefits threshold are likely to see similar increases in their fuel costs but can expect to only receive the same level of support as those on significantly higher incomes. We therefore suggest that the government introduces tapered support for those on incomes above the benefits threshold.

3. Given the continued pressure on personal finances, we expect to see more people turn to credit to make ends meet. To ensure that this remains affordable and sustainable, we call for the government to invest in community finance organisations at the local level, particularly in areas we have identified as 'credit deserts'.

4. Due to the announcement of a new round of public spending cuts, we call on the government to ring fence spending on services that support financially vulnerable individuals. It is vital that financially vulnerable individuals are still able to access support, be that impartial debt advice, vouchers for food and energy, or support with housing and work. Given that many of these services are government funded, it is crucial that they are protected from spending cuts implemented on a local or national level.

5. This index highlights the lack of publicly available data on access to online sources of credit. Currently, we can map physical credit environments on the high-street relatively in-depth, but we only have proxy data on geographic variation in people's use of the internet to access credit. It would therefore be beneficial for organisations like the ONS and FCA to collect data on the use of online credit at a local authority level. This would enable researchers to better examine the different ways in which credit is accessed and how this might vary across space.

INTRODUCTION

Since 2019, the Good Credit Index has highlighted significant geographic variation in access to affordable credit. We have seen only small changes between the best and worst performing local authorities over the years, indicating just how entrenched financial inequalities are throughout the UK.

Year after year we are seeing local authorities struggle with a dangerous cocktail of high credit need, low credit scores and limited 'good' credit options. Areas particularly struggling to access good credit include local authorities in the corridor that stretches between the cities of Liverpool and Hull in the North of England, as well as East London, South Wales and parts of Ayrshire in South West Scotland.

There are many factors that could contribute towards a person deciding to turn to credit as a means to cope, including a lack of savings to act as a support net, or unforeseen household costs like a broken car or appliance. In recent years, the unexpected economic shocks of the COVID-19 pandemic and cost-of-living crisis have also contributed towards some households turning to credit to help them get by.

The risk for those who aren't able to access good credit is that they instead turn to high-cost, short-term credit (HCSTC). While many of these credit options have declined since the introduction of tighter regulation on the HCSTC market, a lack of alternatives contributes towards people turning to illegal money lenders.[5] When people are forced into relying on these 'bad' sources of credit, it can lead to long-term issues with debt, insolvency and bankruptcy.

Credit scores are key, as a low score can be prohibitive in accessing good sources of credit. The impact is not just limited to which credit cards people can access - credit scores affect housing, through both mortgages and landlords' background checks, and even access to utilities.[6] This index shows that credit scores vary hugely across local authorities.

The annual Good Credit Index measures access to affordable credit across the country to understand these geographical discrepancies at a granular and comprehensive level. By repeating the Good Credit Index each year, we increase our understanding of the complex landscape of geographical financial exclusion.

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

1. Credit need. Are people in need of credit? This 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. 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.

This year, the Good Credit Index shows little change from 2021. Credit scores, need for credit and availability of credit have all remained stable. This suggests that access to good credit has stagnated as the pandemic abated, most likely due to the withdrawal of the government's financial support for individuals during Covid-19.

Optimistically, this means that the withdrawal of support has not caused the situation to become significantly worse. However, the UK now faces a cost-of-living crisis in which many will be particularly poorly placed to manage, as access to good credit

5 Thomas, H., *'Crackdown on high-cost credit leaves gap that must be filled'*, Financial Times, 2021, available at: www.ft.com/content/72b3e83a-4e6e-479d-b5df-e5c572e7d477, [accessed 23/11/22].

6 Experian, 'My Credit Score', N.D, available at: https://www.experian.com/blogs/ask-experian/credit-education/score-basics/my-credit-score/#:~:text=Credit%20History%20Length%3A%20How%20long,credit%2C%20the%20higher%20your%20scores., [accessed 21/11/22].

has not recovered to pre-pandemic levels. While much of the data in this report does not cover the period since the cost of living crisis began, it paints a picture of a fragmented credit landscape, which is ill-equipped to see people through a period of financial pressure. There are many local authorities, particularly in the North of England, Wales, Scotland and Northern Ireland, where people will struggle to source good credit as a safety net against rising prices.

METHODS

The annual 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 measuring 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 we could 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. These areas are included in the analysis on credit invisibles, as these are calculated on a constituency basis.

DATA

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 reference agency Experian. In every instance we used the most recent available data. The datasets 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 2022, whereas others are from 2021, 2020 and 2019. 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 people's credit scores are high, they will be able to access a wider variety of credit sources. Other indicators are used as proxies. Gross Disposable Household Income is one of the proxies for credit need, as those on low incomes will more often require credit to meet their financial obligations or weather unexpected storms. 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 2019 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[7]	2021 volume of Bank searches by local authority[8]
Credit Scores	(weighting not necessary)

7 A low credit need score means there is a higher need for credit in that area. Low scores on each of the sub-indices indicate a more precarious credit situation.

8 Using a multivariate regression analysis, we determined the extent to which the different variables (gross disposable household income, claimant count, proportion of children in low income families) predicted the frequency with which people in a certain area would do a bank search. The outcome of this analysis determined the weightings, which were used for the 2019, 2020, 2021 and 2022 Good Credit Index.

STRAND	WEIGHTED AGAINST
Credit Environment	2019 Demos polling on the relative benefit or harm of having a particular financial service on the high street

UPDATES TO THE DATA SOURCES

In May 2021, the Office for National Statistics (ONS) made various changes to local authority codes and boundaries. Although the 2022 Good Credit Index uses some data sources from before May 2021, it describes the data using the most recent local authority codes and boundaries to avoid losing out on key areas that have been combined since.

This year we included the variable Children in Low Income Families as a replacement for data on People Earning Under £10K, which is only available up to 2017. This was the closest proxy for low household income that was also available by local authority.

While there is no direct data on access to online sources of credit, we calculated a proxy for this using data on access to the internet, combined with access to online banking by age group. We calculated 'access to online banking by age group' using figures from the Financial Conduct Authority (FCA) on how frequently various age groups use online banking, multiplied by the proportion of people from each age group within a given local authority. To allow for comparison across years, data from the 2021 index has been recalculated to include this measure.

LIMITATIONS

The intention of the Good Credit Index is to give a sense of the overall financial health of an area. We advise against reading too much into a local authority being placed 133rd versus 134th and instead suggest focusing on the broad patterns and trends that appear in geographic distribution, as well as the similarities and differences across higher and lower scoring local authorities.

The average credit scores for the 2022 Good Credit Index were provided by credit reference agency Experian. This means that these scores only represent the average credit scores of those who have checked their score with Experian, rather than all of the credit scores in a local authority. Despite this limitation, it still provides a useful thinking tool for patterns across time and across the UK.

There are also elements of access to good credit which were not included because of a lack of available data at a local authority level. This includes levels of fraud (which severely affect credit scores), the use of illegal money lenders (which is an indication of serious credit need) and access to credit options online. For a more detailed methodology, see Appendix B. For more detailed results, see the full index at [URL to be added in design].

POLICY CONTEXT

This section will cover developments in the credit policy landscape since the last Good Credit Index was published in 2021.

Over the past year, the cost of living crisis has worsened, creating potentially profound impacts for credit use. Key drivers of the crisis include Covid-19 and the war in Ukraine affecting supply chains, food prices and importation of gas in Europe. Inflated prices of everyday goods has in turn forced some households into altering their financial behaviours, including turning towards credit as a means to cope.[9]

The government has introduced assistance programs which include a £400 energy bill discount for all households and a £650 payment to those on certain means tested benefits.[10] In October, the government also instated an 'Energy Price Guarantee' which caps the price energy suppliers can charge for each unit of electricity and gas a household uses.[11]

Regarding changing credit regulation, the government has now committed to reforming the consumer credit act, which aims to simplify terms for consumers and improve the efficiency and effectiveness of regulating new credit technologies. The Financial Conduct Authority is also updating its consumer duty, reinforcing standards which aim to reduce financial harm for consumers. Finally, there have been calls for 'Buy Now, Pay Later' products to be regulated to the same standard as other forms of credit.

COST OF LIVING CRISIS AND CREDIT

Whilst we have been living in increasingly turbulent times for the past few years, the cost of living crisis has emerged as the most pressing concern for many households this year. The increased cost of living has been caused by the inflated price of food, gas, electricity bills and fuel.[12] This crisis has resulted in a real-terms fall in disposable incomes, resulting largely from inflation outstripping wage and benefit increases.[13]

There are many factors combining in a perfect storm to cause these inflated prices. Many global supply chains have been seriously disrupted by the COVID-19 pandemic, which has also caused a dramatic increase in shipping costs.[14] The war in Ukraine has left the country unable to fulfil its role as a global wheat exporter, increasing the price of processing popular ingredients like flour and starch.[15] Corresponding sanctions in Russia, a key exporter of fertiliser, have also increased crop costs.[16] At the heart of the crisis, however, has been the exponential rise in energy prices.[17] Gas prices have dramatically

9 Gibbons, D., *'What Role Does Credit Have In The Cost-of-Living Crisis'*, Centre for Responsible Credit, 2022, available at: www.responsible-credit.org.uk/posts/what-role-does-credit-have-in-the-cost-of-living-crisis, [accessed 20/09/22].
10 GOV.UK, *'Household costs'*, 2022, available at: https://helpforhouseholds.campaign.gov.uk/housing-support/, [accessed 23/11/22].
11 Capstick, A., *'The energy price guarantee is now set to end in April next year - here's what the change means for your bills'*, Money Saving Expert, 2022, available at: www.moneysavingexpert.com/news/2022/10/the-energy-price-guarantee-is-now-set-to-end-in-april—what-it-/, (accessed 21st October 2022).
12 Office for National Statistics, *'The rising cost of living and its impact on individuals in Great Britain: November 2021 to March 2022'*, 2022, available at: www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/articles/therisingcostoflivinganditsimpactonindividualsingreatbritain/november2021tomarch2022, [accessed 24/11/22]
13 Rodrigues, G. and Quinio, V., *'Out of Pocket: the places at the sharp end of the cost of living crisis'*, Centre for Cities, 2022, available at: www.centreforcities.org/publication/out-of-pocket-the-cost-of-living-crisis, [accessed 23/11/22].
14 Rodrigues, G. and Quinio, V., *'Out of Pocket: the places at the sharp end of the cost of living crisis'*, Centre for Cities, 2022, available at: www.centreforcities.org/publication/out-of-pocket-the-cost-of-living-crisis, [accessed 23/11/22].
15 Smith, K.A, *'Why Are Food Prices Still Rising?'* Forbes Advisor, 2022, available at: www.forbes.com/advisor/personal-finance/why-are-food-prices-still-rising/, [accessed 20/10/22].
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17 Centre for Social Justice, *'On Target, Protecting vulnerable households from the inflation crisis'*, London Centre for Social Justice, 2022, available at: www.centreforsocialjustice.org.uk/wp-content/uploads/2022/08/CSJ-Cost_of_Living.pdf, [accessed 21/09/22]

increased as Russia limits gas exports to Europe and European governments have sought more expensive alternatives on the global market.[18, 19] Prices have been even further compounded by existing issues with depleting gas storage supplies in Europe and global outages of liquified natural gas.[20]

As prices rise, many households are being pushed towards adjusting their finances through decreasing spending, falling behind on bills or turning to credit to cope with the fallout of inflation.[21] Many of those facing these difficult decisions are on the lowest incomes and in the most deprived areas.[22, 23] Those on low incomes spend a disproportionate amount of their finances on bills, meaning they are less likely to be able to cope with dramatic increases in the cost of gas and electricity.[24] These individuals could therefore be more likely to find themselves in a position where they are turning to credit as a means to cope. According to the ONS, people living in the most deprived areas of England are twice as likely to have borrowed more money or taken out more credit than usual compared to those living in the least deprived areas of England.[25]

Households on low incomes and in deprived areas being pushed towards using credit is particularly concerning given that this index shows correlations between poor access to credit and deprivation in England. The most deprived areas tend to also be credit deserts, with high credit need and low credit access, particularly in the North of England, across Liverpool, Manchester, Sheffield and Hull.

GOVERNMENT ASSISTANCE

To help protect people from the cost of living crisis, the government has introduced a variety of assistance programs, including payments, an energy price guarantee and other subsidy schemes.

Beginning with the payments, each household in Great Britain will have £400 taken off their energy bills in six instalments between October 2022 and March 2023.[26] Those on means tested benefits also received a payment of £650 this year, paid in two instalments, one in summer and another in November.[27] For those in receipt of certain disability benefits there will also be a one-off payment of £150, and pensioners will receive an extra £300 cost of living payment on top of the funds they can already receive each year for fuel costs.[28]

In addition to these funds, the government's 'Energy Price Guarantee', which came into effect on the 1st October 2022, caps the price energy suppliers can charge for each unit of electricity and gas a household uses.[29] The cap can vary according to how a household pays, with prepayment meters and payment in receipt of bills costing around 2% and 6% more respectively.[30] This is of particular concern as prepayment meters are frequently used by those on low incomes and those who are already in energy debt.[31] The cap currently limits energy bills to approximately £2500, although this will rise to £3000 after April 2023.[32]

Finally, there are various other government schemes aiming to alleviate some of the financial burden of the crisis. Current offers include grants to improve the energy efficiency of your home through the 'help

18 BBC News, 'Nord Stream 1: How Russia is cutting gas supplies to Europe',2022 available at: www.bbc.co.uk/news/world-europe-60131520, [20/10/22].
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28 GOV.UK, *'Household costs'*, 2022, available at: helpforhouseholds.campaign.gov.uk/housing-support, [accessed 21/10/22].
29 Capstick, A., *'The energy price guarantee is now set to end in April next year - here's what the change means for your bills'*, Money Saving Expert, 2022, available at: moneysavingexpert.com/news/2022/10/the-energy-price-guarantee-is-now-set-to-end-in-april—what-it-, [21/10/22].
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31 Clarke-Ezzidio, H., *'It's the children - I have to make sure they are warm": Why prepayment meter users face a tough winter'*, New Statesman, 2022, available at: www.newstatesman.com/spotlight/regional-development/2022/10/prepayment-meter-tough-winter-keep-warm, [25/10/22]
32 HM Treasury, *'Policy paper Autumn Statement 2022 HTML'*, 2022, available at: https://www.gov.uk/government/publications/autumn-statement-2022-documents/autumn-statement-2022-html, [accessed 22/11/22]

to heat' programme, as well as 0% VAT on energy saving materials including thermal insulation and solar panels.[33, 34] This winter, those using Liquified Petroleum Gas and Heating Oil to warm their homes should also qualify for an extra £100 to assist with energy bills.[35] Key players in the sector, however, including the End Fuel Poverty Coalition have argued that this support is not enough and will not prevent people from living in cold, damp housing, with all of the health and subsequent economic impacts that brings.[36]

CHANGING REGULATION

Outside of the cost of living crisis, the past year has also seen various calls for changes in credit regulation. Whilst much of this legislation has not yet passed, these developments are still important to highlight in this report as they demonstrate longer term shifts in the credit policy landscape.

CONSUMER CREDIT ACT

The government committing to reforming the Consumer Credit Act (CCA) has signalled the largest move towards legislative change this year. The CCA regulates the terms of all credit card purchases and personal loans.[37] This legislation has become increasingly inflexible and outdated as the use of consumer credit and new technology has evolved since its introduction in 1974.[38, 39] It is hoped that the new iteration of this act will improve procedures so that the FCA can regulate emerging forms of credit more efficiently.[40, 41, 42] HM Treasury has also emphasised that the new CCA will work to cut costs for businesses and simplify terms for consumers. Although full details of the proposal have not yet been announced, they are expected by the end of the year.[43, 44] The Credit Services Association has so far "cautiously welcomed" this announcement but urges that modernisation should be at the forefront of any reforms and changes should be implemented before the end of 2023.[45]

NEW FCA CONSUMER DUTY

The FCA has developed a new Consumer Duty: a regulatory tool which aims to improve how financial service providers support their customers and will have implications for credit providers across the UK.[46] The updated duty is built upon a set of rules requiring firms to act in good faith, to avoid causing foreseeable harm and to enable customers to achieve their financial objectives.[47] The duty will require firms to take into account the characteristics and objectives of their consumers, including vulnerability, and to endeavour to produce and evidence good customer outcomes.[48] The FCA has said it will provide firms with 12 months to adapt these new rules for their products and services.[49] Industry is reportedly supportive of this review. For example, AJ Bell has welcomed the

33 GOV.UK, *'Help with your energy bills'*, 2022, available at: helpforhouseholds.campaign.gov.uk/help-with-your-bills, [21/10/22].
34 GOV.UK, *'Help with your energy bills'*, 2022, available at: helpforhouseholds.campaign.gov.uk/help-with-your-bills, [accessed 21/10/22].
35 Lewis, M., *'Martin Lewis: 15 'energy price guarantee' need-to-knows'*, Money Saving Expert, 2022, available at: moneysavingexpert.com/utilities/energy-price-guarantee, [accessed 21/10/22].
36 End Fuel Poverty Coalition, *'Government £14bn short on measures to tackle fuel poverty'*, 2022, available at: https://www.endfuelpoverty.org.uk/government-measures-to-tackle-fuel-poverty/, [accessed 15/11/22].
37 HM Treasury, *'UK commits to reform of the Consumer Credit Act'*, 2022, Available at: https://www.gov.uk/government/news/uk-commits-to-reform-of-the-consumer-credit-act, [accessed: 11/10/22].
38 Barber, A., *'UK prepares for modernisation of Consumer Credit Act'*, 2022, available at: https://www.pinsentmasons.com/out-law/news/uk-prepares-for-modernisation-of-consumer-credit-act, [accessed 12/10/22].
39 Credit Services Association, *'Industry trade body urges HM Treasury to prioritise modernisation of consumer credit regulations'*, 2022. Available at: https://www.csa-uk.com/news/611020/Industry-trade-body-urges-HM-Treasury-to-prioritise-modernisation-of-consumer-credit-regulations.htm, [accessed 14/10/22].
40 Venkataramakrishnan, S., *'UK commits to overhaul of consumer credit legislation'*, Financial Times, 2022, available at: www.ft.com/content/6679950f-9e0f-4240-aad2-28aa3d47c8a2, [accessed 11/10/22].
41 Barber, A., *'UK prepares for modernisation of Consumer Credit Act'*, 2022, available at: https://www.pinsentmasons.com/out-law/news/uk-prepares-for-modernisation-of-consumer-credit-act [accessed 12/10/22].
42 Daldry, T., *'Consumer Credit Act to be overhauled'*, Credit Strategy, 2022, available at: https://www.creditstrategy.co.uk/latest-news/latest-news/consumer-credit-act-to-be-overhauled, [accessed 12 October 2022].
43 HM Treasury, *'UK commits to reform of the Consumer Credit Act'*, 2022, Available at: https://www.gov.uk/government/news/uk-commits-to-reform-of-the-consumer-credit-act, [accessed 11/10/22]
44 Venkataramakrishnan, S., 'UK commits to overhaul of consumer credit legislation', Financial Times, 2022, available at: www.ft.com/content/6679950f-9e0f-4240-aad2-28aa3d47c8a2, [accessed 11/10/22].
45 Credit Services Association, '*Industry trade body urges HM Treasury to prioritise modernisation of consumer credit regulations*', 2022, available at: www.csa-uk.com/news/611020/Industry-trade-body-urges-HM-Treasury-to-prioritise-modernisation-of-consumer-credit-regulations.htm, [accessed 24/11/22].
46 FInancial Conduct Authority, *'The FCA's Consumer Duty will lead to a major shift in financial services'*, 2022, available at: www.fca.org.uk/news/press-releases/fca-consumer-duty-major-shift-financial-services, [accessed 13/10/22].
47 FInancial Conduct Authority, *'The FCA's Consumer Duty will lead to a major shift in financial services'*, 2022, available at: www.fca.org.uk/news/press-releases/fca-consumer-duty-major-shift-financial-services, [accessed 13/10/22].
48 FInancial Conduct Authority, *'The FCA's Consumer Duty will lead to a major shift in financial services'*, 2022, available at: www.fca.org.uk/news/press-releases/fca-consumer-duty-major-shift-financial-services, [accessed 13/10/22].
49 FInancial Conduct Authority, *'The FCA's Consumer Duty will lead to a major shift in financial services'*, 2022, available at: www.fca.org.uk/news/press-releases/fca-consumer-duty-major-shift-financial-services, [accessed 13/10/22].

FCAs acknowledgement of outstanding issues, but is urging for swift implementation.[50] The updated consumer duty has the potential to have a positive impact on the credit sector by reducing the predatory practices of some providers.

BUY NOW, PAY LATER

Buy Now Pay Later (BNPL) is a form of instalment credit which allows borrowers to divide the cost of a purchase into interest free, regular payments. Companies offering such services include popular firms such as PayPal and Klarna.[51] In recent years, following a surge in popularity, BNPL has faced calls for greater regulation, prompted in part by some users not understanding that they are entering into a credit agreement when using the product.[52] Little has changed since last year's report highlighted potential issues with BNPL, however, in October of 2021, HM Treasury began a consultation examining the extent to which BNPL should be regulated and covered by the legislation which is currently applied to other credit products.[53] There has so far been no clear move by the government to further regulate BNPL, despite The Woolard Review describing the need for this as "urgent".[54]

50 Rach, S., *'Industry welcomes FCA review of advice-guidance boundary'*, Financial Times Advisor, 2022, available at: https://www.ftadviser.com/regulation/2022/09/28/industry-welcomes-fca-review-of-advice-guidance-boundary/, [accessed 24/11/22].

51 Edwards, A., and Meyer, D.,, *'All change in Consumer Credit: 'Ambitious' Consumer Credit Act reform'*, Freeths, 2022, available at: https://www.freeths.co.uk/2022/07/01/all-change-in-consumer-credit/, [12/10/22].

52 Venkataramakrishnan, S., *'UK commits to overhaul of consumer credit legislation'*, Financial Times, 2022, available at: www.ft.com/content/6679950f-9e0f-4240-aad2-28aa3d47c8a2, [accessed 11/10/22].

53 UK Finance, *'Credit Regulation/Legislation'*, 2022, available at: https://www.ukfinance.org.uk/our-expertise/cards/credit-regulationlegislation, [accessed: 13/10/22].

54 Financial Conduct Authority, *'The Woolard Review - A review of change and innovation in the unsecured credit market'*, 2021, available at: www.fca.org.uk/publication/corporate/woolard-review-report.pdf, [accessed 25/10/22]/.

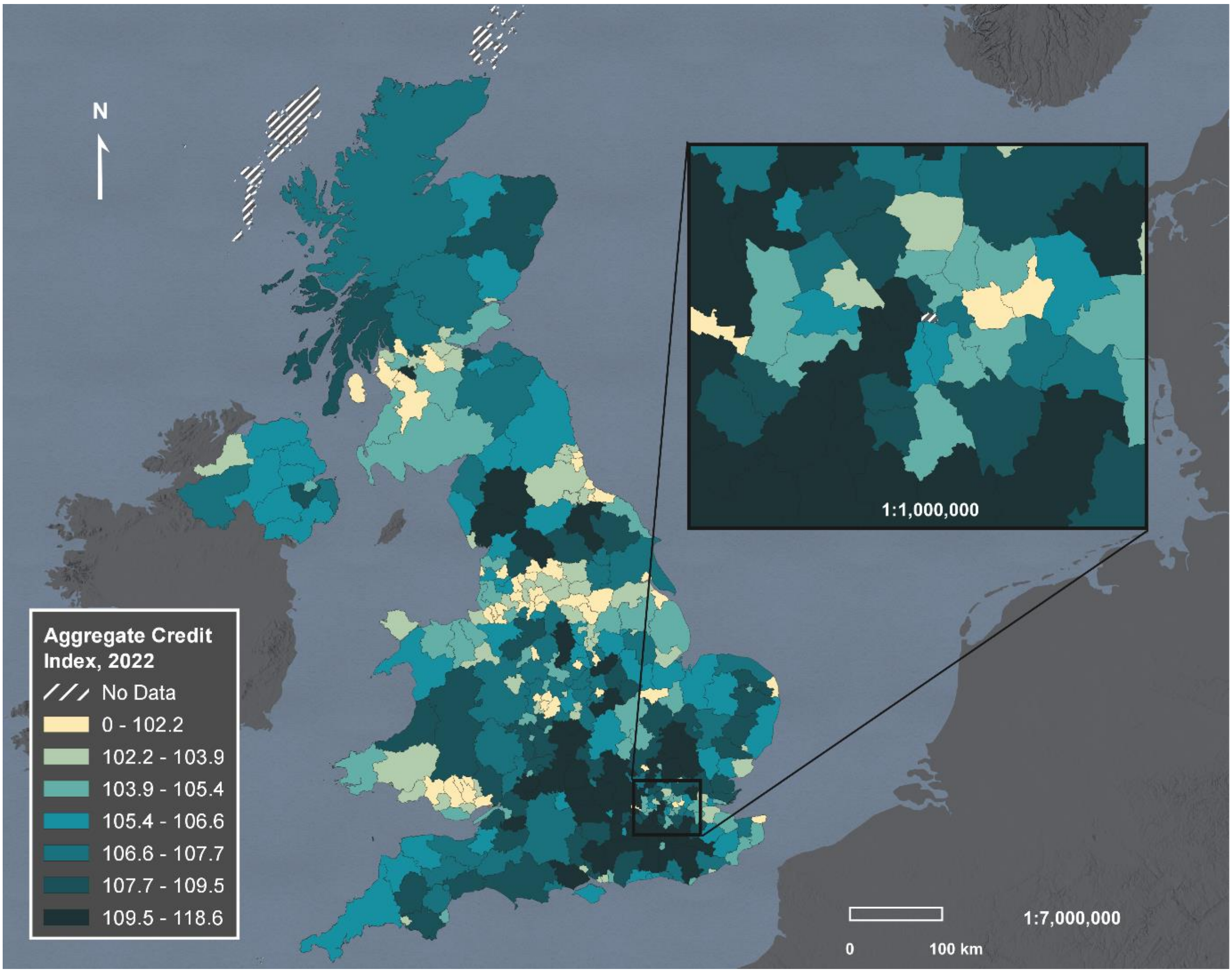
INSIGHTS

AGGREGATE GOOD CREDIT INDEX

The Aggregate Good Credit Index paints a picture of an highly unequal United Kingdom. While many areas of the country score highly, there are also numerous areas with very low scores throughout the country.

We can see from Figure 1 that many of the highest aggregate index scores are clustered in the south of England, particularly in the home counties surrounding London, but also in Sussex and further to the West, in areas such as the Cotswolds and parts of Oxfordshire.

FIGURE 1
AGGREGATE GOOD CREDIT INDEX 2022



The aggregate scores for the South, however, are not entirely uniform, especially in London. On a surface level people often view London as an affluent city, and whilst we have found some of the highest aggregate index scores in West London, there is as much variety in London's scores as there is throughout the country as a whole. In East London we can see some of the lowest scores on the map, in Newham and Barking and Dagenham.

Outside of London, there are also pockets of very low scores along the south coast, in areas such as Southampton and Portsmouth. The south coast is often left out of discussions on geographic inequalities, but this data highlights the disparities that exist there.

The Midlands also demonstrates a fragmented credit landscape in terms of aggregate scores. Lower scores can be found clustered around Birmingham and other local authorities in the East Midlands, whilst higher aggregate scores can be found in more rural local authorities such as the Derbyshire Dales.

Further north, there is a greater concentration of 'credit deserts': areas of high credit need but poor credit access. Often, poor credit access will mean a lack of availability of 'good' credit options. However, a local authority with 'good' credit options but low credit scores may still be a credit desert, as low credit scores can bar individuals from accessing these better options. Most notably, in northern England there is a corridor of credit deserts stretching across the breadth of the country from Liverpool, over to Manchester, Sheffield and Hull. Similar scores can be found further north in Newcastle, Sunderland and Middlesbrough, which also hold some of the lowest aggregate index scores in the UK.

These areas of low aggregate scores also correlate with population density, meaning the majority of people living in the north of England reside within credit deserts. However, in the more rural areas of northern England such as the Lake District, Yorkshire Dales and North Yorkshire Moors, we see improved scores.

CORRELATIONS WITH DEPRIVATION

We also compared the Aggregate Good Credit Index for England against the Index of Multiple Deprivation for England (IMD). The IMD ranks each small area in England from most deprived to least deprived based on income, employment, education, health, crime, barriers to housing and services and living environment.[55]

Concerningly, there are many local authorities in England that have both high levels of deprivation and low Aggregate Good Credit Index scores. These areas largely correspond with the worst areas of aggregate scores, including much of the 'corridor' of bad credit between Liverpool and Hull, as well as those areas around the midlands and London. This means some of the most vulnerable communities in the UK are also facing further inequality in the provision of access to good credit.

GOOD CREDIT IN THE DEVOLVED NATIONS

We have also found some concerning patterns of aggregate index scores in the devolved nations. Local authorities in both the furthest south and north in Wales score relatively low on the index, while none of the highest scores appear anywhere in Wales. Particularly low scores can be found in South Wales and mid to low scores in North Wales, however there are higher scores in central Wales.

Northern Ireland fares considerably better, with consistently mid-range scores across the country. Derry City and Strabane scores comparatively low, while Lisburn and Castlereagh, bordering Belfast, scores the highest, sitting within the top third of scores across the UK more broadly.

Scotland has a more mixed picture, with lower scores in the South West of the country, and higher scores further north, particularly around Argyll and Bute and Aberdeenshire. East Renfrewshire, just outside of Glasgow, holds the highest aggregate credit index score out of all of the local authorities in the devolved nations. Shockingly, it is the only local authority out of all of the devolved nations to sit within the highest quantile (approximately top 14%) of scores on the map.

There is clearly an 'attainment gap', where the devolved nations are unable to reach the highest scores that tend to be clustered in the south of England. Table 1 highlights this stark inequality, showing that all of the top 10 local authorities for Aggregate Good Credit Index Score are in the south of England.

CHANGE FROM 2021

Overall, change in the Aggregate Good Credit Index 2022 when compared to 2021 is extremely minimal, with an average change in scores of only 0.98%. This matches very minimal changes in all of the sub-indices. This could be indicative of a slow 'return

55 Ministry of Housing, Communities & Local Government, *'The English Indices of Deprivation 2019'*, GOV.UK, 2019, p.1-2, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/833959/IoD2019_Infographic.pdf, [accessed 09/11/2022].

to normal' after the height of the pandemic. This minimal change also suggests that any geographical patterns we have identified in our report are already firmly established.

Whilst we have used the most recent data available to us for this year's report, much of the data we have used was collected during 2021. The peak of the cost of living crisis is arguably still to come, and as such we will not see its true impact on the data until at least next year. It is likely that the crisis may act to entrench existing geographic inequalities in access to good credit.

TABLE 1
TOP 10 LOCAL AUTHORITIES AGGREGATE GOOD CREDIT INDEX SCORES

LOCAL AUTHORITY	AGGREGATE GOOD CREDIT INDEX SCORE 2022
Kensington and Chelsea	118.62
Westminster	115.70
Richmond Upon Thames	113.58
Elmbridge	113.40
Waverley	112.63
St Albans	112.43
Camden	112.36
Mole Valley	112.29
South Oxfordshire	111.79
Wokingham	111.65

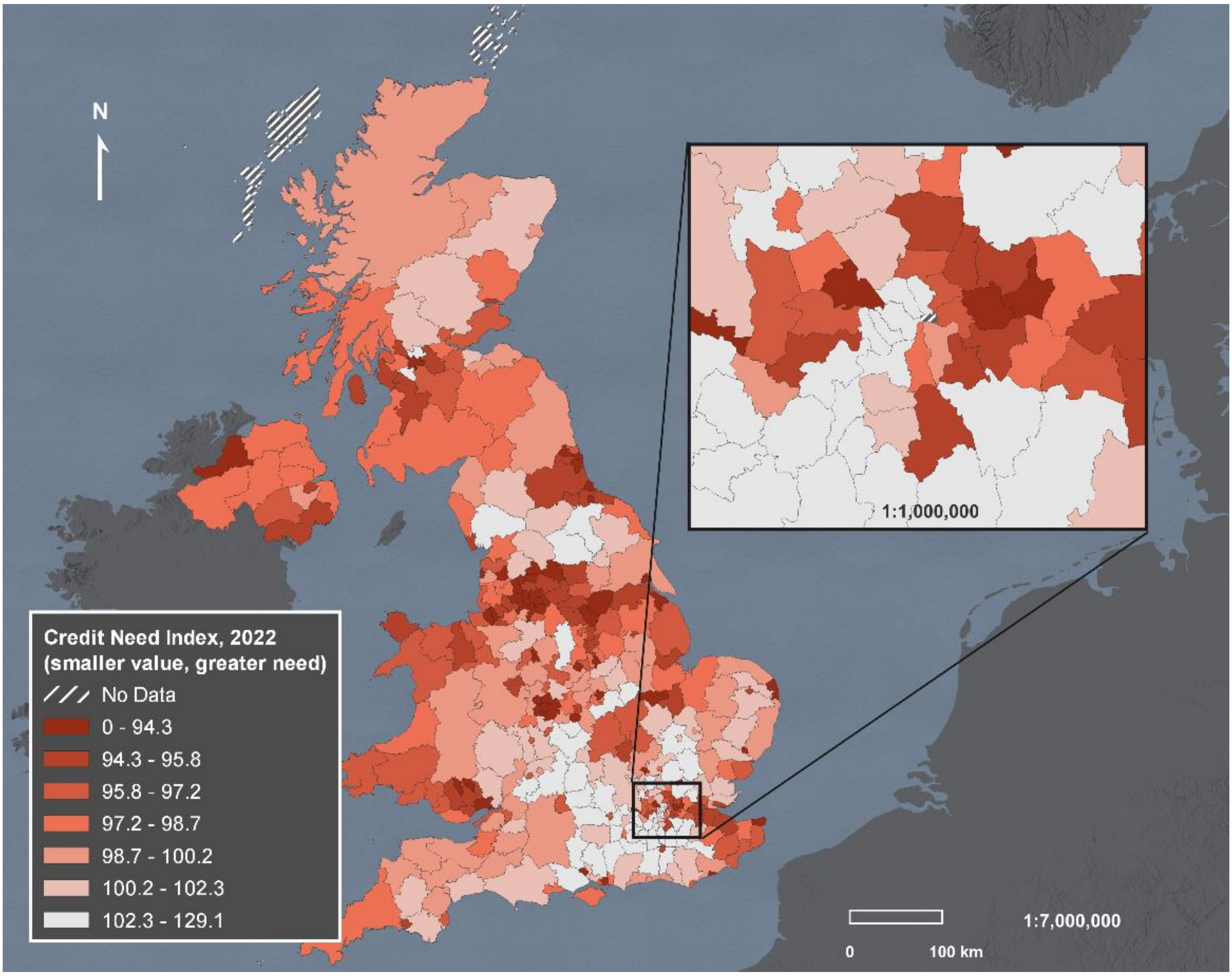
TABLE 2
BOTTOM 10 LOCAL AUTHORITIES AGGREGATE GOOD CREDIT INDEX SCORES

LOCAL AUTHORITY	AGGREGATE GOOD CREDIT INDEX SCORE 2022
Kingston upon Hull, City of	97.89
Blackpool	98.03
Middlesbrough	98.47
Blaenau Gwent	99.04
Stoke-on-Trent	99.04
Wolverhampton	99.59
Oldham	99.83
Bradford	100.16
Knowsley	100.20
North East Lincolnshire	100.26

CREDIT NEED

Our Credit Need sub-index aims to predict the likelihood that households will be unable to meet financial commitments and may therefore be in need of short-term consumer credit. Many factors can result in a household turning to credit as a financial coping mechanism: low or no income, high household costs stretching income, or a combination of low savings and an economic shock, such as the cost of living crisis or the COVID-19 pandemic.

FIGURE 2
MAP OF CREDIT NEED SUB-INDEX SCORES FOR 2022



Many of the lowest scores are found in the north of England. Mirroring our aggregate good credit index, there is a corridor of greater credit need cutting across the breadth of England from Liverpool over to Hull. Similarly, in the north east we can also see severe credit need. In particular, Middlesbrough scores twelfth highest for credit need in the country. Other pockets of high credit need include local authorities in and around Birmingham, as well as surrounding Peterborough and Northampton.

In contrast, in more rural areas of the north of England, such as the Lake District, Harrogate and Northallerton, we can see some of the lowest need for credit. The primary clusters of low credit need can be found in the south and west of England, where local authorities such as Sevenoaks, the Cotswolds and Guildford have some of the lowest need for credit. Low credit need is not uniform across the south, however, with areas of high credit need dotted across the south coast including local authorities such as Southampton, Portsmouth and Hastings.

London presents a complex picture. Local authorities to the north and west display some of the lowest need for credit in Islington, Camden and Westminster. Should data be available to examine these areas in finer detail, however, it is likely that there is division within the local authorities themselves, despite them appearing as a 'low' credit need. This is likely true of a lot of the local authorities we are discussing, but especially so in London. The Trust for London finds higher than average poverty rates in Camden and Westminster, as well as higher than average (for London) income deprivation in Islington.[56] Further to the west, areas such as Brent and Hounslow show a greater need for credit, and a much more similar picture to East London, where areas such as Newham and Barking and Dagenham show some of the highest need for credit on the map.

56 Trust for London, *'Overview of London Boroughs'*, Trust for London, 2022, available at: www.trustforlondon.org.uk/data/boroughs/overview-of-london-boroughs, [accessed 27/10/2022].

In the devolved nations, Wales shows consistently mid to high credit need, with particularly high credit need in both North Wales (Isle of Anglesey, Denbighshire) and South Wales (Newport, Merthyr Tydfil and Blaenau Gwent). Northern Ireland has similarly mid to high credit need, particularly around Londonderry towards the north West, and Newry, Mourne and Down in the South East. Scotland shows a more mixed picture, with areas at both the highest and lowest ends. The highest need is found in Glasgow and around East Ayrshire, whereas local authorities in the north such as Highland and Aberdeenshire show less credit need.

It is concerning that across the devolved nations there are only two local authorities, both in Scotland, with some of the lowest need overall for credit: East Dunbartonshire and East Renfrewshire. This data highlights significant disparities between England and the rest of the UK constituent nations. All of the 10% of local authorities least in need of credit sit within England. However, it is also true that the poorest scoring local authorities that are most in need are almost all within England as well, with the poorest scoring 9% all found there. Overall the credit need map paints the picture of an incredibly fractured United Kingdom, especially within England.

As expected, due to the unavailability of the most recent data, any changes in credit need sub-index scores have been much smaller than previous years. Last year, the biggest decline was -9.49%, compared to only -0.25% in this year's index.

TABLE 3
10 LOCAL AUTHORITIES WITH HIGHEST CREDIT NEED

CREDIT NEED SUB-INDEX SCORES 2022	LOCAL AUTHORITY NAME
87.86	Birmingham
88.41	Luton
88.66	Oldham
88.92	Wolverhampton
88.95	Blackpool
88.98	Sandwell
89.04	Barking and Dagenham
89.26	Bradford
89.32	Manchester
89.38	Kingston-upon-Hull

TABLE 4
10 LOCAL AUTHORITIES WITH LOWEST CREDIT NEED

CREDIT NEED SUB-INDEX SCORES 2022	LOCAL AUTHORITY NAME
129.14	Kensington and Chelsea
115.13	Westminster
110.74	Richmond upon Thames
100.61	Camden
109.62	Elmbridge
106.93	Waverley
106.78	Mole Valley
106.36	St Albans
106.10	Wandsworth
105.72	Hammersmith and Fulham

CASE STUDY: BARKING AND DAGENHAM

Barking and Dagenham is a local authority situated in East London. Both of the towns which give this area its name have historically been known for their involvement in heavy industry. However, the area is increasingly looking to move away from this image in its redevelopment strategies.

Barking and Dagenham's scores indicate a very high credit need combined with very low credit scores. Credit availability shows a low to middle score for the local authority. However, the prevalence of low credit scores suggests that more financially vulnerable members of the population are less likely to be able to access the good sources of credit available in the area.

Statistics surrounding the local authority are concerning, as they potentially put some residents at risk of relying on credit as a means to cope. 26% of residents earn below the living wage; 16% of residents are on out of work benefits; and 7.7% are unemployed.[57] Barking and Dagenham performs worse in all of these areas than the London average.

In 2020, the borough released details of their local plan for 2037, a vision of how they would like the area to develop. Their plan includes: Barking town centre being given a "new lease of life" as a site for working, shopping and relaxing; Dagenham East being transformed into a potential centre for media, science and technology; and Chadwell Heath and Marks Gate benefitting from a vibrant high street with modern jobs, industry and transport.[58]

Whilst these plans are ambitious, it is worrying that there seems to be minimal explanation of how residents that are earning below the living wage, on out of work benefits or unemployed might benefit from this vision. We argue that the borough should outline how they will continue to support their potentially financially vulnerable residents through these redevelopment plans.

There are existing efforts within the borough to address the issue of good credit access in the area. For example, the Homes and Money Hub at the Barking Learning Centre offers expert money and debt advice alongside loans at more affordable rates through partnerships with Leeds Credit Union.[59] We suggest that the borough should outline how they will continue to expand support for such services as the plan for the borough's future develops, especially as a key objective of their vision is '0 people left behind'.[60]

FIGURE 3
AGGREGATE GOOD CREDIT INDEX MAP, FOR THE LONDON BOROUGH OF BARKING AND DAGENHAM.

57 Trust for London, 'Barking and Dagenham', No date, available at: https://www.trustforlondon.org.uk/data/boroughs/barking-and-dagenham-poverty-and-inequality-indicators/?indicator=work-2, [accessed 16/11/22]
58 Barking and Dagenham, 'London Borough of Barking and Dagenham Draft Local Plan 2037', 2020, p.1-164, available at: https://lucmaps.co.uk/Hub_Components/10589_LBBD/LBBD%20Local%20Plan%20Reg%2019%20Consultation%20Document%20Sep%202020%20(Redsize%20V1).pdf, [accessed 16/11/22].
59 Barking and Dagenham, 'Borrowing money and credit', No date, available at: https://www.lbbd.gov.uk/money-and-debt/borrowing-money-and-credit, [accessed 17/11/22]
60 Barking and Dagenham, 'London Borough of Barking and Dagenham Draft Local Plan 2037', 2020, p.1-164, available at: https://lucmaps.co.uk/Hub_Components/10589_LBBD/LBBD%20Local%20Plan%20Reg%2019%20Consultation%20Document%20Sep%202020%20(Redsize%20V1).pdf, [accessed 16/11/22].

CREDIT SCORES

A credit score is a measure which determines whether someone can access a particular credit service such as loan, mortgage or credit card. These scores are calculated by credit agencies, based on a range of factors associated with an individual's profile such as a person's payment history, levels of debt, credit history length, amount of new credit and credit mix.[61]

Compared to last year, on average credit scores improved by 0.66%. Whilst this is a positive growth, it is still a slower rate than the 2.02% improvement reported in the 2021 Good Credit Index. This limited growth

in credit scores could be a symptom of the removal of government support initiatives that were in place to assist people with debt during the height of the Covid-19 pandemic.

In past reports, some of the lowest scoring local authorities in our index also had the highest levels of improvements. This year the pattern is less clear as improvement has slowed across the country. However, the ten local authorities with the lowest credit scores did see a slightly larger increase when compared to the ten highest scoring areas at 0.76% and 0.43% respectively.

61 Experian, *'My Credit Score'*, No Date, available at: www.experian.com/blogs/ask-experian/credit-education/score-basics/my-credit-score/#:~:text=Credit%20History%20Length%3A%20How%20long,credit%2C%20the%20higher%20your%20scores., [accessed 24/11/22].

FIGURE 4

CREDIT SCORE SUB-INDEX MAP 2022

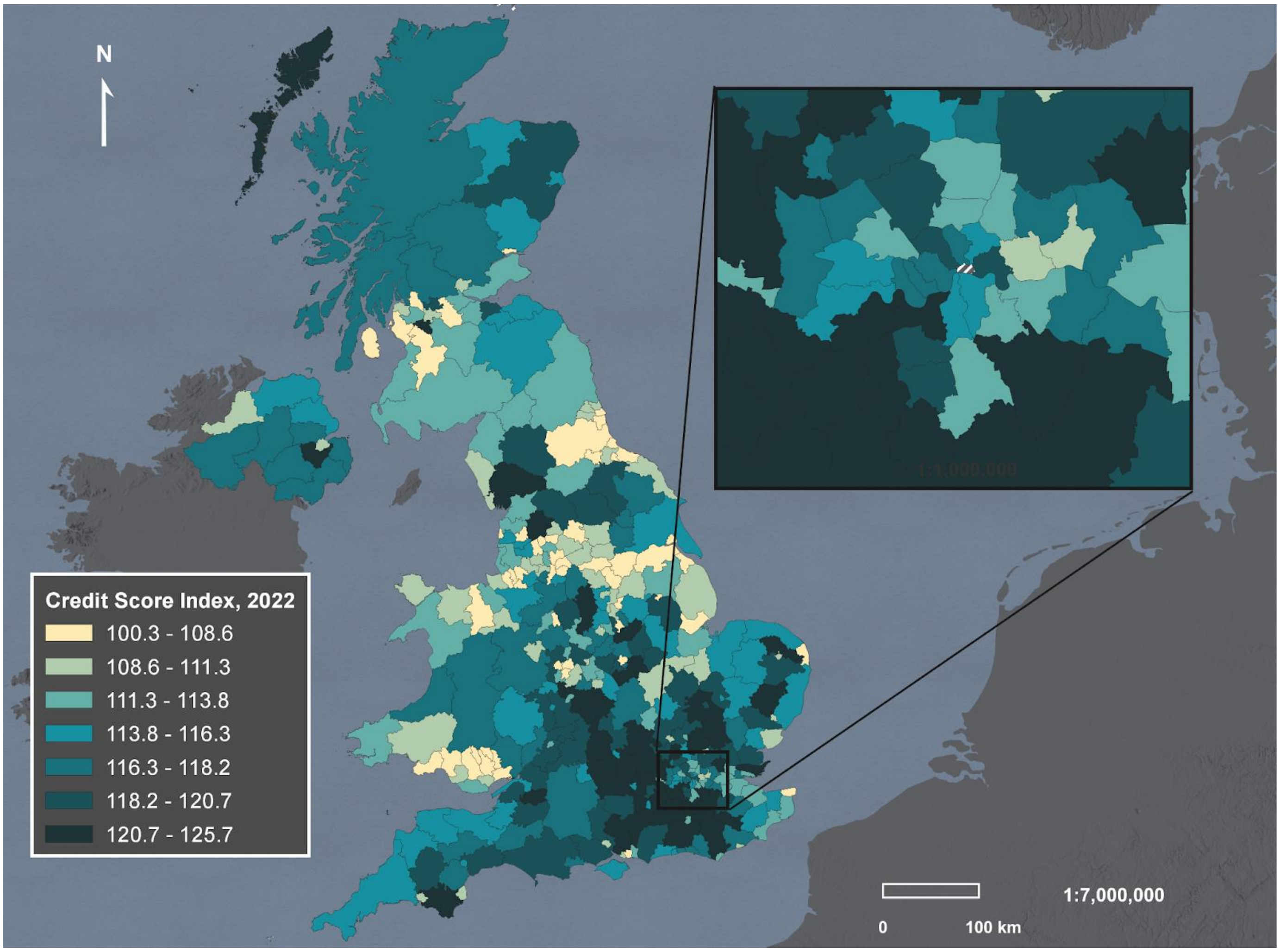


Figure 4 shows that the higher credit scores are notably clustered in the south east of England, in parts of Buckinghamshire, Oxfordshire, Surrey and South Cambridgeshire. As with the aggregated and credit need indices, London's credit score landscape is incredibly fragmented. Some of the highest credit scores in the country can be found to the west of London in Kingston upon Thames and Richmond upon Thames, whilst the boroughs of Newham and Barking and Dagenham in East London score far lower. The Midlands also holds a variable credit score landscape, with higher scores in areas such as Stratford-upon-Avon, Rushcliffe and the Derbyshire Dales, and lower scores clustered around larger cities such as Birmingham, Nottingham and Leicester.

Once again, we can see some of the lowest scores on the map stretching from Liverpool across to Hull, and further north towards Hartlepool and Redcar. There are a few areas of higher credit scores around South Lakeland in the Lake District and Ribble Valley, however, these are outnumbered by poorer scores across the North of England.

In the devolved nations, South Wales has again emerged as an area struggling to access good credit, this time through low credit scores. North Wales also has some concerningly low credit scores, particularly around Denbighshire. In Scotland, there is again a story of extremes, with very low credit scores clustered in the south west, contrasting with a handful of areas with much higher scores. Northern Ireland shows comparatively middling scores in most local authorities, with some areas of lower scores around Londonderry and Belfast.

Whilst there are some areas with higher credit scores in the devolved nations, only three of these local authorities, one in Northern Ireland and two in Scotland, are ranked amongst the very highest areas of credit scores in the UK.

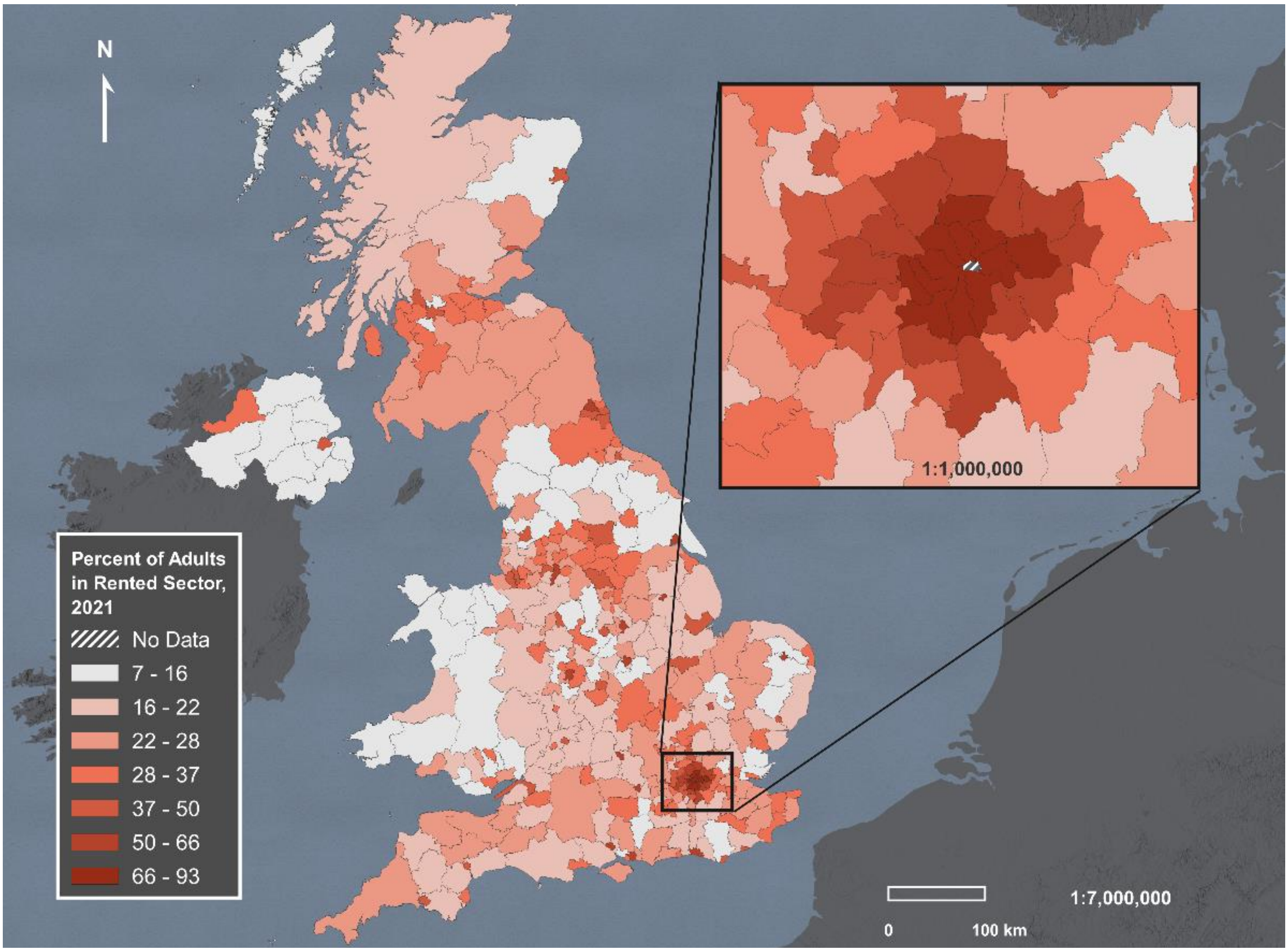
There has been minimal change from the highest and lowest scoring local authorities in terms of credit scores since the Good Credit Index started in 2019 (Table 5). This indicates entrenched geographic inequalities. As in previous years, the credit score map is highly correlated with deprivation in England.[62] Low credit scores and high IMD measurements are found across the corridor between Liverpool and Hull, South Wales and certain areas of the midlands and eastern England such as Birmingham and Peterborough.

CONTRIBUTING FACTORS

To aid with our understanding of credit score variability, we ran a regression on a series of potential factors including: population aged over 16; percentage of adults in the rented sector; consumer county court judgements (CCJs); insolvencies as a percentage of the adult population; voter registration rate; percentage difference in payday loan; fixed term and credit sale debt per person from national average; and credit card debt. From this analysis, two statistically significant variables emerged: percentage of adults in the rented sector and insolvencies, both of which were negatively associated with credit scores.

Table 6 shows that six of the 10 local authorities with the lowest credit scores had above average rates of people living in the rented sector (29%). We can also see this relationship across the UK in Figure 5, where key areas in the Midlands and across the corridor in northern England between Liverpool and Hull have higher rented populations and lower credit scores. There are additional pockets on the South Coast such as Southampton and Portsmouth which also see high rents and lower credit scores.

FIGURE 5
PERCENTAGE OF ADULTS IN THE RENTED SECTOR PER LA, 2021



62 Ministry of Housing, Communities & Local Government, 'The English Indices of Deprivation', GOV.UK, 2019, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/835115/IoD2019_Statistical_Release.pdf, [accessed 24/11/22]

London offers a very different picture, with areas of high credit scores combined with high proportions of renters. For example, Tower Hamlets has an average credit index score of 883 but a staggering 93% of residents live in rented housing. There is less of a clear north-south divide with this variable, with low levels of renters from the East Riding of Yorkshire up to Richmondshire and high levels of renters in London. This could, however, be a product of the urban-rural divide, and unique housing markets and higher incomes in London.

As in last year's report, the rate of insolvencies was also statistically significant, where higher rates of insolvencies brought down scores. This relationship is evident in Table 6 which shows that the 10 lowest credit score areas have an average insolvency rate of 0.34%, compared to the 10 highest scoring local authorities in Table 7 which have an average of 0.14%. Figure 6 shows that the highest rates of insolvencies are clustered in the North of England. As with low credit scores, we can also see a band of high insolvencies which stretches from Liverpool to Hull. Low rates of insolvencies mirror previous findings on high credit scores, clustering around London and the South East.

FIGURE 6
PERCENTAGE OF ADULTS WITH INSOLVENCY PER LOCAL AUTHORITY, 2021

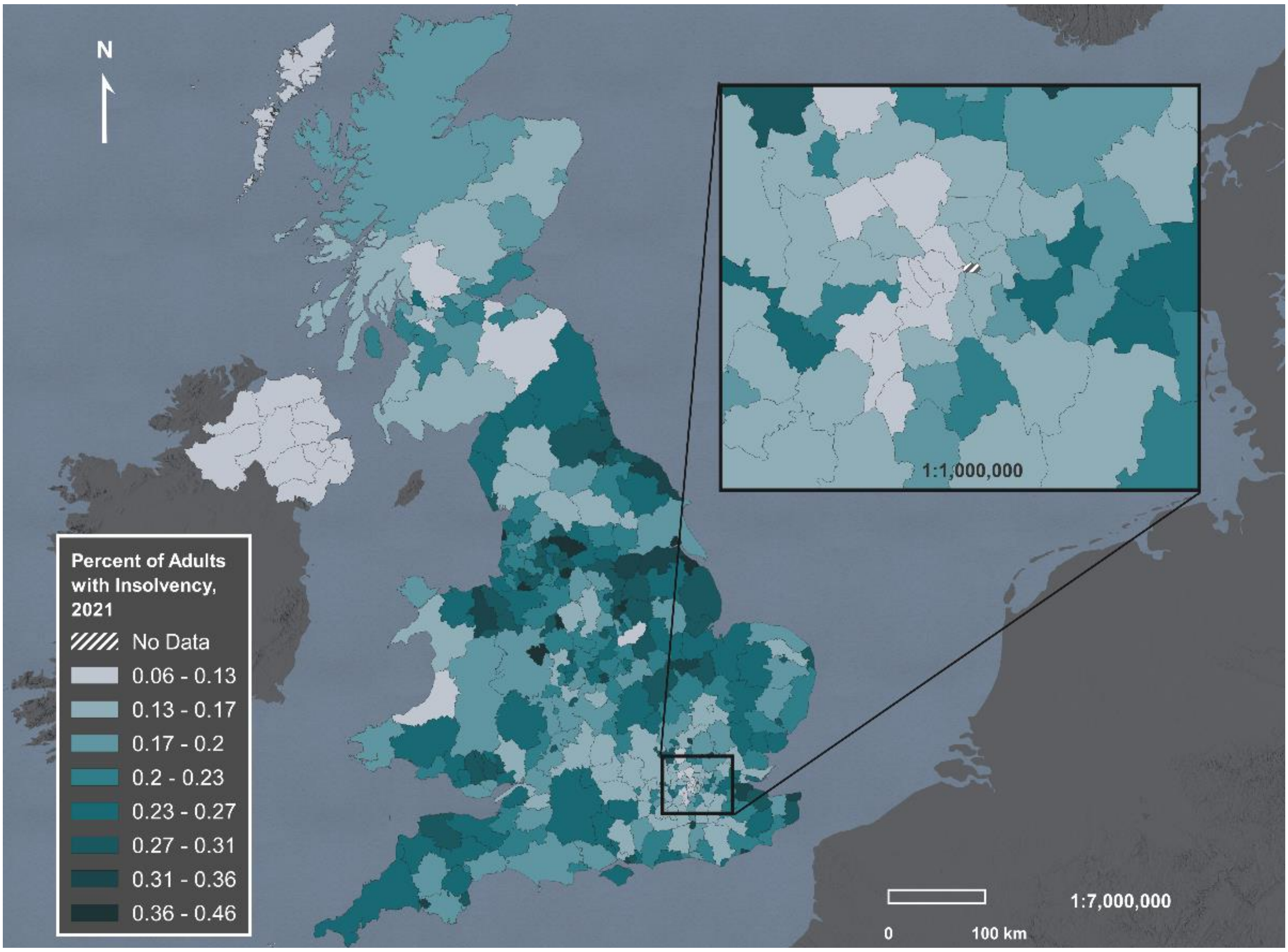


TABLE 5
HIGHEST AND LOWEST CREDIT SCORE LAS 2019-2022.

2019				2020				2021				2022			
LOWEST		HIGHEST		LOWEST		HIGHEST		LOWEST		HIGHEST		LOWEST		HIGHEST	
Kingston-upon-Hull	669	Chiltern	859	Kingston-upon-Hull	679	Wokingham (Berkshire)	864	Kingston upon Hull	696	Wokingham (Berkshire)	877	Kingston-upon-Hull	702	Wokingham	880
Blaenau Gwent	671	Wokingham (Berkshire)	858	Blaenau Gwent	681	Chiltern	862	Blaenau Gwent	702	Richmond-upon-Thames (London)	874	Blaenau Gwent	707	Richmond upon Thames	878
Merthyr Tydfil	685	Elmbridge (Surrey)	853	Blackpool (Lancashire)	693	Richmond-upon-Thames (London)	860	Blackpool (Lancashire)	709	Elmbridge (Surrey)	872	Blackpool	713	Elmbridge	877
Blackpool (Lancashire)	686	St Albans (Hertfordshire)	853	Merthyr Tydfil	696	Elmbridge (Surrey)	859	Merthyr Tydfil	712	Hart (Hampshire)	872	Middlesbrough	717	Waverley	876
North East Lincolnshire (Lincolnshire)	689	Waverley (Surrey)	851	Middlesbrough (Middlesbrough)	699	Waverley (Surrey)	859	Middlesbrough (Middlesbrough)	713	Waverley (Surrey)	871	Merthyr Tydfil	720	St Albans	876
Knowsley (Merseyside)	689	Richmond-upon-Thames (London)	850	Knowsley (Merseyside)	701	St Albans (Hertfordshire)	858	North East Lincolnshire	717	St Albans (Hertfordshire)	871	North East Lincolnshire	723	Hart	875
Rhondda Cynon Taf	700	Rushcliffe	850	North East Lincolnshire (Lincolnshire)	702	Hart (Hampshire)	857	Knowsley (Merseyside)	722	Rushcliffe (Nottinghamshire)	869	Hartlepool	728	Rushcliffe	873
Neath Port Talbot	703	Hart (Hampshire)	847	Neath Port Talbot	707	Rushcliffe	856	Hartlepool (Durham)	724	Mole Valley (Surrey)	869	Knowsley	728	Mole Valley	872
Hartlepool (Durham)	705	South Bucks	846	Rhondda Cynon Taf	711	Mole Valley (Surrey)	855	Neath Port Talbot	724	South Cambridgeshire	867	Neath Port Talbot	731	South Cambridgeshire	869
Wolverhampton	707	Mole Valley (Surrey)	844	Hartlepool (Durham)	711	South Bucks	854	Burnley	729	Epsom and Ewell	866	Burnley	733	Epsom and Ewell	868

TABLE 6
LOWEST CREDIT SCORES 2022.

2022 INDEX SCORE	LA NAME	% OF ADULT POPULATION IN THE RENTED SECTOR 2021	INSOLVENCIES (% OF ADULT POPULATION)	CREDIT SCORE	2021 INDEX SCORE	DIFFERENCE IN SCORES
100.31	Kingston upon Hull	53%	0.43	702	99.43	0.88%
100.95	Blaenau Gwent	29%	0.27	707	100.32	0.63%
101.83	Blackpool	36%	0.38	713	101.22	0.60%
102.46	Middlesbrough	40%	0.26	717	101.93	0.53%
102.82	Merthyr Tydfil	25%	0.31	720	101.73	1.07
103.31	North East Lincolnshire	29%	0.46	723	102.41	0.89%
103.95	Hartepool	36%	0.34	728	103.37	0.56%
104.05	Knowsley	38%	0.26	728	103.11	0.91%
104.47	Neath Port Talbot	18%	0.25	731	103.43	1.01%
104.65	Burnley	36%	0.39	733	104.1	0.53%

TABLE 7
HIGHEST CREDIT SCORES 2022.

2022 INDEX SCORE	LA NAME	% OF ADULT POPULATION IN THE RENTED SECTOR 2021	INSOLVENCIES (% OF ADULT POPULATION)	CREDIT SCORE	2021 INDEX SCORE	DIFFERENCE IN SCORES
125.74	Wokingham	17%	0.15	880	125.25	0.39%
125.46	Richmond upon Thames	44%	0.10	878	124.86	0.48
125.35	Elmbridge	24%	0.14	877	124.62	0.59%
125.35	Waverley	21%	0.17	876	124.48	0.55%
125.13	St. Albans	24%	0.12	876	124.39	0.59%
125.05	Hart	15%	0.16	875	124.50	0.44%
124.73	Rushcliffe	17%	0.12	873	124.20	0.43%
124.60	Mole Valley	20%	0.16	872	124.17	0.35%
124.11	South	18%	0.17	869	123.83	0.23%
124.00	Epsom and Ewell	18%	0.11	868	123.69	0.25%

CASE STUDY: MERTHYR TYDFIL

Merthyr Tydfil is a county borough and historic industrial town set half way between Cardiff and the Brecon Beacons in Southern Wales.[63] Our analysis suggests that many residents of Merthyr Tydfil could be struggling to access good credit, as there is a very high need for credit in the area, yet very low credit scores. The credit availability scores were in the low to middle range, however, as with our case study of Barking and Dagenham, low credit scores are likely to restrict residents from accessing loans from accessing many 'good' credit providers. Compared to last year, we have only seen a 0.73% improvement in Aggregate Good Credit Index scores for the area.

In recent years, the County Borough Council launched its 15-year 'Master plan' which aims to create a "thriving town centre".[64] Key aspects of the plan include: redeveloping the train station; renovating high street buildings; and creating more town centre homes, hotels and workspaces.

While improving access to good credit was likely not a driver of this redevelopment, given the credit challenges in Merthyr Tydfil, we believe these plans could be utilised to address this important issue. Currently, the redevelopment will only have a limited, incremental impact on improving access to good credit in part through the creation of new jobs in the area. The master plan does, however, mention that Merthyr Tydfil will become a destination for services.[65] If, within this, the borough council decides to invest in financial services in the area, such as the Credit Union on the high street, this may go a long way to improve access to good credit for local residents.

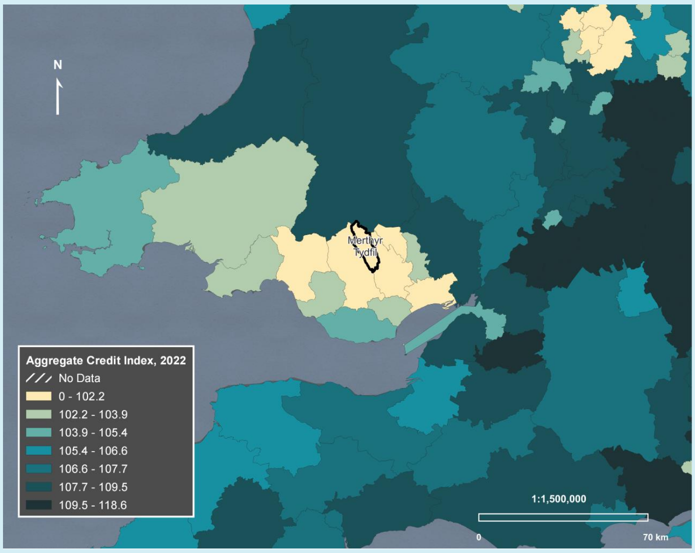


FIGURE 7
AGGREGATE GOOD CREDIT INDEX MAP FOR MERTHYR TYDFIL.

63 Visit Merthyr, *'Our Location'*, No date, available at: https://www.visitmerthyr.co.uk/about-merthyr/our-location/, [accessed 17/11/22].
64 Merthyr Tydfil County Borough Council, *'Merthyr Strategic Valley Hub: Placemaking Plan 2019-2035'*, 2020, p.1-6, available at: https://democracy.merthyr.gov.uk/documents/s51011/Committee%20Report.pdf, [accessed 17/11/22].
65 Merthyr Tydfil County Borough Council, *'Merthyr Strategic Valley Hub: Placemaking Plan 2019-2035'*, 2020, p.1-6, available at: https://democracy.merthyr.gov.uk/documents/s51011/Committee%20Report.pdf, [accessed 17/11/22].

CREDIT AVAILABILITY

The Credit Availability sub-index examines geographic variation in access to credit options by local authority across the UK. This sub-index includes an evaluation of the quality of these options based on a representative poll of UK adults. Within our data, pawn shops and payday lenders have been categorised as 'bad' options, whilst free cashpoints, bank branches and internet access have been weighed as 'good' options. Higher sub-index scores reflect access to 'good' options, whilst lower sub-index scores reflect the availability of 'bad' options.

FIGURE 8
CREDIT AVAILABILITY INDEX SCORES, 2022.

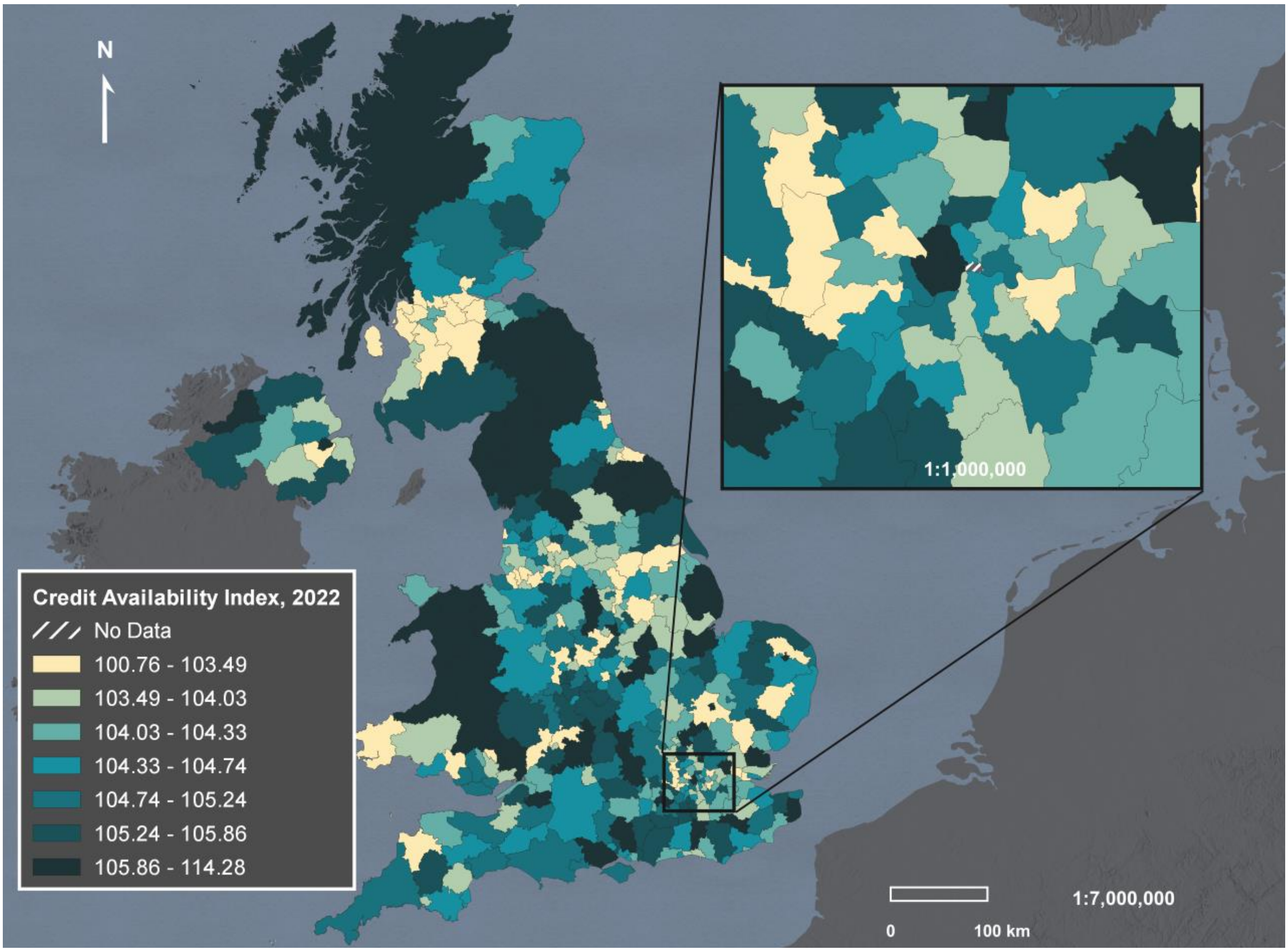


Figure 8 shows a mixed picture of credit availability across the country, but one which is far more nuanced than a simple north-south divide. There is some evidence of lower scores in the Midlands within Lincolnshire, Nottinghamshire and South Staffordshire; as well as in the North, especially along the credit desert corridor that stretches between Liverpool and Hull. However, some of the best sub-index scores can also be found in Northumberland and Cumbria, as well as the Scottish Borders, Scottish Highlands and Mid-North Wales. As these local authorities are more rural, it may be the case that the higher scores are found in areas with lower populations, so this map should be interpreted with care.

These complex credit availability environments also continue into the South of England. London's credit availability is highly divided, with some of the best scoring credit environments observable in local authorities such as Camden, Westminster and Kensington and Chelsea, alongside some of the worst performing in Greenwich and Redbridge. Other local authorities that also stand out for having lower scores than their surrounding areas include Brighton and Hove, and Adur on the South Coast. More rural areas in the South West on the other hand, such as the Cotswolds and South Oxfordshire, score higher, reminding us that access to good credit is not simply a matter of North vs South.

This map shows a nuanced pattern of credit availability, consisting of the corridor of bad credit between Liverpool and Hull, but also a slight divide between the South East and South West of England. This may in part be underpinned by the rurality of certain areas, as some of the lower index scores that are indicative of access to 'bad' credit options on the high-street are found in typically more urban areas, particularly around London.

There is also the question of whether the populations of some of these local authorities with 'good' credit environments can actually access these more affordable credit options. Indeed, much of North Wales displays a relatively high credit availability score, yet we can see that many authorities there also have relatively high, persistent credit need. Similar instances can be found in other parts of the devolved nations, such as Argyll and Bute in Scotland which displays high credit availability, but middling credit need. Similarly, Londonderry in Northern Ireland has a high availability score, yet also demonstrates very high credit need.

Finally, tying back once again to the IMD for England, we have found that some of the local authorities with very limited access to 'good' credit options are also some of the most deprived places in England. This is particularly true of the Liverpool to Hull corridor of low scores.

TABLE 8
BOTTOM 10 CREDIT AVAILABILITY SUB-INDEX SCORES

2022 CREDIT AVAILABILITY INDEX SCORE	LOCAL AUTHORITY NAME
100.76	West Dunbartonshire
102.18	North Lanarkshire
102.25	West Lothian
102.26	Basildon
102.32	Clackmannanshire
102.33	Falkirk
102.40	St. Helens
102.43	Blaenau Gwent
102.45	Liverpool
102.45	Slough

TABLE 9
TOP 10 CREDIT AVAILABILITY SUB-INDEX SCORES

2022 CREDIT AVAILABILITY INDEX SCORE	LOCAL AUTHORITY NAME
114.28	Westminster
111.98	Na h-Eileanan Siar
109.18	Argyll and Bute
109.13	Kensington and Chelsea
109.04	Eden
109.04	Powys
108.65	Craven
108.59	South Lakeland
108.42	Allerdale
108.07	Ceredigion

Since last year, there has been very minimal change in credit environments, with the average difference in index scores only improving by 0.08%. If we are only accounting for changes in the physical credit environment, the average difference is still only 0.09%. Some of the largest declines and improvements were found both in England and Scotland, whereas the scores for Northern Ireland and Wales have remained more consistent with last year.

Whilst these are slight improvements, last year’s report saw a decline in the physical credit availability by 0.16%, meaning the improvement we have seen this year still does not bring the environment back to pre-COVID levels.

POLICY AND PRACTICE RECOMMENDATIONS

Our analysis has once again highlighted just how unequal access to good credit is within the United Kingdom. Year after year we're seeing the same geographic patterns becoming even more entrenched, with credit deserts comprised of high credit need and low credit access persisting in parts of the North of England, the Midlands, London, the South Coast and the devolved nations.

Correlating our findings with the IMD, we know that many of the most vulnerable communities in the UK are also situated within credit deserts. Throwing the cost of living crisis into the mix, which we know will disproportionately affect those on the lowest incomes, this is a dangerous combination.

As the link between the cost of living crisis and increased reliance on credit is clear, our recommendations address both the current crisis and its implications for credit, as well as access to good credit more generally.

BRING FORWARD BENEFIT UPRATING

We know that those on the lowest incomes will be disproportionately affected by the cost of living crisis, and potentially forced into using credit as a means to cope. As our analysis shows, there are many parts of the country where the credit need is high, but credit scores are low, and availability of good options is poor.

In the Autumn Statement, Chancellor Jeremy Hunt announced that the government will be uprating benefits in line with inflation in 2023. Whilst we welcome this development, we agree with the Centre for Social Justice that this uprating cannot wait until next year. Benefits need to be increased immediately in order to help households through the hardest months.[66] We also support further calls from the Centre for Social Justice and Joseph Rowntree Foundation which state that the government needs to slow the collection of debts through the Universal Credit system during the course of the cost of living crisis, as a means to avoid further compounding its effects on households.[67][68]

EXPANDING SUPPORT AFTER APRIL 2023

The government's 'Energy Price Guarantee' (EPG) came into effect on the 1st of October 2022. The EPG caps the price that energy suppliers can charge for each unit of electricity and gas that a household uses. After several policy U-turns, the Chancellor announced in the Autumn Statement of this year that the EPG will run for a further year, albeit with a cap of £3000 from April rather than this winter's £2500.[69] It would also appear that the £400 discount applied to all households will be scrapped from next April.[70]

Whilst we are pleased that there will be continued Cost of Living Payments for those on means-tested benefits, we share concerns about those on the

66 Centre for Social Justice, *'On Target, Protecting vulnerable households from the inflation crisis'*, 2022, available at: www.centreforsocialjustice.org.uk/wp-content/uploads/2022/08/CSJ-Cost_of_Living.pdf, [accessed 21/09/22].
67 Centre for Social Justice, *'On Target, Protecting vulnerable households from the inflation crisis'*, 2022, available at: www.centreforsocialjustice.org.uk/wp-content/uploads/2022/08/CSJ-Cost_of_Living.pdf, [accessed 21/09/22].
68 Joseph Rowntree Foundation, *'New evidence of the 'year of financial fear' being endured by UK's low-income families'*, 2022, available at: www.jrf.org.uk/press/new-evidence-%E2%80%98year-financial-fear%E2%80%99-being-endured-uk%E2%80%99s-low-income-families, [accessed 21/10/22].
69 HM Treasury, 'Policy paper Autumn Statement 2022 HTML', 2022, available at: https://www.gov.uk/government/publications/autumn-statement-2022-documents/autumn-statement-2022-html, [accessed 21/11/22].
70 Brignall, M, 'Is the energy bills support in the autumn statement generous enough?', The Guardian, 2022, available at: https://www.theguardian.com/money/2022/nov/17/energy-bills-autumn-statement-jeremy-hunt-price-cap, [accessed 21/11/22].

edge of being eligible for benefits now suffering disproportionately.[71] Indeed, although many have argued that it was not enough, this year's £400 cost-of-living payment has provided a small buffer against sky-rocketing prices.[72] We recognise that the chancellor has allocated an extra £1bn to councils for those who may still be struggling financially, however, this is still far less of a guarantee than the government outlining a specific plan to support such households.

With the cost-of-living payment removed for most of the population and the EPG raised, many households will already be worried about their bills next winter. We know the cost-of-living crisis will not have disappeared by next year and the EPG alone will not be enough to protect many household's finances. We therefore urge the government to expand the eligibility of households able to claim cost-of-living payments after April 2023. One suggestion would be to taper cost of living payments so that those just above the benefits threshold still receive some financial support, but the value of support would decrease as income increases.

GOOD CREDIT AVAILABILITY

Given the disparities in access to good credit on the high-street, the government should invest in community finance organisations at the local level, particularly within credit deserts. The community finance sector includes organisations such as Credit Unions and Community Development Finance Institutions (CDFIs). These are not-for-profit lenders that offer smaller, cheaper loans at better rates than would typically be available for those with poor credit scores, who may otherwise be dependent on doorstep lending. For their more financially vulnerable customers, many branches additionally offer guidance surrounding saving, budgeting and managing debts.[73] Within the communities they operate in, these organisations offer a financial lifeline of good credit, however, the community finance sector will ultimately require further government funding to expand and serve a larger proportion of the population.[74, 75, 76]

We therefore urge the government to continue to invest in active efforts, such as the Fair4All Finance project, which aims to increase the provision of affordable credit options (including community finance organisations). Fair4All Finance is currently funded through the Dormant Assets scheme, but the project will also require further long-term governmental commitment to funding, as the community finance sector will require time to develop models which facilitate its expansion in a sustainable way.[77]

Whilst the sector continues to grow, we agree with the FCA and Local Government Association that local councils and other related front-line service providers need to be doing all they can to raise awareness and support community finance options in the local authorities where they exist.[78, 79] One of the key ways front line service providers can achieve this is through signposting their customers towards relevant community finance organisations.

RINGFENCE SPENDING ON SERVICES THAT SUPPORT FINANCIALLY VULNERABLE INDIVIDUALS

In this year's Autumn Statement, the Chancellor announced a package of tax rises and spending cuts amounting to around £50 billion. The cuts have been delayed to 2025 and beyond, but departments such as local government, HMRC and the courts system are likely to see challenging cuts.[80]

Many public services had budgets cut significantly after 2010 and are now operating with much more

71 Brignall, M., *'Is the energy bills support in the autumn statement generous enough?'*, The Guardian, 2022, available at: https://www.theguardian.com/money/2022/nov/17/energy-bills-autumn-statement-jeremy-hunt-price-cap, [accessed 21/11/22].
72 New Economics Foundation, *'Families will be over £3000 out of pocket by April 2023 without further government intervention'*, 2022, available at: https://neweconomics.org/2022/09/families-will-be-over-3000-out-of-pocket-by-april-2023-without-further-govt-intervention, [accessed 11/11/22].
73 Illgner, A., *'Credit Unions'*, Money Saving Expert, 2022, available at: https://www.moneysavingexpert.com/loans/credit-unions/, [accessed 10/11/22].
74 Financial Conduct Authority, *'Alternatives to High-cost Credit Report'*, 2019, p.1-49, available at: https://www.fca.org.uk/publication/research/alternatives-high-cost-credit-report.pdf, [accessed 10/11/22].
75 Venkataramakrishnan, S., *'Credit crunch: how the cost of living crisis is pushing households to breaking point'*, Financial Times, 2022, available at: www.ft.com/content/45deb236-985b-44e7-a3c1-a39d88ce79b2, [06/09/22].
76 Fair4All Finance, *'Transforming affordable credit in the UK'*, 2020, p.1-29, available at: https://fair4allfinance.org.uk/wp-content/uploads/2020/02/Fair4All-Finance-Transforming-affordable-credit-in-the-UK-Final-Feb20_v2.pdf, [accessed 10/11/22].
77 Fair4All Finance, *'Transforming affordable credit in the UK'*, 2020, p.1-29, available at: https://fair4allfinance.org.uk/wp-content/uploads/2020/02/Fair4All-Finance-Transforming-affordable-credit-in-the-UK-Final-Feb20_v2.pdf, [accessed 10/11/22].
78 Financial Conduct Authority, *'Alternatives to High-cost Credit Report'*, 2019, p.1-49, available at: https://www.fca.org.uk/publication/research/alternatives-high-cost-credit-report.pdf, [accessed 10/11/22].
79 Evans, G., and Earnshaw, M, *'The role of councils in improving access to affordable credit and financial services for low-income households'*, Local Government Association, 2021, n.p, available at: https://www.local.gov.uk/publications/improving-access-affordable-credit, [accessed 10/11/22].
80 Adam, S., Emmerson, C., Johnson, P., Joyce, R., Karjalainen, H., Levell, P., Stockton, I., Waters, T., Wernham, T., Xu, X., Zaranko, B., *'Autumn Statement 2022 response'*, Institute for Fiscal Studies, available at: https://ifs.org.uk/articles/autumn-statement-2022-response, [accessed 24/11/22].

limited spending power. Local government spending fell by 29% between 2010/11 and 2021/22.[81] Adult social care, funded by local government, is a vital resource for financially vulnerable people, including in signposting service users towards other sources of help. However, unmet care needs are already significant and it is estimated that currently 1 in 7 older people may not be getting the care they need.[82] If budgets are cut further, there is a greater risk that people in need will fall through the cracks.

It is crucial that the government, including local authorities, protect spending on services that support the financially vulnerable. Services such as adult social care, employment support and charities, like Citizens Advice, provide vital advice, signposting and financial assistance. As the cost of living crisis continues, people on the lowest incomes, in debt and/or unable to take out low cost loans are likely to struggle more than most with paying their bills. It is vital that they are still able to access support, be that impartial debt advice, vouchers for food and energy or support with housing or work.

Talking about forthcoming spending cuts, Hunt has said that the government's priority "will always be the most vulnerable."[83] To follow through on this promise, it is vital that the needs of the financially vulnerable are considered a high priority in spending decisions.

GENERATING DATA ON USE OF ONLINE CREDIT

Currently, we are able to map physical credit environments on the high-street at a relatively in-depth level, but as people increasingly turn to the internet as a source of credit there is a lack of publicly available datasets measuring this at the local authority level.

Both the ONS and the FCA currently collect data on credit usage through their Opinions and Lifestyle Survey and The Financial Lives Survey, respectively. It would be beneficial for organisations like the ONS and FCA to collect more in-depth data which explicitly examines the use of online credit at a local authority level. This would enable researchers to gain a greater understanding of the different ways in which credit is accessed and how this varies geographically.

The creation and publication of such data would fit with the government's aim to transform its approach to data and evaluation to improve local decision making, as mentioned in the Levelling Up white paper.[84] In this case, understanding how the population of a local authority sources their credit would allow for more targeted intervention efforts and more efficient use of government funds in this area.

81 Foster, D., and Harker, R., *'Adult Social Care Funding (England)'*, House of Commons Library, 2022, available at: https://commonslibrary.parliament.uk/research-briefings/cbp-7903/, [accessed 24/11/22].
82 Age UK, *'The number of older people with some unmet need for care now stands at 1.5 million'*, 2019, available at: https://www.ageuk.org.uk/latest-press/articles/2019/november/the-number-of-older-people-with-some-unmet-need-for-care-now-stands-at-1.5-million/, [accessed 24/11/22].
83 FE Week, *'Austerity 2.0: Hunt warns of spending cuts'*, 2022, available at: https://feweek.co.uk/austerity-2-0-no-good-news-as-hunt-warns-of-spending-cuts/, [accessed 24/11/22].
84 HM Government, *'Levelling Up the United Kingdom'*, 2022, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1052706/Levelling_Up_WP_HRES.pdf, [accessed 24/11/22].

APPENDIX A
FULL INDEX

APPENDIX A: FULL INDEX

The full index can be found at

APPENDIX B
METHODOLOGICAL APPENDIX

The annual Good Credit Index is intended to offer a geographic lens to examine 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 measuring 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 GRANULARITY

The index is calculated at the local authority district level, which, given the available data, was the most granular level we could 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 high street and so regularly access services outside their postcode of residence. 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 excludes the 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 SOURCES

The Good Credit Index uses a variety of datasets to calculate the sub-indices of credit scores, credit need and credit environment.

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 Experian.

For the geospatial data, we used public data available from the websites of different credit options for a few specific brands, such as www.everydayloans.co.uk, which listed branch addresses. In the case of the National Pawnbrokers Association, we developed our own script designed to "scrape" addresses from a tool allowing visitors to "find your local branch" on a map. In each case, these collection methods were designed to impose minimum load on each website - for instance, idle time was added between each request to a site, and the scraping tool was restricted to only accessing pages on a domain which held public address information.

The datasets we received were aggregated to the local authority level. None of the data sets offered information about individuals. Some data sources are longitudinal and cover an entire year, whereas others are static, showing a snapshot of a particular moment.

CREDIT NEED			
INDICATOR	SOURCE	TIMEFRAME	HOW WE ACCESSED THE DATA
Average credit score by local authority	Experian	Static, June 2022	
County Court Judgements	Registry Trust, UK	Longitudinal, 2021-2022	
Insolvencies - England	The Insolvency Service	Longitudinal, 2021	https://www.gov.uk/government/statistics/individual-insolvencies-by-location-age-and-gender-england-and-wales-2021
Insolvencies - Scotland	Accountant in Bankruptcy	Longitudinal, 2021-22	https://www.aib.gov.uk/scottish-statutory-debt-solutions-statistics-financial-year-2021-22-excel-tables
Voter Registration Rate	ONS	Longitudinal, December 2021	https://www.ons.gov.uk/peoplepopulationandcommunity/elections/electoralregistration/datasets/electoralstatisticsforuk
% Difference in payday loan, fixed term and credit sale debt per person from national average	Equifax	Static, March 2021	
Percentage of adults in the rented sector	Money Advice Service	Static, April 2022	
Credit Card Debt	StepChange	Longitudinal, 2021	

CREDIT SCORES			
INDICATOR	SOURCE	TIMEFRAME	HOW WE ACCESSED THE DATA
Gross disposable household income	ONS	Longitudinal, 2019	https://www.ons.gov.uk/economy/regionalaccounts/grossdisposablehouseholdincome/datasets/
Claimant count	ONS	Longitudinal, April 2022	https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/datasets/
Children in Low Income Families	DWP	Longitudinal, 2020-2021	https://www.gov.uk/government/collections/children-in-low-income-families-local-area-statistics
Bank Searches (% of Adult Population)	Equifax	2021	
HARD Bank Searches (% of Adult Population)	Equifax	2021	

CREDIT SCORES			
INDICATOR	SOURCE	TIMEFRAME	HOW WE ACCESSED THE DATA
Population	ONS	June 2020	https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/

CREDIT ENVIRONMENT			
INDICATOR	SOURCE	TIMEFRAME	HOW WE ACCESSED THE DATA
Number of pawn shops	National Pawnbrokers Association	May 2022	https://www.thenpa.com/Find-A-Pawnbroker.aspx
Payday lenders: Cash Generator	From View source on the Cash generator website	May 2022	https://cashgenerator.co.uk/pages/stores
Payday lenders: Everyday Loans	Everyday Loans	July 2022	https://www.everyday-loans.co.uk/find-your-local-branch/
Free Cash Points	LINK	February 2022	
Bank branches	OpenStreetMap	July 2022	https://download.geofabrik.de/europe.html
Internet Users	ONS	Longitudinal, 2020	https://www.ons.gov.uk/businessindustryandtrade/itandinternetindustry/bulletins/internetusers/2020
Use of online banking by age group	Financial Conduct Authority	February 2020	https://www.fca.org.uk/publication/research/financial-lives-survey-2020.pdf

WEIGHTING

Credit score index

The credit need index and credit environment scores all have average scores close to 100 and a similar range of scores. Therefore, credit scores per local authority were divided by 7, in order to create credit score sub-index scores with an average close to 100, and a similar range. It is important for all three sub-indices to have a similar range and approach the same number, so when they are combined to form the aggregate index, they all have an equal impact on the results.

Credit need index

As in last year's report, we included the variables Bank Search data and Hard Bank Searches. To allow direct comparison of the credit need index in 2022 and 2021, we have used the same multivariate regression as last year to determine the weightings. The dependent variable was the percentage of the local adult population whose credit file was checked by a bank, and the indicators were the independent variables. This allowed us to assess the relative importance of each indicator in predicting local credit need compared to the other factors. The regression coefficient for each indicator was then used as that indicator's weighting.

We believe that the percentage of the local adult population whose credit file was checked by a bank 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 banks particularly indicate requests for short-term credit from those who need it urgently. It mimics the changes and volatility in consumer behaviour as it includes both hard and soft searches for credit. Hard bank searches can significantly impact a person's credit score if too many are conducted in a short period of time, therefore indicating the risk people might be taking in searching for credit.[85]

Credit environment index

We adapted the calculation of the credit environment index from our 2021 model. Each physical credit source (pawnbroker, payday lender, free ATMs and bank branches), within each local authority, was given a quality score. This was based on the findings of a nationally representative sample of 2,008 British adults conducted by Opinium on behalf of Demos in 2019.

Respondents were asked to assign scores between 0 and 10 for each of the physical credit sources, scoring the extent to which they:

- Trust that credit source
- Think their terms and conditions are fair
- Think that source is accessible

For each question, and for each source of credit, we calculated the average score, and accounted for the variation among different demographics. 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 number of that type of credit source per 10,000 inhabitants, was multiplied by these weightings, and all these numbers for the different credit sources in one local authority were added together.

Since the covid-19 pandemic, the internet has become a particularly significant source of credit. As this was not previously included in the index, we introduced a measure of access to online sources of credit. However, we were unable to source data on online access to credit by local authority, so we calculated this score using proxies. The two variables we used were access to the internet, and access to online banking by age group. Again, there was no data by local authority on online banking by age group, so we used a proxy calculated by multiplying the proportion of people from each age group within local authorities by figures from the FCA on how frequently those age groups use online banking. We then multiplied access to the internet and access to online banking by age group to create an online credit availability score for each local authority. To allow for comparison across years, data from the 2021 index has been recalculated to include this measure.

Overall Good Credit Index

The overall Good Credit Index was created by combining data from the three sub-indexes, giving an equal weight to each. We chose to aggregate the sub-indexes with equal weighting because the Good Credit Index is intended to give a sense of the overall financial health of an area, with the subindexes addressing more granular topics.

UPDATES TO THE DATA SOURCES

In May 2021, the ONS made various changes to local authority codes and boundaries. Although the 2022 Good Credit Index uses some data sources from before May 2021, it describes the data using the most recent local authority codes and boundaries to avoid losing out on key areas that have been combined since.

This year we included the variable Children in Low Income Families as a replacement for data on People Earning Under £10K, which is only available up to 2017. This was the closest proxy for low household income that was also available by local authority.

We also introduced a measure of access to online sources of credit, however there is no direct data on this so we also calculated it using proxies. These data were access to the internet, combined with a proxy for access to online banking by age group. The latter category was calculated by multiplying the proportion of people from each age group within local authorities by figures from the FCA on how frequently those age groups use online banking. To allow for comparison across years, data from the 2021 index has been recalculated to include this measure.

LIMITATIONS

The Good Credit Index is a unique tool that allows us to understand how geography impacts someone's ability to access affordable credit. The broad patterns we see across the UK in the subindices and the aggregate Index provide insight into the economic geography of financial exclusion, and can therefore be used to inform place-based solutions. Comparison with previous indices also offers useful insights into the changes in the credit environment and

85 Experian, Searches on your report: Soft and hard credit checks, 2021, available at: https://www.experian.co.uk/consumer/guides/searches and-credit-checks.html [date accessed 06/08/21]

development of particular local authorities. However, as with any analytical tool, the Index does have some 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 133rd 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.

Average credit scores for the 2022 Good Credit Index were provided by credit reference agency Experian, and represent the average credit scores of those who check their score with Experian. This is unlikely to capture all credit scores in a local authority, but provides a useful tool for identifying patterns across the UK.

There are also elements of access to good credit which were not included because of a lack of available data at a local authority level. These include levels of fraud (which severely affect credit scores), and the use of illegal money lenders (which is an indication of serious credit need).

There is limited data available at a local authority level showing how people use the internet to obtain credit. The physical credit environment is still an important source of credit options for people, especially those who do not have access to the internet, and a useful indicator to understand a particular place's relationship with credit. This year we have included proxy variables to estimate access to online sources of credit, however this is not without limitations. The two proxy variables we used, access to the internet and use of online banking by age group, do not measure access to online sources of credit and therefore should be interpreted with caution. As such, in this report we call for data covering online sources of credit, particularly at a local authority level, which is crucial for understanding spatial differences in access to credit.

We have recalculated the 2021 Index to allow for comparison across the index as a whole. However, the data we use to calculate online credit availability dates from 2020 and therefore the figures are the same for this aspect of the credit environment sub-index in both the 2022 Index and recalculated 2021 Index. It is therefore not meaningful to make specific comparisons of access to online sources of credit across these two years. These two Indices should also not be compared with the Indices from 2019 and 2020 which do not include these figures.

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