DEMOS

# CREDIT IN THE COST OF LIVING CRISIS

## THE GOOD CREDIT INDEX 2023

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# EXECUTIVE SUMMARY

Equal access to responsible and affordable credit is an important part of financial fairness. The Demos Good Credit Index (GCI) is now in its fifth year and in each annual iteration we have been able to show how access to good credit is woefully inconsistent across the UK. By combining data indicating credit availability, need and scores on a local authority level, the GCI reveals a troubling picture of financial inequality mapped out across the country.

In the 'high scoring' places on our index - for example, many of the local authorities in South England - most people can access credit at a reasonable cost from regulated and trusted sources and they can agree favourable repayment terms that are appropriate to their income levels. Contrast this to other 'low scoring' local authority areas, where people are more likely to be rejected for fair and affordable credit and are forced to turn, at best, to friends at family, or obtain high cost credit from payday lenders or, at worst, resort to illegal loan sharks. Reliance on high-cost credit and unregulated sources of credit such as 'buy now pay later' can also cause problems for borrowers in these areas. We call these places of high credit need, low credit scores and low credit availability, 'credit deserts'.

The North of England fares particularly badly in the GCI, with a corridor of low scores running from Liverpool to Hull. We can also see low scores in South Wales and South West Scotland, particularly around Glasgow. The GCI 2023 reflects patterns we discerned in previous years; the fact we are seeing them so starkly again this year simply suggests that the inequalities are entrenched and worsening.

To understand more about life in a credit desert, this year we carried out interviews with people living in three of the lowest scoring local authorities - Bradford, Barking & Dagenham and Rhondda Cynon Taff. We spoke to them about their experience of accessing sources of credit and their experience of managing credit, particularly in the context of the current economic crisis; we weave in insights from these interviews throughout the report.

Our analysis shows a strong correlation between the GCI and the Index of Multiple Deprivation (IMD). Broadly speaking, people living in deprived areas are more likely to be living in a credit desert and those areas with good credit access are wealthier. This correlation helps bring to life another important strand of our GCI - that of credit need. A feature of the credit deserts the GCI identifies is that poor access to good credit runs alongside high credit need. The result? That people most in need of affordable and fair credit are faced with the greatest challenges accessing and managing it - we argue they are paying a poverty premium on their credit.

This brings us onto the cost of living crisis. At the time of publication last year, the GCI report noted the emergence of the cost of living crisis and the impact this was already having. In 2023 the crisis is now fully blown and deeply entrenched. Our polling shows that 2 in 5 people (around 20 million adults) say they are either 'struggling' or 'concerned' about their finances, with energy and food bills the biggest causes of concern. We can also see in our data that some marginalised groups - particularly ethnic minorities and people with disabilities - are faring even worse. At the bottom of the income scale, people are being forced to take drastic action to make ends meet - rationing their energy use and skipping meals.

This has changed the whole context of the GCI this year.

The combination of sky-high inflation, wage stagnation and now increasing interest rates that have characterised the British economy in the past 12 months, has changed the face of 'credit need' as we understand it in the GCI. Our polling and qualitative data demonstrate the drastically reduced purchasing power of households meaning people in credit deserts (and indeed on low incomes elsewhere) are now needing to rely on credit to cover the essentials. This is not the sign of a healthy and well-functioning economy.

The cost of living crisis also ups the stakes in terms of the value that good credit can bring to households and the damage that poor access to credit, or access to irresponsible credit can do. In this report we talk about the experiences of people in credit deserts caught in 'bad credit cycles'; people who find themselves in circumstances of high credit need, but only able to access high-cost and inflexible sources of credit, that threaten to make things worse rather than better.

For those in credit deserts, access to responsible and fair credit has never been more important - our interviews with people living in these parts of the country bring that to life in a stark fashion. It's not only the financial pain that bad credit can cause, but the very real emotional and mental strain too. The fact that increasing numbers of people in these credit deserts are unable to access the type of credit that will help them get by is a problem we can't afford to ignore.

The Good Credit Index joins the chorus of alarm bells already raised by civil society groups, economists and campaigners when it comes to the cost of living crisis. Our polling corroborates other published data that shows a vast number of people are currently struggling to make ends meet, with the impact on their day to day quality of life significant. If people are forced to use credit to pay for essentials, then this is the sign of a failing economic system. But in moments of crisis, access to fair and affordable credit should be able to provide an important short term solution.

However, it is also worth noting that in a cost of living crisis, access to credit isn't the only challenge that people in credit deserts face, nor should it be seen as the sole solution. Our interviewees made clear that being unable to manage credit damages their credit score and that struggling to juggle multiple creditors is a growing problem for them. Therefore we do not wish to overstate credit as the way to solve financial hardship. It is not appropriate for everyone and can risk making some people's situations worse. In this report we set out an imperative to establish new ways to support people in credit deserts and on low incomes across the country, to enable them to achieve better financial health and to get on in life.

In this report, we set out the findings from a comprehensive body of research, to paint a picture of credit in a cost of living crisis.

# INTRODUCTION

The Good Credit Index has sought to understand the geographic inequality in access to affordable credit every year since 2019. It works by us collating data to create three sub-indices covering:

1. Credit need: do people need credit to uphold their finances?
2. Credit score: do people's credit scores allow them to access good sources of credit?
3. Credit availability: are good sources of credit available in people's local area?

These indices combine to form the aggregate index which tells us which local authorities in the UK are struggling with high credit need, low credit scores and low credit availability. We call these places 'credit deserts'. People in these areas are more likely to have to turn to high cost, short-term credit sources, or even illegal money lenders - forms of credit that cannot be considered either fair or reasonable.

**Since last year's GCI, there have been some policy developments in the credit sector but the problems with access and need persist**

In previous years we've seen particular concentrations of credit deserts in the North of England - a corridor of poor scoring local authorities between Hull and Liverpool - North East England, East London, South Wales and South West Scotland. This year is no different. We see entrenched inequality across the UK.

This year the Good Credit Index has looked at credit in the context of the cost of living crisis. To do this we have taken our research further; we conducted national polling and interviewed people living in credit deserts. This revealed the worrying financial circumstances people are finding themselves in and the concerning number of people turning to credit to afford essentials like food and energy. All of this sits in the context of a profound economic crisis, despite sporadic government support, where inflation remains stubbornly high, wages haven't kept up and interest rates are rising. Our research finds that those in credit deserts are at greater risk of being forced to use credit that is either too expensive, inflexible or otherwise not suited to their circumstances. This in turn can push people into bad credit cycles, not only worsening their financial situation but also their health and wellbeing.

## DEVELOPMENTS IN THE CREDIT SECTOR

Since last year's report, there has been some progress on key aspects of the credit sector, including the consumer credit act and buy now pay later. There has been little progress when it comes to legislative change.

In the Good Credit Index 2022, we outlined that the government had committed to reforming the Consumer Credit Act, legislation which regulates the terms of all personal loans and credit card purchases.[1, 2] The CCA is widely viewed as having become outdated and inflexible as the use of consumer credit and new technology has evolved since its introduction in 1974.[3, 4] In March 2023, the government concluded a consultation on reform of the act. The next progress expected on this is a summary of the responses and its intended next steps.

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. Popular providers of this service include PayPal

1 Campbell-Nieves, C., Harrison, K. and Wisniewski, J. *Good Credit Index 2022*. Demos, December 2022. Available at: www.demos.co.uk/wp-content/uploads/2023/01/GCI-2022-2.pdf

2 HM Treasury. *UK commits to reform of the Consumer Credit Act*. Gov UK, June 2022. Available at: www.gov.uk/government/news/uk-commits-to-reform-of-the-consumer-credit-act

3 Barber, A. *UK prepares for modernisation of Consumer Credit Act*. Pinsent Masons, 2022. Available at: www.pinsentmasons.com/out-law/news/ uk-prepares-for-modernisation-of-consumer-credit-act

4 Credit Services Association. *Industry trade body urges HM Treasury to prioritise modernisation of consumer credit regulations*. June 2022. Available at: www.csa-uk.com/news/611020/Industry-trade-body-urges-HM-Treasury-to-prioritise-modernisation-of-consumer-credit-regulations.htm

and Klarna.[5] BNPL has been criticised following its surge in popularity which has led to calls for greater regulation. Since last year's report, the government has held a consultation on the policy options and published draft legislation. It is unclear whether the current government is going to progress this through parliament.

Overall, there have been few significant changes in the sector since our last report, but it is clear that incremental moves are being made towards reform - particularly of the CCA and of BNPL services.

## COST OF LIVING SUPPORT

As we will reference throughout this report, the cost of living crisis forms the most important backdrop to this year's GCI. The government has introduced a range of measures to provide people with financial support during the crisis, particularly providing support with energy bills. This included a £400 payment for each household over 6 monthly instalments between October 2022 and March 2023.[6] This was specifically to reduce the cost of energy bills. There were additional payments available for people with certain disabilities, as well as those on means tested benefits.

An 'Energy Price Guarantee (EPG)' was also introduced in October 2022, which meant that from October 2022 until April 2023, the average household's bills were effectively capped at around £2,500. We noted in last year's report that the impact of the cap varies depending on how a household pays their bills, with those on prepayment meters paying 2% more on average.[7] This is of concern, as it is often those on the lowest incomes or who are already in energy debt who use prepayment meters.[8] Concerns have consistently been raised about the practice of energy companies forcing vulnerable households onto prepayment meters for this reason. This year, Ofgem reached an agreement with energy suppliers to prevent forced installations.[9] The Chancellor also committed to removing the additional costs faced by those on prepayment meters compared to those on direct debits.[10]

The EPG was set to rise in April 2023 (which would take an average household bill to around £3,000 per year) but the rise was postponed after a campaign by Money Saving Expert and other charities. The EPG will rise in July 2023, but will be unlikely to have an impact on bills as prices are set to fall below the EPG.[11]

5 Freeths. *All change in Consumer Credit: 'Ambitious' Consumer Credit Act reform, regulation of BNPL, the Consumer Duty, and much more…. July 2022.* Available at: www.freeths.co.uk/2022/07/01/all-change-in-consumer-credit
6 GOV. UK. *Help with your energy bills.* 2022. helpforhouseholds.campaign.gov.uk/help-with-your-bills
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9 Dept. for Energy Security and Net Zero, Dept. for Business, Energy and Industrial Strategy, and Shapps, G. *Energy companies halt forced installation of prepayment meters.* GOV.UK, February, 2023. Available at: www.gov.uk/government/news/energy-companies-halt-forced-installation-of-prepayment-meters
10 PA Media. *Extra costs for customers on prepayment meters to be scrapped in budget.* The Guardian, March 2023. Available at: https://www.theguardian.com/money/2023/mar/11/extra-costs-for-customers-on-prepayment-meters-to-be-scrapped-in-budget
11 Casalis, C. *Energy Price Guarantee need-to-knows.* Money Saving Expert, July 2023. Available at: www.moneysavingexpert.com/utilities/energy-price-guarantee-need-to-knows

# METHODS

## THE INDEX

The annual Good Credit Index provides a geographical understanding of the credit landscape in the UK using public, private and geospatial data. It is formed of three sub-indices: credit need, credit scores and credit availability. Each is weighted equally to provide the resulting aggregated index.

The index uses data at the local authority level, the most feasible and widely available data. Five local authorities are excluded from the data due to their small populations: Isles of Scilly, the Orkney Islands, the Shetland Islands, the Outer Hebrides and the City of London.

We use a variety of sources including publicly available national statistics, publicly available data from financial inclusion charities, geospatial data scraped from Open Street Map and credit provider websites, and private data provided by credit agencies. Datasets received were aggregated to the local authority levels and no individual data was provided to us.

Where possible, data inputted into the indices are the latest available, but some datasets have been re-used from the Good Credit Index 2022. While some data are from 2023, due to time lags, other data are from previous years but are still newly available. Data sources are listed in Appendix B.

Some data inputted into the index are direct indicators of access to good credit. For example, high credit scores equate to wider access to credit sources. Other data are proxies, such as, Gross Disposable Household Income which simply suggests a higher likelihood to need credit to meet financial commitments. Other proxies seek to illustrate the general extent of financial inclusion, such as free cash points - we do not assume that fewer cash points in a given area necessarily means people are more likely to use bad sources of credit.

Data sources in each sub-index are weighted to reflect their relative importance. Each variable is weighted according to its effect on credit scores. In the absence of external data to determine the weighting of each variable, we used credit scores as a proxy. We weight the variables in the credit need index according to their relationship with the credit score index.[12]

The Good Credit Index intends to provide an understanding of the broad patterns in the credit landscape, and less as a tool to directly compare local authorities with each other.

## INTERVIEWS

This year we have added a qualitative element to the Good Credit Index, to explore experiences of financial hardship and credit use in credit deserts. We conducted 22 semi-structured interviews split between three local authorities: Bradford, Barking and Dagenham and Rhondda Cynon Taf. We used a recruitment agency to find interviewees with both bad credit experiences and good credit experiences to influence our recommendations. These were conducted online between 9th and 23rd May.

## POLLING

We also commissioned a nationally representative poll of 4,000 people between 22nd and 25th May 2023.

12 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, credit broker searches, hard bank searches and need for debt advice) were predicted by credit scores. The coefficient between each variable and the credit scores across all constituencies was used to determine the weighting for credit need.

# CHAPTER 1
# THE GOOD CREDIT INDEX 2023: MAPPING CREDIT NEED, AVAILABILITY AND SCORES

## THE GOOD CREDIT INDEX 2023 MIRRORS GEOGRAPHIC PATTERNS OF DEPRIVATION

The Demos Good Credit Index is comprised of three measures - credit need, credit availability and credit scores, that we combine to provide an aggregate score for each local authority. The higher the score, the better the overall credit experience of people in that area. People in these places are less likely to need credit, more likely to be able to use fair and affordable credit and more likely to have higher credit scores, opening up access to credit. The lower the score a local authority has, the worse the overall credit experience of people in that area. For people in low scoring places, their credit need is likely to be higher, they are less likely to have access to fair and affordable credit and more likely to have low credit scores, restricting their access to credit.

In this way, the Demos GCI shows where in the country there are disparities in access to credit. In particular it highlights those places where high credit need exists alongside low credit scores and poor access to affordable credit. These lowest scoring authorities are what we call 'credit deserts'.

The GCI correlates strongly with IMD data (the Index of Multiple Deprivation for England). The IMD is based on income, employment, education, health, crime, barriers to housing and services, and living environment, and shows where the most and least deprived places are. Broadly speaking, those people living in the most deprived communities by this measure are also living in credit deserts according to the GCI.

## THE COST OF LIVING CRISIS IS THE MOST IMPORTANT BACKDROP TO THE GCI 2023 AND IS ENTRENCHING THE INEQUALITIES WE SEE

In the 2022 Good Credit Index, we described the cost of living crisis as having 'emerged' as the most pressing concern for households across the UK.[13] A year on, and it is clear that the crisis has progressed into a new stage - it is firmly entrenched as a feature of our economic lives. While wages have stagnated, household budgets up and down the country are being pushed to breaking point as the cost of energy bills have been steadily heading northwards.

The entrenchment of the cost of the living crisis that we are witnessing is characterised by record-breaking levels of inflation, eroding the value of people's savings and severely weakening their purchasing power. The OECD has predicted that the UK will have the highest inflation rate of all 'developed'

13 Campbell-Nieves, C., Harrison, K. and Wisniewski, J. *Good Credit Index 2022*. Demos, December 2022. Available at: www.demos.co.uk/wp-content/uploads/2023/01/GCI-2022-2.pdf

countries this year.[14] Food inflation in particular is staggeringly high with levels hitting 19% in March 2023 - the highest rate in almost 50 years.[15]

The impact has already been significant - more and more people are falling into a negative budget, where they are having to spend more on essentials than the sum of their income.[16]

The Trussell Trust reports that between April 2022 and March 2023 they delivered almost 3 million food parcels, a 37% increase on the same period of the previous year. This includes 760,000 people who used a food bank for the first time.[17]

The current economic crisis in the UK is driven by both external factors - namely, Russia's invasion of Ukraine and the Covid-19 pandemic - and political decision-making at the national level. Those external drivers largely relate to the cost of energy sky-rocketing after cuts to Russian gas supplies into Europe and supply chain bottlenecks following the global disruption of the pandemic.[18]

What we see therefore in the 2023 GCI, is that whilst the aggregate score is very similar to last year - it's dipped ever so slightly by 0.01% - the big picture remains largely unchanged. What we see are the same patterns of poor access to fair credit as illustrated in the 2022 GCI. Our analysis is that inequality appears to be baked into the geography of the UK and that the cost of living crisis is entrenching this pattern.

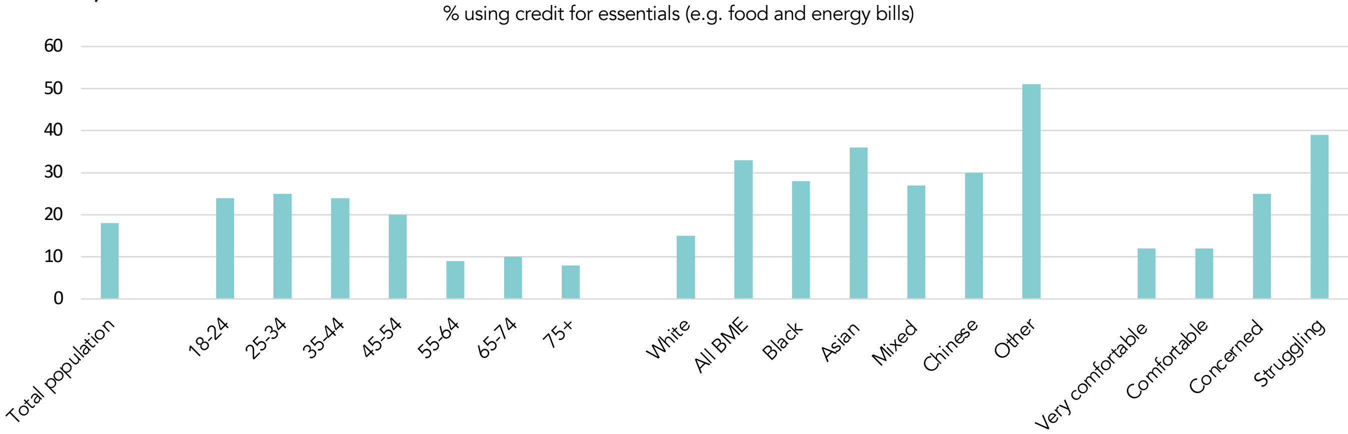
## IN RESPONSE TO THE COST OF LIVING CRISIS, PEOPLE ARE USING CREDIT IN NEW WAYS

Our polling shows that 39% of people have used credit for any type of purchase since November 2022, but what is striking is the significant number of people using credit to help make ends meet, with 18% of people saying they use credit to pay for essentials (e.g. bills or food shopping). This was reflected in our interviews, where many people said they had turned to a range of credit sources to try and cope with rising or unexpected costs in recent months.

Younger people in particular are turning to credit to pay for essentials. 25% of people aged between 18-34 have used credit in this way, compared to 9% of 55-64 year olds, for example. Ethnicity is also a significant factor with 33% of Black and minority ethnic groups using credit to pay for essentials (food and energy bills). Those people from Black (28%), Asian[19] (36%) and Mixed (27%) and Chinese (30%)[20] ethnic groups are far more likely than White people (15%) to do so. This suggests that the cost of living crisis may be pushing certain groups towards credit use more than others (Figure 1).

**FIGURE 1**

PERCENTAGE OF ADULTS IN THE UK USING CREDIT FOR ESSENTIALS (E.G. FOOD AND ENERGY)




14 Conway, E. *UK to have one of highest inflation rates in G20 this year, new forecast shows.* Sky News, June 2023. Available at: news.sky.com/story/uk-to-have-highest-inflation-in-developed-world-this-year-oecd-warns-12897660

15 Bell, T., Try, L. and Smith J. *Food for thought: the role of food prices in the cost of living crisis.* Resolution Foundation, May 2023. Available at: www.resolutionfoundation.org/publications/food-for-thought

16 Wild, M. *Living on empty: a policy report from Citizens Advice. Citizens Advice*, July 2023. Available at: wearecitizensadvice.org.uk/living-on-empty-245f4b9acbe3

17 The Trussell Trust. *End of year stats.* The Trussell Trust, End of Year Stats: April 2022-March 2023. Available at: www.trusselltrust.org/news-and-blog/latest-stats/end-year-stats/?gclid=CjwKCAjwq4imBhBQEiwA9Nx1BpHnEv1gCg7PWiXS_giX4Ndt2peEm56xp9lfGhR5JxGrZh8StwZjLRoC4EEQAvD_BwE&gclsrc=aw.ds#factsheets

18 Cribb, J., Joyce, R., Karjalainen, H., Ray-Chaudhuri, S., Waters, T., Wernham, T. and Xu, X. *The cost of living crisis: a pre-Budget briefing.* Institute for Fiscal Studies, February 2023. Available at: ifs.org.uk/publications/cost-living-crisis-pre-budget-briefing

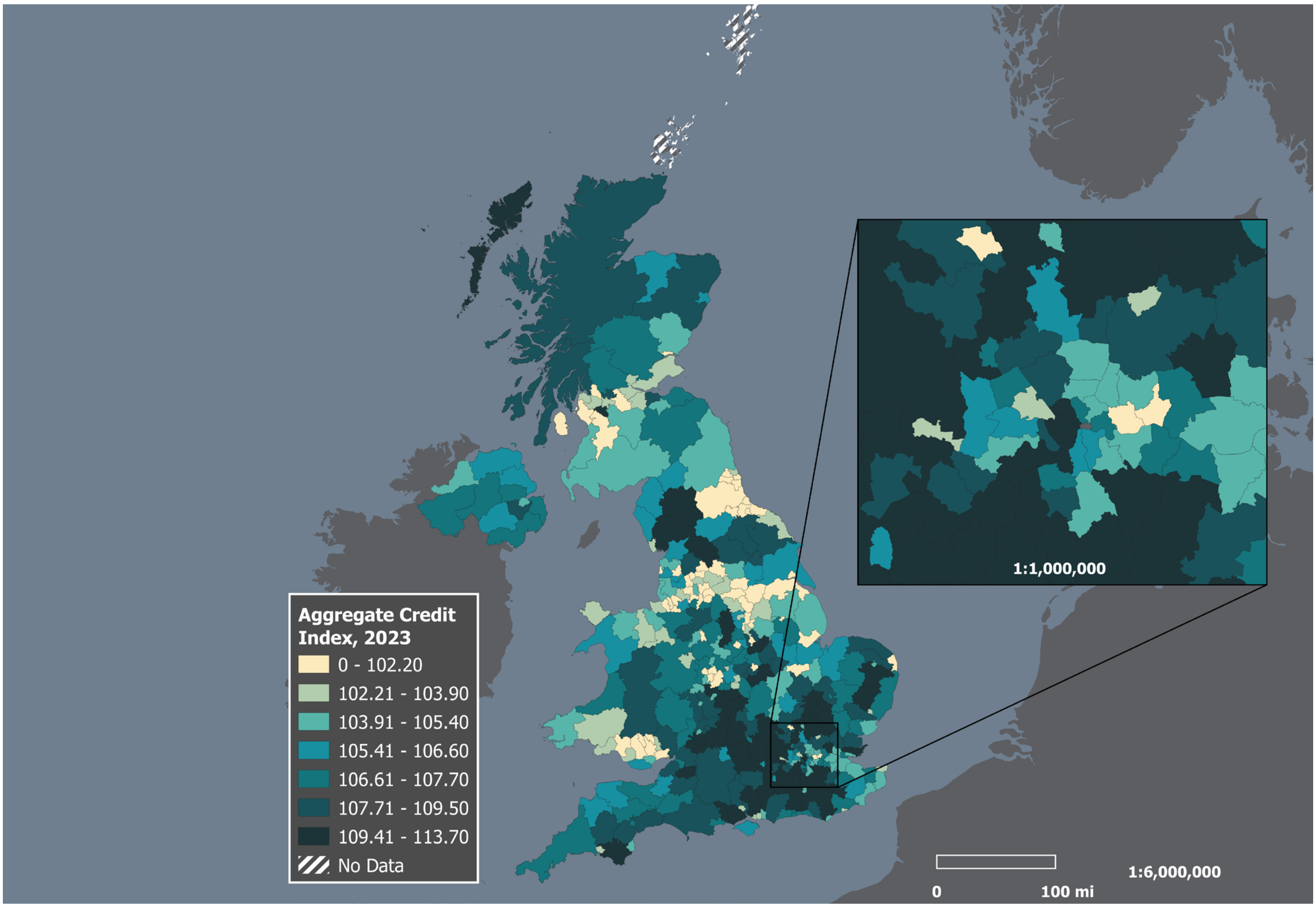
19 The Asian ethnic group covers the Indian subcontinent (Indian, Pakistani, Bangladeshi).

20 Figures for Black and Chinese ethnic groups should be treated with caution due to low sample sizes. Figure for Other ethnic group is 51% but statistically significant conclusions cannot be made due to a very small sample size.

### CREDIT DESERTS ARE FOUND ACROSS THE UK, BUT ARE CONCENTRATED IN PARTS OF THE NORTH AND MIDLANDS

In addition to disparities between demographic groups in terms of financial difficulty and use of credit, the GCI reveals vast inequalities geographically.

**FIGURE 2**
AGGREGATE GOOD CREDIT INDEX 2023




## The picture in England

Figure 2 shows clear and significant differences in aggregate GCI scores between the North and South of England. An overwhelming majority of high index scores are found in the south, particularly in the home counties surrounding London and in areas bordering Oxfordshire. Scores in London itself vary considerably. There are also pockets of high scores on the south coast and in the east, but relatively few in the north. Better scores can be seen in the rural north but due to low population sizes we should treat conclusions with caution.

There are very few credit deserts in the south of England. Some low aggregate scores cluster around

Birmingham in the West Midlands, and pockets in the East Midlands too.

Moving northwards, there is a striking wall of credit deserts stretching from Hull to Liverpool. It is clear that significant parts of East Yorkshire, South Yorkshire, Greater Manchester and Merseyside are some of the worst scoring areas in the UK. Similarly credit deserts cluster in the North East of England including areas such as Middlesborough and Sunderland.

## The picture in the devolved nations

We see very few high aggregated scores in the devolved nations compared to England.

In Wales, low aggregate scores cluster predominantly in the south; we can see a corridor of very low scores running between Neath Port Talbot and Newport. Other than some lower scores in north Wales, large parts of Wales are covered by middling scores.

From a simple land area perspective, Scotland is predominantly covered by average to good scores. There is however a significant pocket of low aggregate scores in the south west; surrounding Glasgow are low scores in for example East and North Ayrshire, North Lanarkshire and West Dunbartonshire.

Aggregate scores in Northern Ireland are broadly mid to high with the lowest scores in Belfast and Derry and Strabane.

## Many of the best and worst scoring local authorities are stubbornly consistent

As seen in Table 1, all of the bottom scoring local authorities are in the West Midlands, East Midlands, North West, Yorkshire and Humber and North East, or the devolved nations. In fact none of the lowest scoring 32 local authorities are in the south of England (covering the South West, South East, London and the East). The first to buck this trend is Barking and Dagenham in London.

A vast majority of the top aggregate scores are found in the south of England (Table 2). Many of these are in and around London.

Looking more broadly, just 8% (five out of 63) of local authorities in the category for the lowest aggregate score (under 102.2) are in the south of England (Barking and Dagenham, Newham, Luton, Peterborough and Great Yarmouth). 92% are in the West Midlands, East Midlands, North West, Yorkshire and Humber and North East, or the devolved nations.

**TABLE 1**
BOTTOM 10 AGGREGATE GOOD CREDIT INDEX SCORES

| LOCAL AUTHORITY | AGGREGATE GOOD CREDIT INDEX SCORE 2023 |
|---|---|
| Kingston upon Hull, City of | 94.51 |
| Middlesbrough | 96.39 |
| North East Lincolnshire | 96.93 |
| Blackpool | 97.25 |
| Blaenau Gwent | 97.78 |
| Hartlepool | 98.35 |
| Stoke-on-Trent | 98.57 |
| Knowsley | 98.79 |
| Hyndburn | 99.02 |
| Burnley | 99.05 |

**TABLE 2**
TOP 10 AGGREGATE GOOD CREDIT INDEX SCORES

| LOCAL AUTHORITY | AGGREGATE GOOD CREDIT INDEX SCORE 2023 |
|---|---|
| Westminster | 113.67 |
| Kensington and Chelsea | 113.01 |
| Elmbridge | 112.75 |
| Richmond upon Thames | 112.74 |
| Na h-Eileanan Siar | 112.63 |
| St Albans | 112.49 |
| Waverley | 112.44 |
| Mole Valley | 112.15 |
| Hart | 111.92 |
| Wokingham | 111.91 |

## OUR CREDIT DESERTS FOR ANALYSIS

We chose three local authorities which historically and currently score badly in the GCI to help bring to life the experiences of people living in credit deserts. In each of these places we talked to people about their credit need, their credit scores and the types of credit that are available to them.

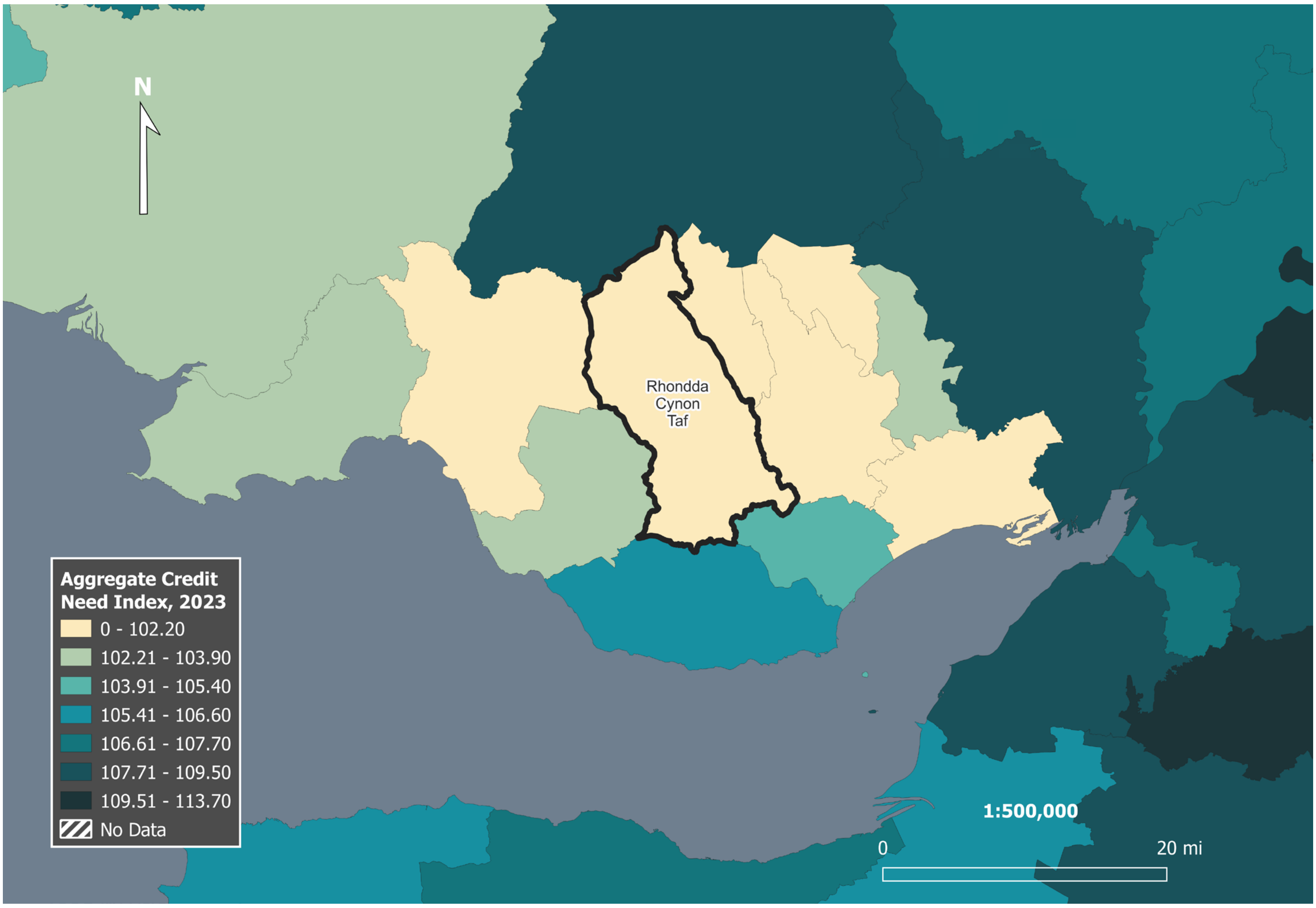
While they all have similar low GCI scores, their geographical contexts are different - they are located across the UK and are different place 'types' in that they cover urban and rural areas and have different population structures.

## RHONDDA CYNON TAFF

Rhondda Cynon Taff is a former mining county borough in the south Welsh valleys (Figure 3). It comes 329th (of 370 local authorities) in the 2023 Good Credit Index meaning the credit picture for residents is poor. Not only that, but its index score fell by 0.33% since 2022.[21] Despite credit scores in the area increasing by 0.18% from last year, the average credit score in Rhondda Cynon Taff remains low on a national scale - it ranks 359th lowest in the UK. It also has high credit need with the 63rd highest need for credit in the UK. It does however score in the top 150 local authorities in terms of availability of good credit, but this may be skewed due to the rurality of the area.

**FIGURE 3**

RHONDDA CYNON TAFF AND SURROUNDING LOCAL AUTHORITIES



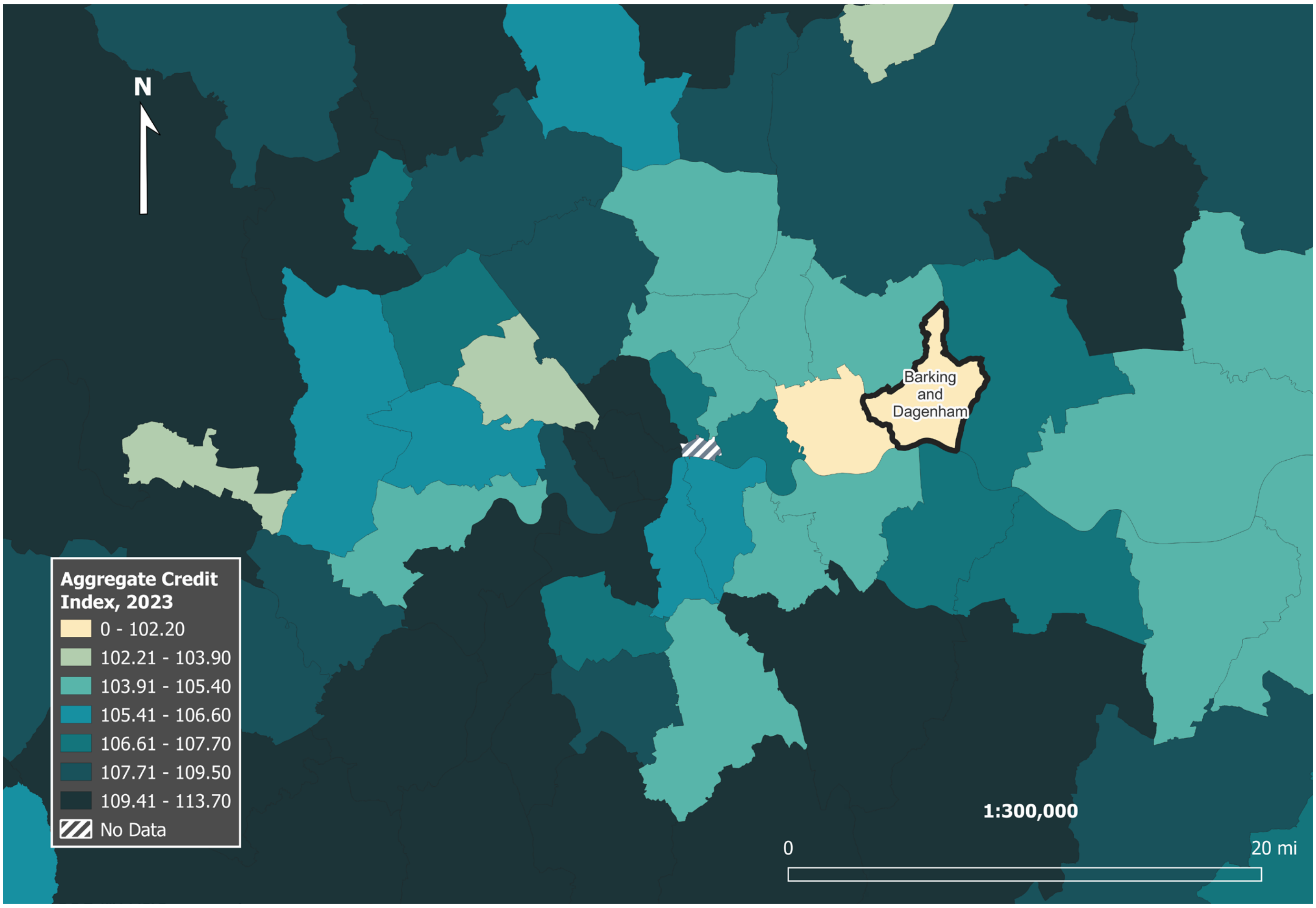

21 Comparisons between years should be treated with caution due to changing methodologies.

## BARKING AND DAGENHAM

Barking and Dagenham in East London (Figure 4) is undergoing post-industrial redevelopment. However, our index highlights significant concern regarding the financial situations of many in the borough; it scores 339th in the aggregate index. It has a particularly high credit need - 20th of all local authorities in the UK. It also has the 317th lowest average credit score (falling by 0.28% on last year) and 257th lowest credit availability score.

## FIGURE 4

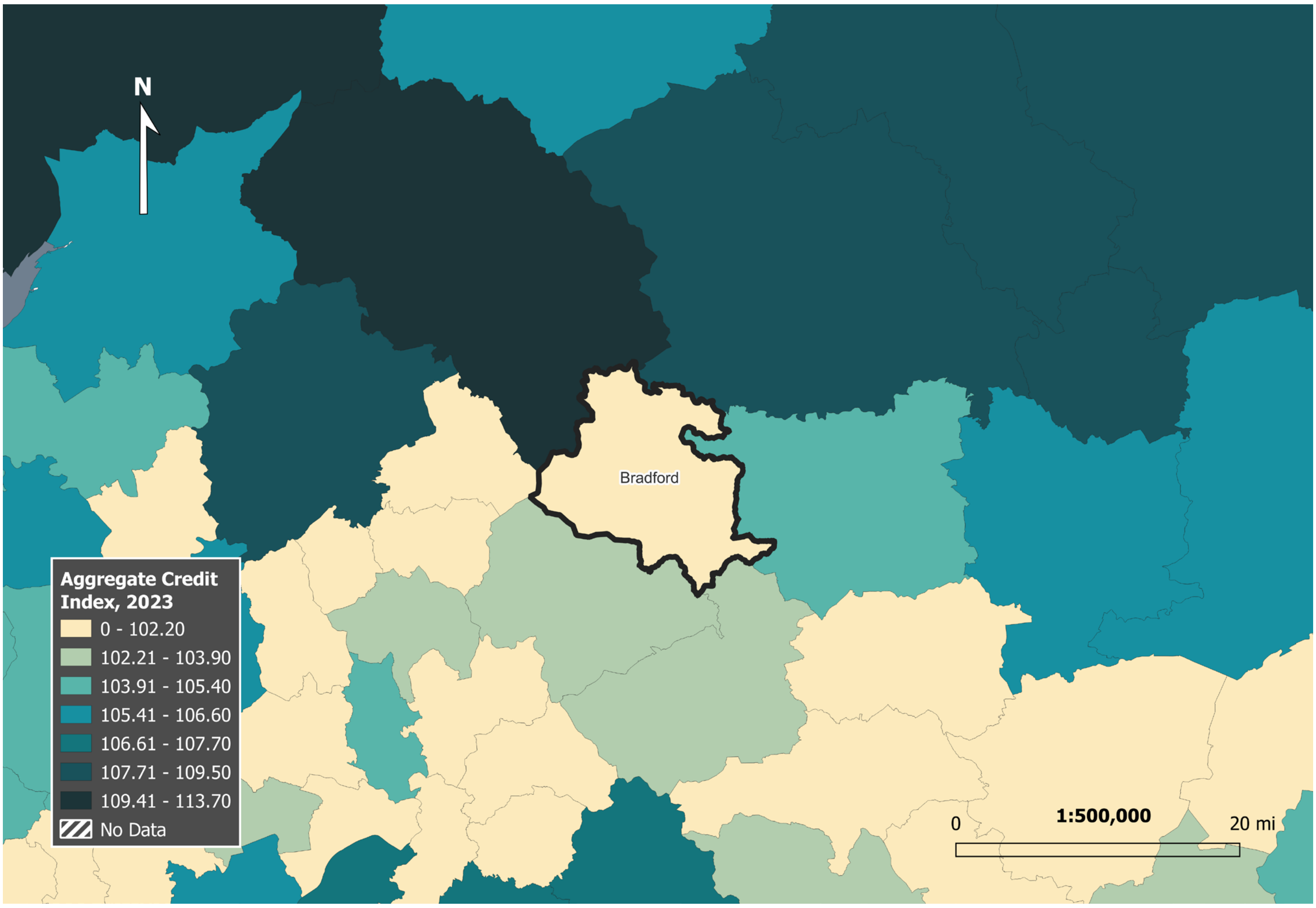
BARKING AND DAGENHAM AND SURROUNDING LOCAL AUTHORITIES



## BRADFORD

Bradford in West Yorkshire (Figure 5) is the lowest scoring local authority we conducted place-based interviews in; it is the 13th lowest in the UK. More specifically is a very concerning credit need score - the 4th lowest in the UK. The area also has the 341st lowest average credit score and also scores the lowest in terms of credit availability of our three case areas (301st).

**FIGURE 5**
BRADFORD AND SURROUNDING LOCAL AUTHORITIES



# CHAPTER 2
# CREDIT NEED

## THE INDEX SHOWS A CLEAR GEOGRAPHIC PATTERN OF DIFFERING LEVELS OF CREDIT NEED ACROSS THE COUNTRY

The credit need sub-index indicates which households in which local authority areas are likely to need short-term consumer credit to meet financial commitments. This need could be due to low income, high household costs, low savings or a combination of all the above. The credit need scores in the index highlight how much greater the need for credit in certain local authorities is. It enables us to see for example how much more concentrated the higher need for credit is in the North, Midlands and devolved nations compared to the South of England.

## THE COST OF LIVING CRISIS IS CHANGING WHAT 'CREDIT NEED' LOOKS LIKE

Our polling starts to show exactly how the crisis is playing out in people's lives and what sits behind the credit need scores in the GCI. An incredible 1 in 3 people in the population now describe themselves as being 'concerned' about their financial situation, meaning they say they've had to make changes to their lifestyle in order to be able to cover the essentials and have nothing left over for saving or 'luxuries'. In our interviews for this research, we saw that the reality of those lifestyle changes involves making decisions to skip meals, dressing the family up in coats and hats over the winter to avoid putting the heating on.

> *"I felt it in winter….I feel a bit bad but I had to wrap my little boy up. I put a jacket on him inside sometimes to keep him warm, or put gloves on him, because I'm keeping the heating on for four hours…and… I do feel a bit evil." (Male, Bradford)*

5% of those polled are faring even worse than that and describe themselves as 'struggling' - that's over 2.6 million adults in communities and neighbourhoods across the country who simply can't pay for life's essentials.

Inflation has eroded the value of people's salaries and reduced their purchasing power. For some, it has become increasingly hard to cover outgoings with the same level of income and are falling into a negative budget. Where someone is in deficit - i.e. they have insufficient income to cover their outgoings - they are logically more likely to need credit. We heard on numerous occasions the impact of unpredictable financial shocks - for example, a broken down car or a vet bill - resulted in people needing to take out credit. What this means for 'credit need', is that large numbers of people (one in five) are now using credit to pay for essentials and this is much higher among young people, BME groups and people who are concerned about or struggling with their finances.

> *"It's letting me pay for things that I wouldn't otherwise be able to afford. But it's then getting in that cycle of debt where I'm having to pay that back in time. So, it's a lifeline, but I wouldn't call it a particularly good lifeline." (Female, Barking and Dagenham)*

> *"When the cost of living went up, it affected me as well, in terms of my purchasing power. I found that my pay was no longer enough to cover my costs" (Male, Rhondda Cynon Taff)*

The government has brought in some schemes to help alleviate the financial burden on households, including the Energy Price Guarantee which provided discounts on gas and electricity bills over the winter. Despite interventions like this, many people are still being pushed into hardship. Data from Citizens Advice shows that the number of people accessing their crisis support rose from 75,000 in 2019 to 201,000 in 2022. They report that 2023 is on track to surpass 2022's figure.[22] Again, our interviews help us to understand what this looks like on a personal level - we heard that unexpected costs, a car breaking down or a freezer door being accidentally left open overnight - are all that it takes to nudge the household finances over into crisis mode.

> *"Definitely the gas and electric. I'm sure that's the major one with everyone. This last month, the government help was taken away. When the government help came in, that was lovely, but my bill had already gone up by more than 50%. With the government help, it was still up by about 50%, so now, yes, it's massive now." (Female, Rhondda Cynon Taff)*

## IN CREDIT DESERTS, A HIGHER PROPORTION OF PEOPLE ARE CONCERNED ABOUT OR STRUGGLING WITH THEIR FINANCES

We could already see that our GCI scores for local authorities correlate with the Index of Multiple Deprivation scores, and this pattern is strengthened further by our polling data. This clearly shows that people living in those places we define as credit deserts are more likely than those in other areas to say they are either concerned or struggling with their finances - that's 41% vs. 36%.

The data also shows that this is largely driven by difficulties paying for energy and food: we asked respondents on a scale of 1-5[23] the extent to which they are struggling with various costs. 18% of people in credit deserts said they were struggling 'a great deal' with energy bills, compared with 13% in the remaining credit landscape. And 12% of people in credit deserts are struggling with food shopping 'a great deal', compared to 9% of people in other areas.

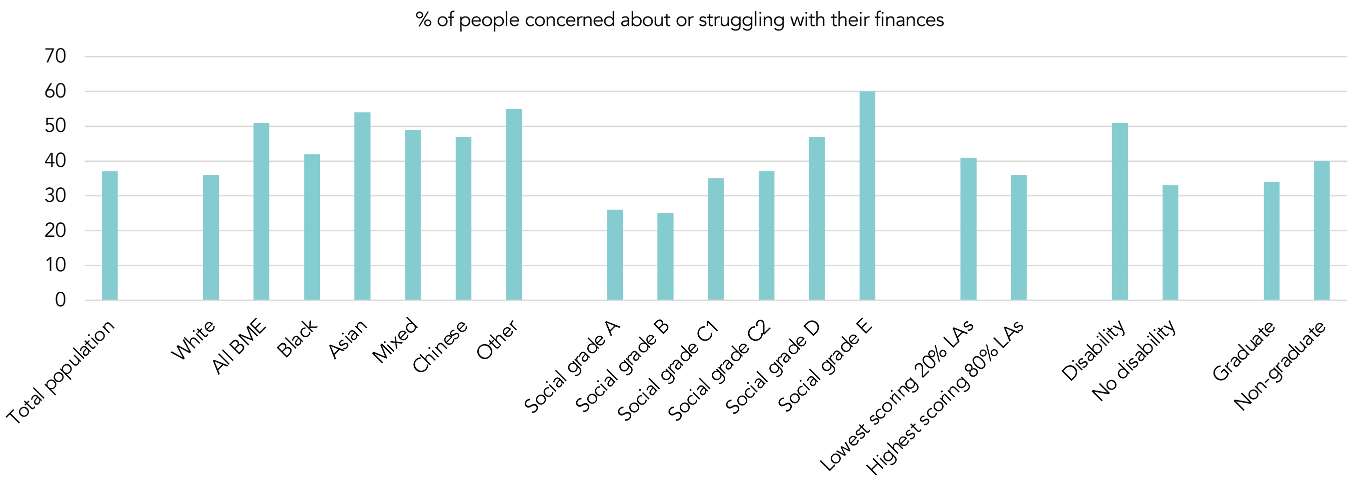
## MARGINALISED GROUPS ARE EXPERIENCING CREDIT NEED MORE SHARPLY

Looking at the national picture, the polling results also show some striking and concerning demographic inequalities playing out. Those people living with a disability and from minority ethnic backgrounds are both considerably more likely than their non-disabled and White counterparts to be struggling to make ends meet. As the chart here shows (Figure 6) there is an 18 point difference between the proportion of the general public who say they are concerned or struggling (33%) and the proportion of disabled people who say they are concerned or struggling (51%).

We find a similar story playing out along ethnic lines. We see that 36% of White people surveyed falling into either the struggling or concerned categories. Over half (51%) of all BME respondents say they are struggling or concerned: 42% of Black people, 54% of Asian[24] people, 49% of people of Mixed ethnicity, 47% of Chinese people and 55% of people from Other ethnic groups.

There are also clear disparities between different social grades, people with and without a disability, and graduates and non-graduates.

**FIGURE 6**
PERCENTAGE OF UK ADULTS CONCERNED ABOUT OR STRUGGLING WITH THEIR FINANCES



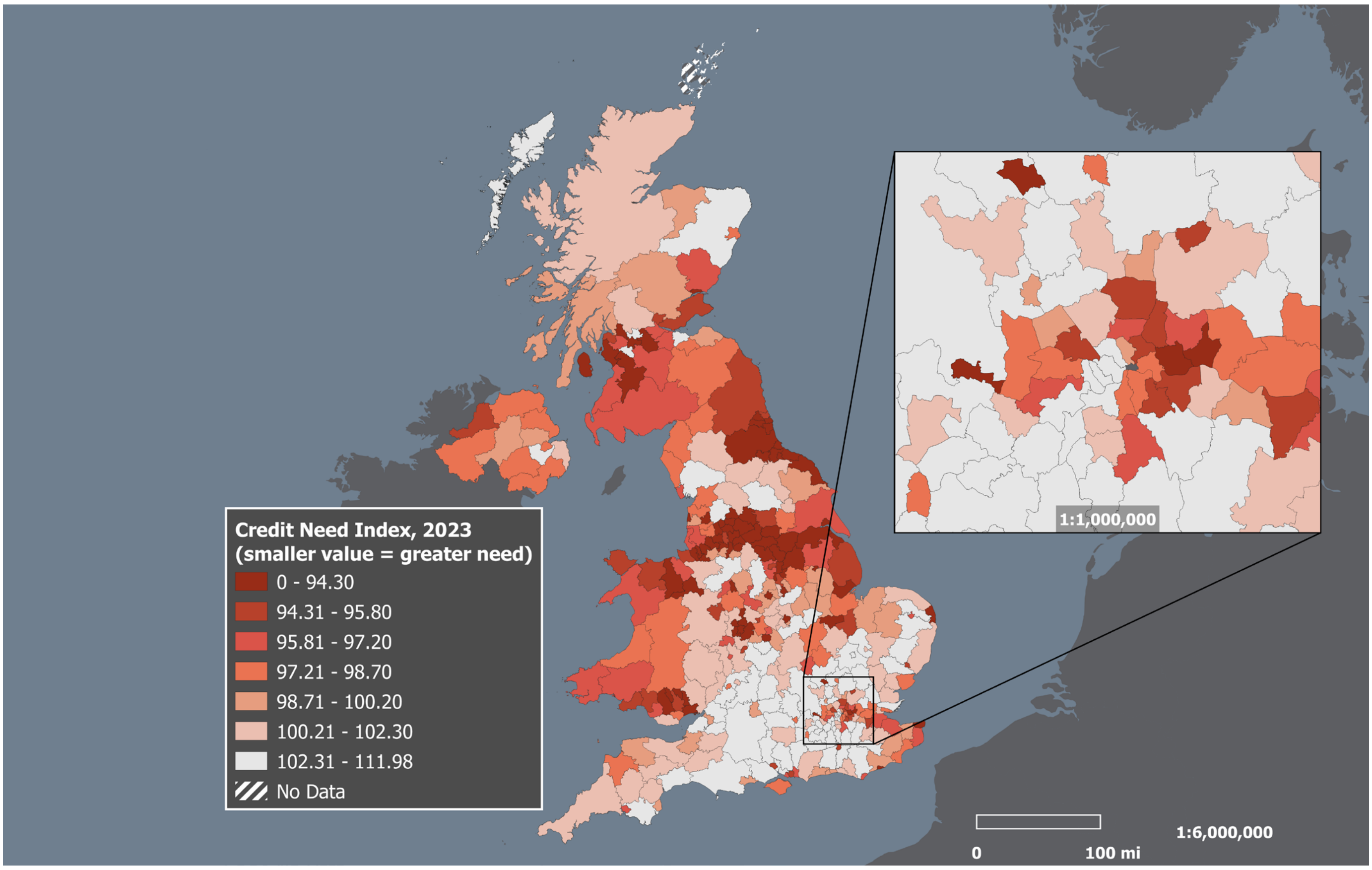

Regional spread of credit needs

22 Citizens Advice. *CA cost of living data dashboard*. Citizens Advice, June 2023. Available at: public.flourish.studio/story/1634399
23 Where 0 is 'not at all' and 5 is 'a great deal'
24 The Asian ethnic group covers the Indian subcontinent (Indian, Pakistani, Bangladeshi).

## LOOKING AT THE GEOGRAPHIC PATTERN THAT THE GCI REVEALS, FIGURE 2 ILLUSTRATES THE STARK DIFFERENCES IN CREDIT NEED ACROSS THE UK

We see very little need for credit in the south of England. In fact, only 10 per cent (eight of 78) of local authorities in the category for the highest need for credit are in the south of England (covering the South West, South East, London and the East).

**FIGURE 7**
CREDIT NEED SUB-INDEX 2023




This is not a blanket pattern, however, and there are  parts of London, most obviously Barking and Dagenham and Newham that stick out as having high levels of credit need among their population. However, London shows a very divided picture with very low need for credit in many north west, west and south west areas, but a very high need in eastern areas. There are, however, particularly varied levels of deprivation within local authorities in London.

There are also some notable pockets of high credit need along the southern and eastern coast such as Thanet, Hastings and Great Yarmouth. These are also some of the most deprived areas in the UK according to the IMD.

In the Midlands it is predominantly areas in the West Midlands - Birmingham and surrounding areas - where there is significantly high need for credit.

## THE CORRIDOR OF CREDIT NEED STRETCHING FROM EAST YORKSHIRE TO MERSEYSIDE HAS BECOME FURTHER ENTRENCHED

In last year's Good Credit Index, we identified a corridor of high credit need running across the North of England from North East Lincolnshire to Liverpool.

This year, we can see that this corridor has not only persisted but become further entrenched (Figure 7).[25] This worsening state of affairs is evidenced by many of the local authorities in this corridor (for example Barnsley and Wigan) having moved into the category for the highest need for credit over the past 12 months. It is a similar story for many local authorities across northern parts of Yorkshire and Humber and into the North East (such as Hartlepool and Newcastle upon Tyne); many of which have moved since 2022 into the category of highest credit need.

There are exceptions to this picture of the North being largely dominated by areas of high credit need - northern rural areas such as parts of the Lake District and around Harrogate stand out as being large areas with low credit need.

## VERY FEW LOCAL AUTHORITIES IN THE DEVOLVED NATIONS HAVE A LOW NEED FOR CREDIT, WITH MANY SEEING A GREATER NEED

Just one local authority in Wales - the Vale of Glamorgan - scores in the two categories for the lowest need for credit. In general there is a continued and worsening need for credit in southern local authorities such as Rhondda Cynon Taf and Tarfaen, as well as in parts of North Wales such as Denbighshire and Wrexham.

In Scotland, there are again pockets of high and worsening need in the South West. Glasgow itself is shown by our index to have a very high need for credit as do the bordering authorities of North Lanarkshire and West Dunbartonshire. Glasgow is, however, also bordered by areas of particularly low credit need, namely East Renfrewshire and East Dunbartonshire.

In Northern Ireland, the picture is less nuanced with middling scores across the nation. The local authority of Derry & Strabane has the highest credit need.

**TABLE 3**
BOTTOM 10 CREDIT NEED SCORES - THOSE AREAS WITH THE HIGHEST CREDIT NEED

| LOCAL AUTHORITY | CREDIT NEED SCORE 2023 |
|---|---|
| Kingston upon Hull, City of | 79.00 |
| North East Lincolnshire | 83.41 |
| Middlesbrough | 84.04 |
| Bradford | 86.61 |
| Hyndburn | 86.64 |
| Blackpool | 86.75 |
| Blackburn with Darwen | 86.84 |
| Burnley | 86.87 |
| Hartlepool | 87.20 |
| Oldham | 87.27 |

25 Due to methodological changes and the addition of new variables, comparison with last year's GCI should be treated with caution.

**TABLE 4**
TOP 10 CREDIT NEED SCORES - THOSE AREAS WITH THE LOWEST CREDIT NEED

| LOCAL AUTHORITY | CREDIT NEED SCORE 2023 |
|---|---|
| Kensington and Chelsea | 111.98 |
| Richmond upon Thames | 108.06 |
| Elmbridge | 107.82 |
| St Albans | 106.49 |
| Waverley | 106.44 |
| Mole Valley | 106.39 |
| Hart | 106.13 |
| Westminster | 106.04 |
| Wokingham | 105.82 |
| Epsom and Ewell | 105.43 |

# CHAPTER 3
# CREDIT SCORES

### OVERALL, THERE'S LITTLE CHANGE TO CREDIT SCORES FROM 2022, BUT WHERE THEY'RE BAD THEY'RE GETTING WORSE

Credit scores determine whether or not someone is eligible for credit. They are calculated and reviewed as part of a credit check before someone takes out a mortgage, loan or credit card. They are based on public and lender information about someone's finances including payment history, debt, credit history, types of credit used and the amount being borrowed.

The average credit score index score in 2022 was 114.79. Despite the serious challenges facing the economy, the average credit score improved slightly in this year's GCI (by 0.03%). This did range however; for instance the average credit score in Luton fell the most in the country (by 0.67%) and increased the most in Powys (by 0.7%).

The tables below illustrate how entrenched these geographical inequalities are. The local authorities with the highest and lowest credit scores are exactly the same as last year. As expected we can see that local authorities with the lowest average credit scores also have higher rates of renting, consumer county court judgments (CCJs), insolvencies and credit card debt, and lower voter registration rates.

Credit scores have fallen in many of the lowest scoring local authorities. This suggests that those in most need of financial support are struggling to improve their credit scores. Meanwhile many places where average credit scores are highest are seeing improvements to their scores, even in a cost of living crisis. This indicates again that inequality has become further entrenched, and that people in credit deserts are more likely to find themselves stuck in a bad cycle of credit.

**TABLE 5**
BOTTOM 10 CREDIT SCORES

| 2023 INDEX SCORE | LA NAME | % OF ADULT POPULATION IN RENTED SECTOR 2021 | CONSUMER CCJS (% OF ADULT POPULATION) | INSOLVENCIES (% OF ADULT POPULATION) | VOTER REGISTRATION RATE (DEC 2022) | CREDIT CARD DEBT (ONLINE CASES) | CREDIT SCORE | 2022 INDEX SCORE | DIFFERENCE IN SCORES |
|---|---|---|---|---|---|---|---|---|---|
| 100.22 | Kingston upon Hull, City of | 53% | 2.48% | 0.46% | 84.22% | 0.31% | 702 | 100.31 | -0.09% |
| 100.96 | Blaenau Gwent | 29% | 1.88% | 0.31% | 91.84% | 0.27% | 707 | 100.95 | 0.01% |
| 101.73 | Blackpool | 36% | 2.43% | 0.43% | 88.15% | 0.31% | 712 | 101.83 | -0.09% |
| 101.79 | Middlesbrough | 40% | 3.10% | 0.32% | 85.56% | 0.27% | 713 | 102.46 | -0.65% |
| 102.86 | Merthyr Tydfil | 25% | 1.95% | 0.34% | 95.27% | 0.26% | 720 | 102.82 | 0.04% |
| 103.3 | North East Lincolnshire | 29% | 2.52% | 0.53% | 91.16% | 0.27% | 723 | 103.31 | -0.01% |
| 103.6 | Hartlepool | 36% | 2.79% | 0.39% | 94.20% | 0.22% | 725 | 103.95 | -0.33% |
| 103.91 | Knowsley | 38% | 2.29% | 0.36% | 97.16% | 0.28% | 727 | 104.05 | -0.14% |

| 2023 INDEX SCORE | LA NAME | % OF ADULT POPULATION IN RENTED SECTOR 2021 | CONSUMER CCJS (% OF ADULT POPULATION) | INSOLVENCIES (% OF ADULT POPULATION) | VOTER REGISTRATION RATE (DEC 2022) | CREDIT CARD DEBT (ONLINE CASES) | CREDIT SCORE | 2022 INDEX SCORE | DIFFERENCE IN SCORES |
|---|---|---|---|---|---|---|---|---|---|
| 104.67 | Burnley | 36% | 2.11% | 0.39% | 87.46% | 0.22% | 733 | 104.65 | 0.01% |
| 104.73 | Neath Port Talbot | 18% | 1.54% | 0.28% | 95.69% | 0.25% | 733 | 104.47 | 0.25% |

**TABLE 6**
TOP 10 CREDIT SCORES

| 2023 INDEX SCORE | LA NAME | % OF ADULT POPULATION IN RENTED SECTOR 2021 | CONSUMER CCJS (% OF ADULT POPULATION) | INSOLVENCIES (% OF ADULT POPULATION) | VOTER REGISTRATION RATE (DEC 2022) | CREDIT CARD DEBT (ONLINE CASES) | CREDIT SCORE | 2022 INDEX SCORE | DIFFERENCE IN SCORES |
|---|---|---|---|---|---|---|---|---|---|
| 125.66 | Wokingham | 17% | 0.74% | 0.13% | 93.42% | 0.10% | 880 | 125.74 | -0.06% |
| 125.63 | Richmond upon Thames | 44% | 0.78% | 0.11% | 90.22% | 0.12% | 879 | 125.46 | 0.14% |
| 125.31 | Hart | 15% | 0.66% | 0.21% | 91.93% | 0.13% | 877 | 125.05 | 0.21% |
| 125.28 | Elmbridge | 24% | 0.79% | 0.14% | 92.44% | 0.10% | 877 | 125.35 | -0.05% |
| 125.21 | St Albans | 24% | 0.87% | 0.10% | 95.44% | 0.12% | 876 | 125.13 | 0.06% |
| 125.2 | Waverley | 21% | 0.66% | 0.14% | 91.92% | 0.10% | 876 | 125.15 | 0.04% |
| 124.89 | Rushcliffe | 17% | 0.66% | 0.17% | 93.40% | 0.16% | 874 | 124.73 | 0.13% |
| 124.63 | Mole Valley | 20% | 0.61% | 0.16% | 91.91% | 0.11% | 872 | 124.6 | 0.03% |
| 124.16 | South Cambridgeshire | 18% | 0.62% | 0.17% | 94.37% | 0.12% | 869 | 124.11 | 0.04% |
| 124.11 | Epsom and Ewell | 18% | 0.94% | 0.13% | 91.30% | 0.11% | 869 | 124 | 0.09% |

## PEOPLE LIVING IN CREDIT DESERTS STRUGGLE TO IMPROVE THEIR CREDIT SCORES, ENTRENCHING THEIR POOR ACCESS TO AFFORDABLE CREDIT

Our survey found that people generally accept the idea of using credit to improve credit scores (70% say it's 'somewhat', 'completely' or 'very' acceptable) but our qualitative research found that in many cases people are consciously not using credit in an attempt to improve (or at least not worsen) their credit score. Our interviews uncovered various tensions between credit scores and credit applications with people being put off from applying for credit due to fear that they will be rejected and in turn their credit score would worsen:

> *"If you don't have a good credit score, your application doesn't get approved and then your credit score will go down if you keep on applying" (female, Barking & Dagenham)*

Interviewees told us they had been rejected by a bank for a loan due to a missed bill payment impacting their credit score:

> *"The water bill during COVID we didn't pay for two months and that put a mark against us for the next three years, it looks like we're bad credit people because of that one thing… Once I was rejected from the actual bank they told me that the more often you try and get loans and cards the worse it is for your credit*

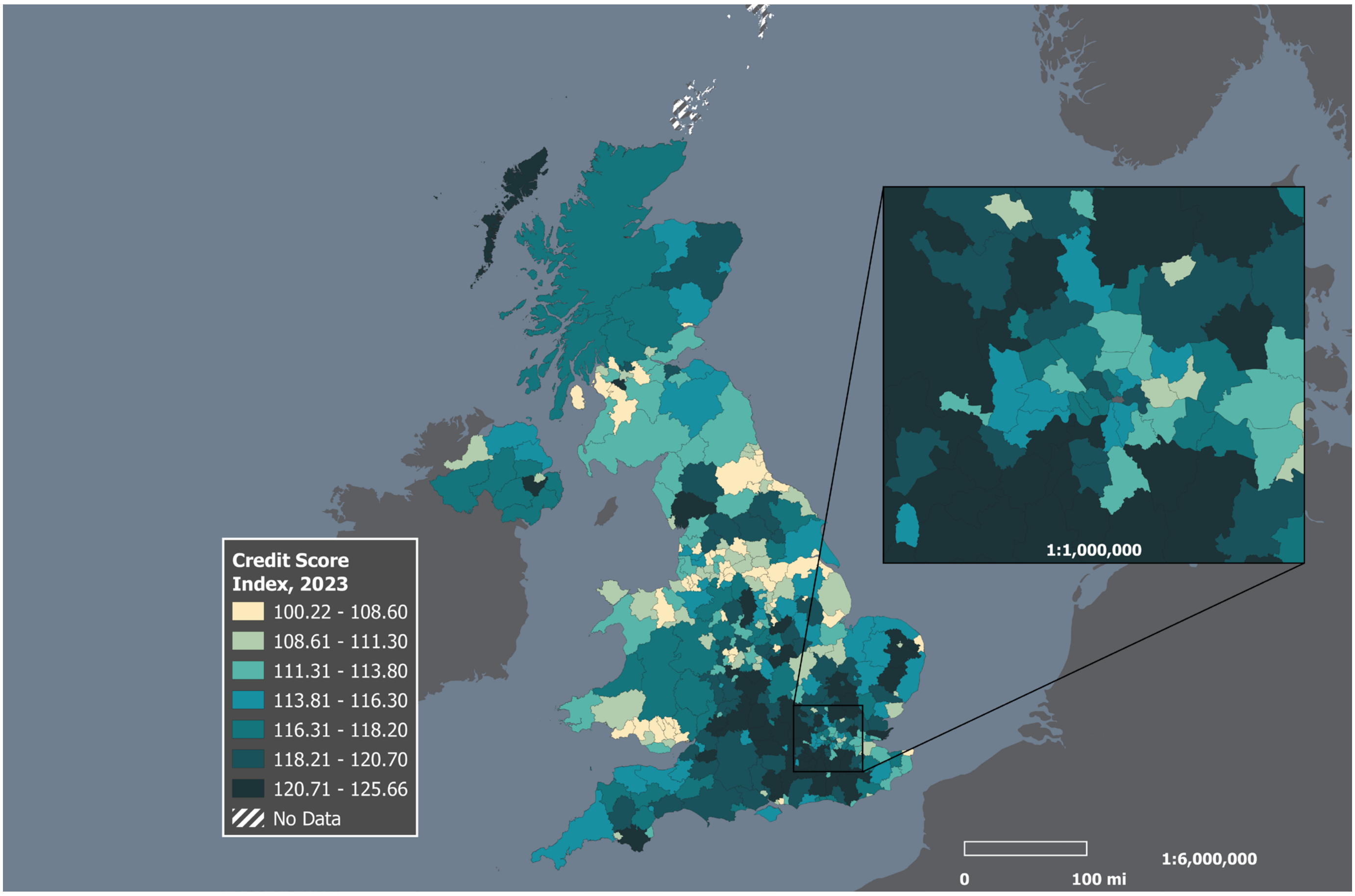
*score so we've stopped." (female, Rhondda Cynon Taff)*

Many people we spoke to had found themselves in a paradoxical situation where they applied for credit with the intention of building a better credit score, but were rejected. People felt this then had the opposite effect, given the short term negative impact this can have on people's credit report and potentially their credit score. Consistent credit applications will have a longer term negative impact.

Even for those who start out with a high credit score and are accepted for 'good' sources of credit, personal circumstances can cause credit to spiral out of control. Others had found that seemingly minor things, such as one missed phone bill, could have an impact on their ability to access good credit.

*"It [Clearscore] also identified things that I didn't do which affected my credit score. For example, one of them was I didn't pay my [phone] bill on time once" (male, Barking & Dagenham)*

**FIGURE 8**
CREDIT SCORES SUB-INDEX 2023




## THERE ARE CLEAR GEOGRAPHIC INEQUALITIES IN CREDIT SCORES

### The highest scores cluster in the South

As expected, Figure 8 shows the geographic inequalities in credit scores are reflective of the aggregate index. The highest credit scores remain clustered in the areas to the South and West of London, and surrounding Oxfordshire. We also see some high scores along the south coast, such as South Hams in Devon, and in the East of England such as South Norfolk and Mid Suffolk. London shows a mixed picture, with for example parts of East London faring significantly worse than parts of South West London.

### A mixed Midlands

The Midlands shows a varied picture. On the one hand, some of the lowest credit scores in the country can be found in the West Midlands, particularly in areas surrounding Birmingham, but at the same time some local authorities in Worcestershire and Warwickshire such as Bromsgrove and Stratford-upon-Avon have some of the highest credit scores in the country. It is a similar story in the East Midlands where we see, for example, a particularly low credit score in Leicester itself, but much higher credit scores in surrounding areas.

## Corridors and clusters in the North

Albeit less pronounced than in the aggregate index, a corridor of low credit scores runs across England from the East Midlands/Yorkshire border to Merseyside. While many rural areas in the North have high credit scores on average, the cluster of low scoring local authorities in the North East is pronounced.

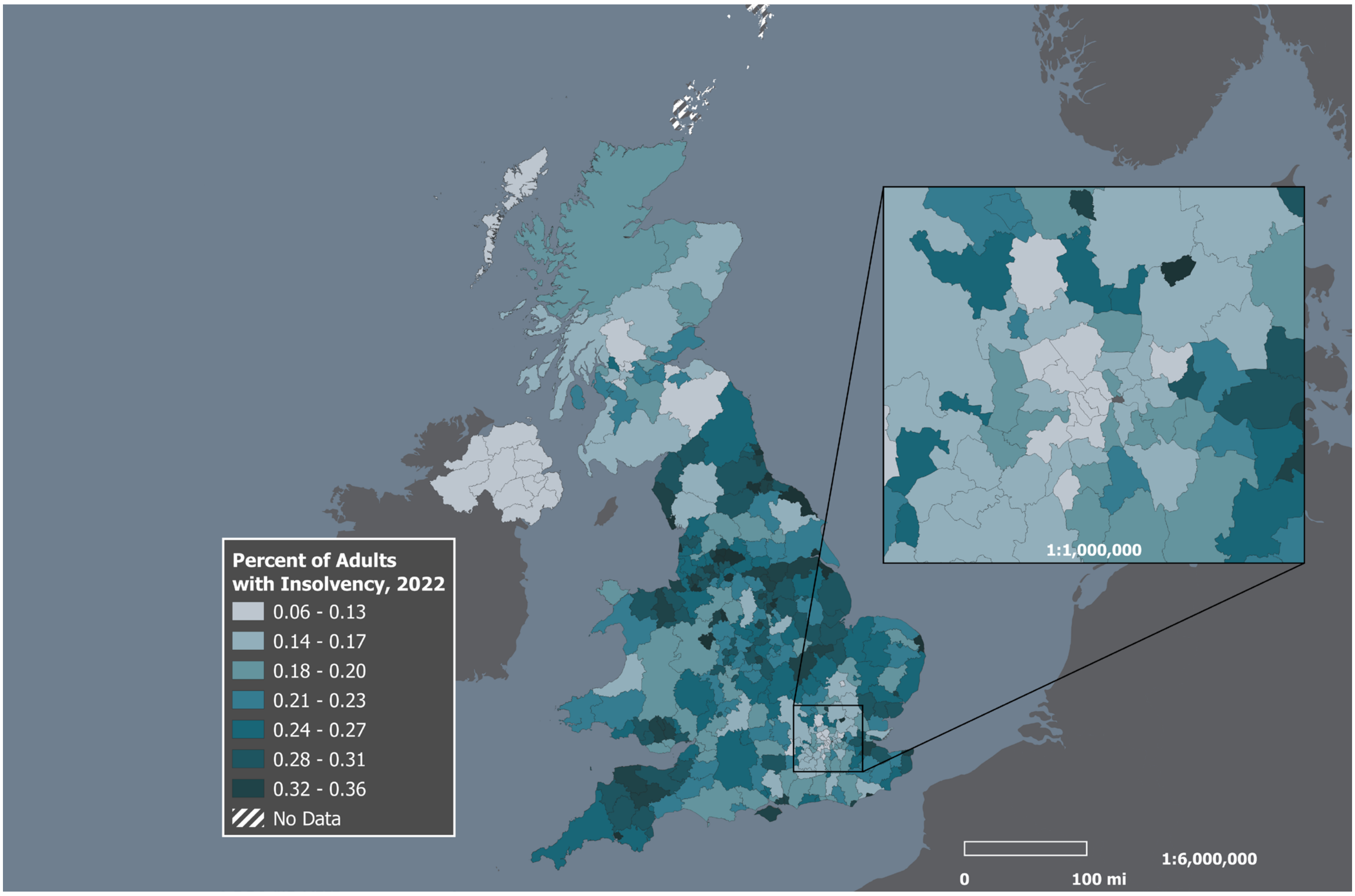
## Wales and Scotland fare worse than Northern Ireland

The string of very low credit scores in South Wales between Swansea and Newport is stark. Much of central Wales scores averagely while parts of North Wales, particularly Denbighshire, have lower scores. In Scotland, low credit scores are clear in the south west as well as in Dundee to the west. In Northern Ireland, Londonderry and Belfast stand out as having particularly low scores among other average scoring local authorities. Illustrating a significant divide between England and the rest of the UK, in the devolved nations overall just three local authorities have the highest average credit scores.

## Insolvencies influence credit scores more than other variables

We ran a regression analysis on insolvencies, County Court Judgements (CCJs), percentage of adult population in the rented sector, voter registration rate, credit card debt and the difference in payday loan, fixed term and credit sale debt to help understand how each of these different factors contribute to people's credit scores. Insolvencies as a percentage of the adult population had the highest statistical significance meaning insolvencies have a significant influence on credit scores, more so than other variables. This is mapped in Figure 9.

**FIGURE 9**
PERCENTAGE OF ADULTS WITH INSOLVENCY BY LOCAL AUTHORITY 2022



Our statistical analysis shows that higher rates of insolvency have a negative impact on credit scores. Table 5 shows the ten local authorities with the lowest credit scores have an average insolvency rate of 0.38%, a 0.04 percentage point increase on last year. In the areas with the highest credit scores the insolvency rate is 0.14%, which shows no change on last year (Table 6).

# CHAPTER 4
# CREDIT AVAILABILITY

## THE STORY OF CREDIT AVAILABILITY IS INFLUENCED BY THE WIDER ECONOMIC SITUATION

The Bank of England has recently said that, due to rising interest rates and lower disposable income, the availability of credit for low income households has fallen.[26] As well as higher prices, Fair4AllFinance reports a lower risk appetite from lenders, suggesting 44% of community finance lenders have tightened their criteria. Despite high application rates, loan approvals have fallen.[27]

Regulating the affordability and interest rates of payday lenders has had the effect of pushing many of them out of the market altogether - it essentially rendered their business model untenable and unprofitable. But policy changes and higher refusal rates do not reduce the demand for credit. The collateral impact of this regulation is that many in vulnerable financial circumstances are likely to have been pushed into using illegal lenders.[28]

## FAIR AND AFFORDABLE CREDIT IS NOT EQUALLY AVAILABLE ACROSS THE COUNTRY

As we could clearly see in last year's GCI, this year's index illustrates a similar disparity across the country of access to reasonable and fair sources of credit. Overall availability index scores more or less stayed the same, falling by just 0.01% compared to last year. Credit availability scores increased the most in Cambridge (0.76%) and fell the most in Westminster (-2.62%).

As an overall picture we can see pockets of access to fair and affordable credit and areas lacking good credit availability dispersed across the UK.

The credit availability sub-index looks at how access to credit differs across the UK. Our methodology includes statistical weighting to provide an indication of the quality of accessible credit. To enable this we have defined pawn shops and payday lenders as 'bad' forms of credit, with cashpoints, bank branches and internet access considered 'good'. Our weighting means higher sub-index scores reflect better access to 'good' credit, and vice versa.

Our interviewees generally also made these distinctions, with credit cards and bank loans being most people's 'first choice' of credit source, as well as financing options for large items such as cars or furniture. Payday loans were something many of those we spoke to would have preferred to avoid, particularly because of the high interest rates associated with them. And, as the base rate of interest continues to grow, so too will the number of credit sources with high interest rates - thus limiting the availability of 'good' sources of credit.

## PEOPLE IN CREDIT DESERTS ARE MORE LIKELY TO STRUGGLE TO ACCESS ANY CREDIT AND BE FORCED TO TURN TO INFORMAL SOURCES OF FINANCIAL SUPPORT

A few of the people we spoke to had reached a point where they were struggling to access credit altogether. These rejections, and any resulting subsequent applications, can not only negatively impact their credit scores, but also leave people in need of financial support to make ends meet or cover unexpected costs with limited places to turn.

26 Bank of England. *Credit Conditions Survey - 2023 Q1*. Bank of England, April 2023. Available at: www.bankofengland.co.uk/credit-conditions-survey/2023/2023-q1
27 Fair 4 All Finance. *Community Finance Sector Reporting - Q4 2022*. Fair4AllFinance, March 2023. Available at: fair4allfinance.org.uk/community-finance-sector-reporting-q4-2022
28 Harding, N. and Sales, T. *As One Door Closes*. Fair 4 All Finance, June 2023. Available at: fair4allfinance.org.uk/as-one-door-closes-illegal-money-lending

Increasingly, we heard that people are therefore turning to unofficial sources of credit, such as friends and family to borrow money, or even local shops; 13% of adults have borrowed money from friends or family, nearly 7 million people.

Whilst borrowing from within one's social network may have certain advantages over other illegal or unregulated sources of credit - no interest rates, flexible repayment terms and no credit checks - it shouldn't be seen as a purely 'good source of credit'. Very often, borrowing from friends and family made people feel embarrassed and ashamed; it could also put a strain on their relationships and create further emotional turmoil.

Talking about how she felt about asking her parents for money towards her bills, one interviewee told us: ***"I don't like it, it's not nice. Because obviously then I feel I've moved out to be independent, and there I am asking for more money."***

## PEOPLE IN CREDIT DESERTS OFTEN HAVE LITTLE CHOICE BUT TO USE CREDIT THAT IS EXPENSIVE OR UNREGULATED

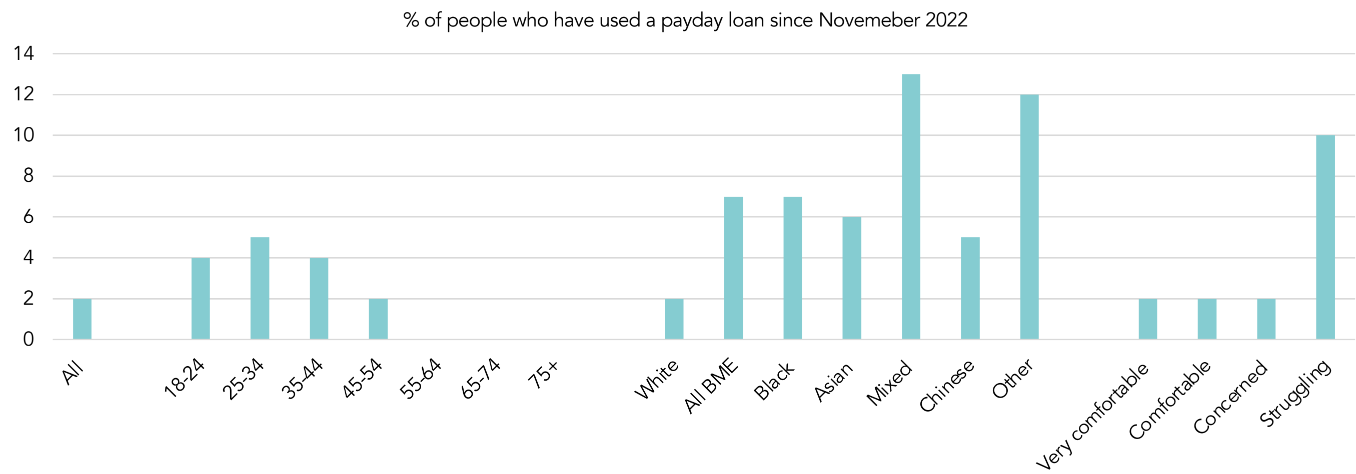
Our polling data shows some differences between the types of credit that are available to people in credit deserts, compared to those in other parts of the UK. So we see that people in credit deserts are more likely to use Buy Now Pay Later schemes (such as store credit or third parties e.g. Klarna) (21% vs 16%) or to borrow from friends or family (16% vs 12%).

> *"[Using Klarna] it was £1,000 [for a vet bill] if I paid it upfront, but I think I ended up paying £1,500 over three months." (Female, Barking & Dagenham)*

> *We use that [Klarna] quite often to just buy baby's clothes, any other shopping or anything like that. So, we use that quite a lot… I think I've just gone over two or three times… I think it was £6 the fee and I think [the] interest rate which went up" (Male, Barking and Dagenham)*

We can also see in our polling data that 2% of people have used a payday loan since November 2022 and 2% have used pawnbrokers. Worse still, our polling shows 1% of adults have turned to other unregulated lenders (such as illegal loan sharks). These figures are consistent across credit deserts and other places alike, but amount to over 500,000 people across the UK being put into risky financial situations. Use of these types of credit was even higher amongst some marginalised groups (see Figure 10).

**FIGURE 10**
PERCENTAGE OF UK ADULTS WHO HAVE USED A PAYDAY LOAN SINCE NOVEMBER 2022



Additionally 3% of people feel that unregulated lenders (aside from BNPL which people were asked about separately) are the only option available to them. We can see from the increased need for credit more generally that the cost of living crisis is causing more people to turn towards using credit to support them. This means that those at the sharp end, with fewer options, are being pushed into using unofficial, and sometimes illegal, sources of credit.

## THERE ARE STARK ETHNIC DISPARITIES IN USING DIFFERENT TYPES OF CREDIT

Given Black and minority ethnic groups are more likely to use credit for any reason since November 2022 - 56% compared to 36% of White people - it is therefore unsurprising BME groups also over index in their use of bad credit during this period:[29]

- 7% of people from a BME background have used a payday loan, meaning they are up to 3.5 times more likely to have used them than White people; 7% of Black people, 6% of Asian[30] people, 13% of people of Mixed ethnicity and 5% of Chinese people[31], compared to 2% of White people.
- 3% of people from a BME background have used a pawnbroker, meaning they are up to 3 times more likely to have used them than White people; 5% of Black people, 3% of Asian[32] people, 2% of people of Mixed ethnicity and 1% of Chinese people[33], compared to 1% of White people.
- People from a BME background are also more likely to use BNPL (24% vs 16% of White people); 30% of Black people, 22% of Asian people, 23% of people of Mixed ethnicity and 21% of Chinese people.[34]

BME groups are also more likely to use other unregulated lenders (e.g. illegal loan sharks) - 4% of Black people, 2% of Asian[35] people, 4% of people of Mixed ethnicity and 4% of Chinese people[36] (compared to 1% of White people) - and they are also three times as likely to think these are the only options available to them (6% vs 2%). It is very important to note that borrowing from an illegal lender is not a criminal offence. It is illegal to be the lender, who often coerce, threaten and abuse victims who have borrowed from them.

## LIVING IN A CREDIT DESERT INCREASES EXPOSURE TO UNETHICAL MARKETING PRACTICES FROM LENDERS

We heard that our interviewees living in credit deserts and unable to access fair and reasonable credit, had often had unpleasant experiences of dealing with those companies and poor relationships with their lenders. Our polling shows that nationally 15% of people have experienced being harassed by credit sellers. For those in a bad credit cycle, this is likely to compound their negative experience. This harassment is likely to take many forms, but in our qualitative interviews we heard some examples of what this might look like. For instance we heard about people being bombarded with emails and marketing calls from their existing lender/s that they found overwhelming and hard to process. We also heard about instances where after an initial inquiry, people had felt their number had gone onto a ‘marketing list’ without their knowledge because they had ended up receiving numerous cold calls from companies unknown to them.

> *“They were constantly sending me emails, going, ‘You’re pre-approved for this loan, you’re pre-approved for this card,’ which is rubbish but then it gets me to do it, on the off-chance that that might pay off that debt” (Female interviewee, Rhondda)*

We also heard from interviewees that had found dealing with lenders to be a deeply unpleasant and undignifying process. The feeling that they were being judged or treated with suspicion made an already stressful situation worse for them.

> *“I feel as though I was being spoken to, communicated to, as if I’ve been blacklisted or something. You know, like I’m some fraud.” (Male, Bradford)*

## THE REGIONAL PICTURE OF CREDIT AVAILABILITY

The credit availability landscape across the UK is less clear, perhaps explained in part by online access to credit (Figure 11).

London again shows a very mixed picture. Three of the top four highest scoring local authorities on credit availability are in London - Westminster, Camden and Kensington and Chelsea (see Table

29 Figures for Black and Chinese groups should be treated with caution due to low sample sizes.
30 The Asian ethnic group covers the Indian subcontinent (Indian, Pakistani, Bangladeshi).
31 12% of people of Other ethnicity, but statistically significant conclusions cannot be made due to a very small sample size.
32 The Asian ethnic group covers the Indian subcontinent (Indian, Pakistani, Bangladeshi).
33 8% of people of Other ethnicity, but statistically significant conclusions cannot be made due to a very small sample size.
34 34% of people of Other ethnicity, but statistically significant conclusions cannot be made due to a very small sample size.
35 The Asian ethnic group covers the Indian subcontinent (Indian, Pakistani, Bangladeshi).
36 Figure for people of Other ethnicity unavailable.

7). However, nearby are local authorities with much poorer access to good credit such as Hounslow and Brent.

We also see similar instances of local authorities with high availability located next to low availability local authorities in the East of England, such as Cambridge and Norwich next to South Cambs and Broadland respectively. In the West Midlands, there are large areas of low credit availability in Gloucestershire and further north such as Lichfield and South Staffordshire.

Areas such in North Lincolnshire, Doncaster and Rotherham score particularly badly in Yorkshire and Humber. In the North West there is a string of local authorities lacking credit availability from Liverpool to Salford. We also see particularly low scores in Middlesbrough and Sunderland in the North East.

We do however see many good scores in the rural north, but these are also areas of low population sizes so interpretation should be treated with caution. This is worth considering across the entire analysis; local authorities with 'bad' credit availability are typically urban areas where 'bad' high street options may be more likely found. The extent to which 'good' credit options are reasonably available, particularly in rural areas which tend to score higher, is a question worth asking.

**TABLE 7**

TOP 10 CREDIT AVAILABILITY SUB-INDEX SCORES

| LOCAL AUTHORITY | CREDIT AVAILABILITY SCORE 2023 |
|---|---|
| Westminster | 117.36 |
| Na h-Eileanan Siar | 111.91 |
| Camden | 109.63 |
| Kensington and Chelsea | 109.47 |
| Argyll and Bute | 109.11 |
| Powys | 108.96 |
| Eden | 108.85 |
| Craven | 108.65 |
| South Lakeland | 108.57 |
| Allerdale | 108.49 |

## CREDIT AVAILABILITY IN THE DEVOLVED NATIONS

Credit availability in the south west of Scotland is particularly concerning. All local authorities surrounding Glasgow City and East Renfrewshire score in the lowest category. Table 8 shows that six of the 10 worst scoring local authorities regarding credit availability are in Scotland.

By contrast, the story in Wales is quite different, with vast parts being shown to have access to good sources of credit. While parts of South Wales have relatively good access, such as areas immediately to the west of Cardiff, we see comparatively low scores in Neath Port Talbot and Pembrokeshire.

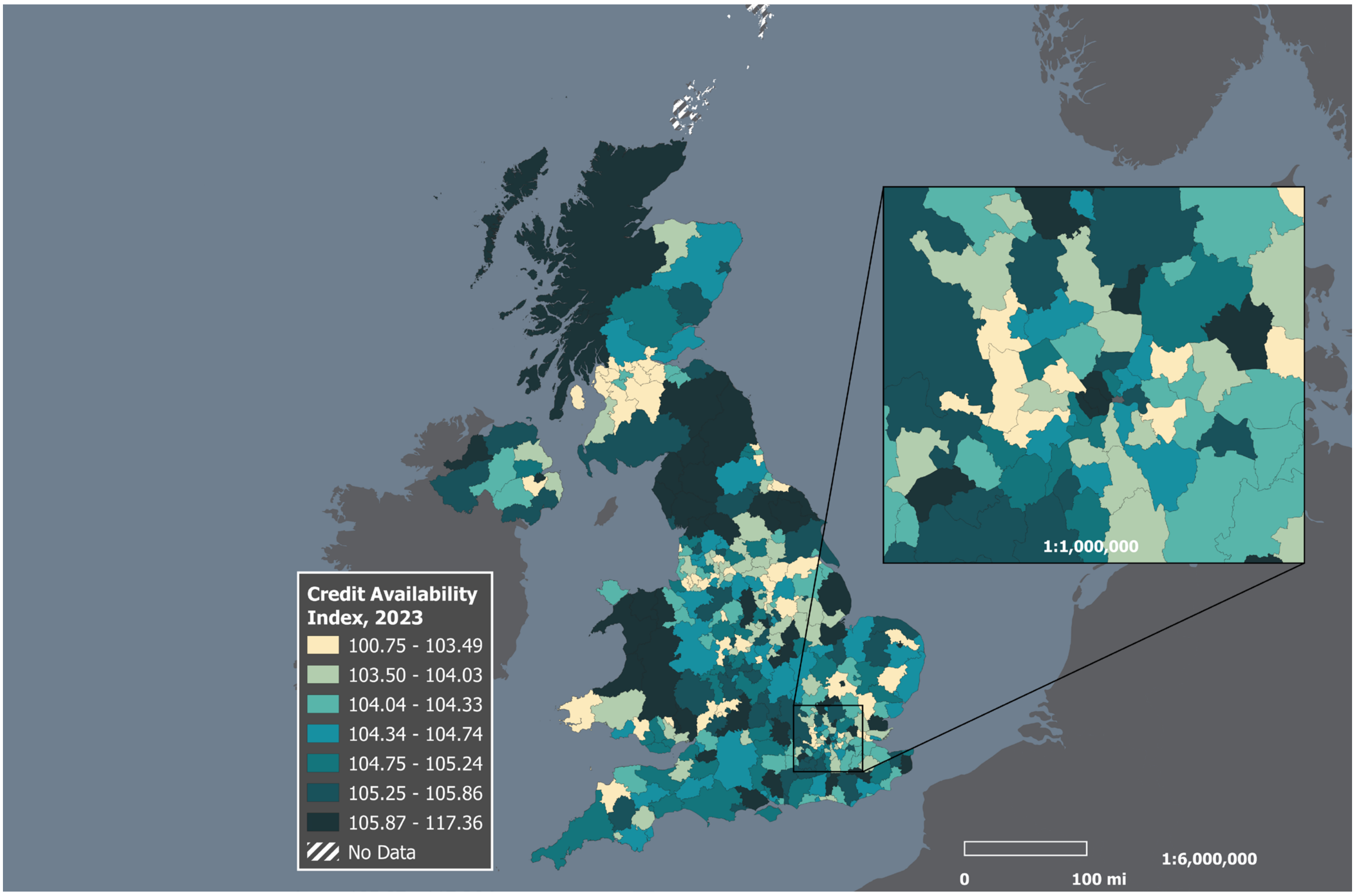
While much of Northern Ireland has middling access to good credit, Lisburn and Castlereagh relatively score lowest.

**TABLE 8**

BOTTOM 10 CREDIT AVAILABILITY SUB-INDEX SCORES

| LOCAL AUTHORITY | CREDIT AVAILABILITY SCORE 2023 |
|---|---|
| West Dunbartonshire | 100.75 |
| Inverclyde | 101.24 |
| Castle Point | 102.13 |
| North Lanarkshire | 102.17 |
| Basildon | 102.24 |
| West Lothian | 102.24 |
| Falkirk | 102.31 |
| Clackmannanshire | 102.31 |
| St. Helens | 102.35 |
| Slough | 102.39 |

**FIGURE 11**
CREDIT AVAILABILITY SUB-INDEX 2023




## OUR QUALITATIVE INTERVIEWS HAVE ALLOWED US TO BUILD FURTHER NUANCE INTO THE GEOGRAPHICAL ANALYSIS OF THE GCI

Drawing on the interviews helps to show how it is not only geographical factors but also structural economic ones that can shape a person's experience of using credit, particularly in the midst of a cost of living crisis.

We think that those living in credit deserts can fall broadly into these two categories - those in a good credit cycle, and those struggling to manage their credit in a bad credit cycle. For those in a bad credit cycle, it is difficult for them to find a way out and into a cycle of good credit. However, the cost of living crisis means it is more likely that some people who are in a good credit cycle could find themselves in financial trouble, opening up the possibility of falling into the bad credit cycle.

## WHERE FAIR AND AFFORDABLE CREDIT IT EASILY AVAILABLE, HOUSEHOLDS BENEFIT FROM THAT EASY ACCESS

For some households, access to credit is a helpful and flexible means to manage their finances. Credit is used to build stretch and flexibility into monthly budgeting, enabling the purchase of larger household items (such as white goods or furniture) or ensuring that bills get paid on time and that incurring debt to utilities companies, the council or landlords might be avoided. Many people (45%) are comfortable with using credit to cover short term costs, with 33% saying using credit has made it easier to manage their finances.

People who described themselves as financially 'comfortable' were more positive about the use of household credit and their ability to manage it. For instance, those with household incomes over £28,000 per year (40%) are more likely to say that having access to credit has made it easier for them to manage their finances compared to those on incomes of less than £28,000 per year (28%). The higher income group are also more likely to agree that it is acceptable to use credit to spread the cost of large purchases over time.

We spoke to some people on higher incomes, who despite living in credit deserts, had been able to access the reasonable credit they needed with lower interest rates and longer repayment plans. These interviewees could easily secure their first choice of credit - generally credit cards and bank loans. Being able to turn to credit was a positive experience that had helped them to cover higher bills or an unexpected cost. With more stable financial circumstances, these people were more likely to have the means to repay credit using their income and less likely to take out other sources of credit to pay for previous ones or default on credit repayments.

> *"[It's] pretty easy [to access credit]. I go through my Equifax report and my credit score, just to see the best options, and weigh them out. And I usually always go with my bank first, just because obviously it's easier just to have it in one account." (Female, Barking and Dagenham)*

Given the reliance on credit scores in the UK, as we outlined earlier, timely repayments can trigger a virtuous cycle by improving people's credit scores. This in turn gives people the opportunity to access good credit in the future. Not only do people in this cycle have a more positive financial outlook, but it also has minimal impact on their stress levels. We consider these people to be in a 'good credit cycle'.

## THOSE ON LOW INCOMES, BOTH IN CREDIT DESERTS AND IN OTHER PARTS OF THE COUNTRY, ARE UNABLE TO ACCESS FAIR AND REASONABLE CREDIT

People on lower incomes are, unsurprisingly, the people suffering the most in the cost of living crisis; our polling shows that 46% of those on a low income (household under £28,000) say they are either struggling or concerned, compared to 29% of people on higher incomes. They are also the group more likely to have had to use credit to pay for essentials (39% vs. 18% of the general public) at the same time as being less likely to have had a positive experience of using credit. Whilst just under a quarter (24%) of those earning under £21,000 do say that access to credit has made it easier for them to manage their finances, this compares unfavourably to the national average of 33%.

The difference in experiences of credit between the higher and lower earner groups suggests that for those on low incomes, credit can create additional financial burdens. In fact, 41% of people struggling financially also said that credit is actively making it harder to manage their finances which is in stark contrast to 9% of people who are 'very comfortable' and 12% of those who consider themselves comfortable who agree with the same statement.

## THE BAD CREDIT CYCLE OFTEN STARTS WITH A LACK OF ACCESS TO GOOD SOURCES OF CREDIT

Where living in a credit desert correlates with low household income, the choices available are likely to be more limited. We heard how failing a credit check, being rejected from a credit application or being unable to afford repayments had negatively impacted credit scores and made it harder to access fair and affordable sources of credit going forwards. We infer that this is because if someone is rejected for credit they are likely to apply elsewhere - multiple applications are recorded on their credit report, and can be viewed negatively by other prospective lenders. The only options then available are those short term, high interest, inflexible sources such as payday loans or other online sources, or even unregulated or illegal sources. These ultimately result in the consumer paying back much more than was originally borrowed, making it extremely difficult to complete the repayment and get out of debt.

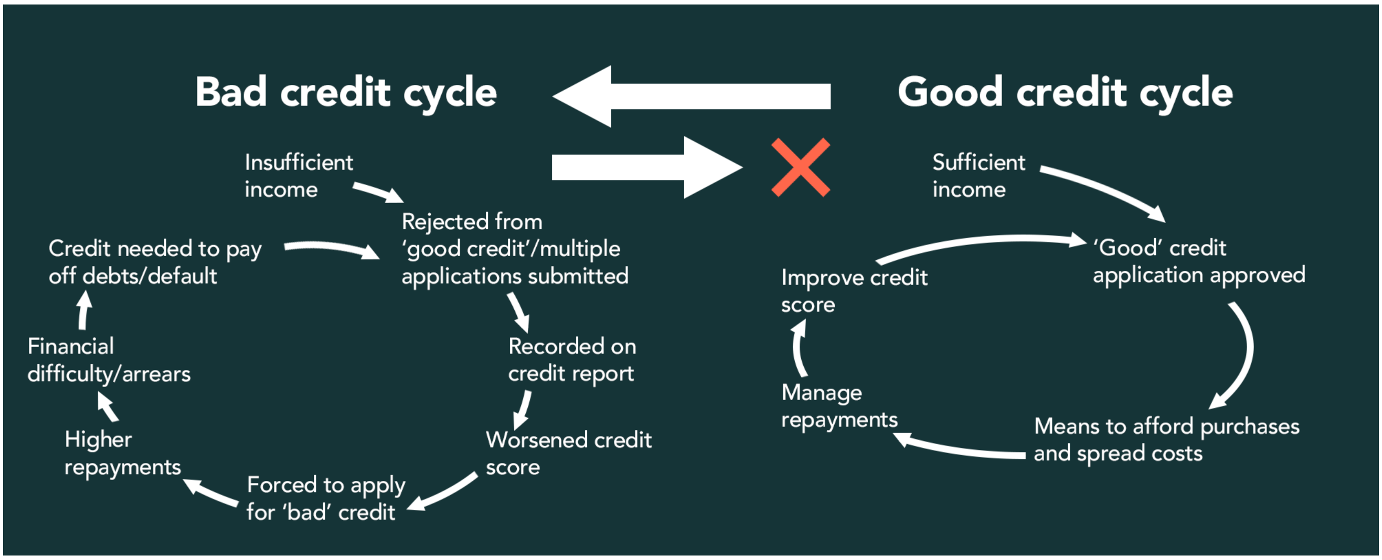
Many people find themselves in a seemingly endless cycle whereby they take out additional sources of bad credit to pay off previous debts, or cannot pay them off altogether. Several of our interviewees had taken out multiple sources of credit, often in an attempt to pay off previous credit, and found managing them all extremely stressful. Juggling different creditors is a tactic that some of our participants used, but it often hangs on a thread and the risk of defaulting or bankruptcy is a strong undercurrent that people are aware of. One interviewee who was using multiple sources of credit to retrospectively pay each other off told us that payday was a "nightmare" because he had to spend the morning individually paying them off. This has a detrimental effect on their credit score, further limiting the options available to them.

Our interviews highlighted that people who are financially vulnerable can feel 'punished' by this system; those with the least money end up having to pay the most and are more likely to get 'stuck' in debt. We call this the 'bad credit cycle'.

> *"I felt bad, I was stuck, I was really depressed, anxious, I had anxiety. Because I had a pressing problem to solve." (Male, Barking and Dagenham)*

The diagram below sets out the key elements of the good and bad credit cycles, and illustrates how people are able to move within them.

**FIGURE 12**
THE GOOD AND BAD CREDIT CYCLES




## THE BAD CREDIT CYCLE CAUSES STRESS AND POOR WELLBEING

Financial difficulties can be seriously detrimental to people's mental health. When someone falls into a bad credit cycle and are unable to pull themselves out of it, this compounds the existing stress that comes with financial vulnerability. We heard from one interviewee that this was impacting his ability to work - he wanted to take on more hours to try and address his financial problems, but those very worries were causing him to feel depressed and anxious. This left him without the energy to take on any more work on top of his existing job.

## CONCLUSION

For people navigating the good credit cycle, financial resilience is relatively straightforward; credit is used to enhance this comfort. Compared to the financially vulnerable, use of credit is stress-free, easily accessed and easily managed. In the context of the cost of living crisis, use of credit can bring in much needed flexibility and stretch to household budgeting for these people.

In contrast, people in the bad credit cycle can find that turning to credit or increasing their use of credit has a negative impact on their finances and wellbeing. This is particularly the case for those on the lowest incomes and particularly stark when people are reliant on credit to pay for essentials. This puts them in an especially vulnerable position, because an unexpected cost in a month can knock everything out of kilter and put their ability to cover housing, utilities and grocery bills at risk. The bad credit cycle - fueled by low credit scores, 'bad' sources of credit and higher repayments - can have a detrimental impact on people's mental health and ability to cope, causing them to feel "trapped".

Our research shows that the cost of living crisis risks pushing more and more people into the bad credit cycle, even if they have previously been in the good credit cycle we've been describing. Conversely, people in the bad credit cycle feel trapped; our system does not make it easy to restore a good credit experience.

# CONCLUSION AND NEXT STEPS

The Good Credit Index 2023 has painted a stark picture of financial struggle in the midst of a cost-of-living crisis that is showing little signs of easing. This year's data index broadly reflects previous years', suggesting entrenched inequality across the credit landscape in the UK. Specifically, we are concerned about high credit need, low credit scores and low availability of good credit across the North of England between Hull and Liverpool. There are also worrying signs of credit deprivation in North East England, parts of East London, South Wales and South West Scotland.

We took an enhanced place based approach this year. Our national polling helped us understand the impacts of the cost of living crisis and people's attitudes towards credit. It painted a stark national picture - with 2 in 5 (around 20 million) people concerned about or struggling with their finances. The cost of energy and food are of particular concern, and the findings are particularly stark among a number of marginalised groups, particularly ethnic minorities and people with disabilities. We found that some people are turning to credit to cover the cost of essentials - for those on lower incomes, this was adding to their existing financial burden.

Our interviews in credit deserts enriched our understanding of experiences of financial struggle and credit usage. We heard about people's experiences of how financially constrained they are feeling, how the cost of living crisis has sucked the joy out of life for so many and the toll it is having on people's mental health. We heard in interviews stories of desperation and of financial spirals in many cases exacerbated by credit. We continuously heard about the importance of credit scores to people, how they dictate the availability of good credit and are a constant, fluctuating presence.

We noticed a pattern of bad credit cycles. These exist when people are most in need but have insufficient financial security to be lent 'good' credit. With multiple rejections leaving a credit application footprint, which can subsequently impact credit scores, some people we spoke to felt that they had little choice but to seek high-interest, short-term credit, too often from inconspicious lenders. They are unaffordable, leading to defaults, more credit needed and misery. For these people, the cycle goes on.

Recent interest rate hikes are likely to add fuel to this fire. While these experiences may well be happening predominantly in credit deserts, it's clear from our polling that these experiences are also happening to people across the country.

We also heard of good experiences of credit, a cycle where people have the means to borrow long-term and low interest, and can use credit to enhance their lifestyle or support them with unexpected costs. But the cost of living crisis is demonstrating the ease with which people can slip into the bad cycle; preventing this and pulling people out requires radical but urgent change.

# ACKNOWLEDGEMENTS

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We would also like to thank the 22 interviewees who spoke to us candidly about their experiences of using credit and of the cost of living crisis more generally. Their insights were invaluable in shaping our thinking for this report. This report reflects their experiences and we hope it leads to change.

**Stephen Walcott**
**Courtney Stephenson**
**Lucy Bush**

August 2023

# APPENDIX A

| LA NAME | LA CODE | AVERAGE INDEX 2023 |
|---|---|---|
| Westminster | E09000033 | 113.67 |
| Kensington and Chelsea | E09000020 | 113.01 |
| Elmbridge | E07000207 | 112.75 |
| Richmond upon Thames | E09000027 | 112.74 |
| Na h-Eileanan Siar | S12000013 | 112.63 |
| St Albans | E07000240 | 112.49 |
| Waverley | E07000216 | 112.44 |
| Mole Valley | E07000210 | 112.15 |
| Hart | E07000089 | 111.92 |
| Wokingham | E06000041 | 111.91 |
| South Oxfordshire | E07000179 | 111.84 |
| Epsom and Ewell | E07000208 | 111.72 |
| Mid Sussex | E07000228 | 111.66 |
| East Hertfordshire | E07000242 | 111.35 |
| South Lakeland | E07000031 | 111.35 |
| Rushcliffe | E07000176 | 111.23 |
| Surrey Heath | E07000214 | 111.18 |
| Horsham | E07000227 | 111.11 |
| Winchester | E07000094 | 111.1 |
| Guildford | E07000209 | 111 |
| South Cambridgeshire | E07000012 | 110.95 |
| Windsor and Maidenhead | E06000040 | 110.93 |
| Harborough | E07000131 | 110.86 |
| Buckinghamshire | E06000060 | 110.76 |
| Derbyshire Dales | E07000035 | 110.68 |
| Brentwood | E07000068 | 110.68 |

| LA NAME | LA CODE | AVERAGE INDEX 2023 |
|---|---|---|
| Cotswold | E07000079 | 110.55 |
| Reigate and Banstead | E07000211 | 110.52 |
| Tandridge | E07000215 | 110.51 |
| Bath and North East Somerset | E06000022 | 110.51 |
| Vale of White Horse | E07000180 | 110.46 |
| East Hampshire | E07000085 | 110.44 |
| Wandsworth | E09000032 | 110.42 |
| West Oxfordshire | E07000181 | 110.4 |
| Camden | E09000007 | 110.39 |
| Wealden | E07000065 | 110.31 |
| Stratford-on-Avon | E07000221 | 110.31 |
| Craven | E07000163 | 110.29 |
| Uttlesford | E07000077 | 110.28 |
| Warwick | E07000222 | 110.24 |
| Cambridge | E07000008 | 110.22 |
| Tunbridge Wells | E07000116 | 110.14 |
| West Berkshire | E06000037 | 110.12 |
| Kingston upon Thames | E09000021 | 110.09 |
| Eden | E07000030 | 110.05 |
| Stroud | E07000082 | 110.04 |
| North Hertfordshire | E07000099 | 110.01 |
| Sevenoaks | E07000111 | 110 |
| Woking | E07000217 | 109.98 |
| Fareham | E07000087 | 109.92 |
| South Hams | E07000044 | 109.91 |
| Three Rivers | E07000102 | 109.87 |
| New Forest | E07000091 | 109.76 |

| LA NAME | LA CODE | AVERAGE INDEX 2023 |
|---|---|---|
| Bromsgrove | E07000234 | 109.73 |
| Rochford | E07000075 | 109.7 |
| Bromley | E09000006 | 109.69 |
| South Norfolk | E07000149 | 109.68 |
| Mid Suffolk | E07000203 | 109.47 |
| East Renfrewshire | S12000011 | 109.45 |
| Test Valley | E07000093 | 109.4 |
| Broadland | E07000144 | 109.38 |
| South Gloucestershire | E06000025 | 109.34 |
| Maldon | E07000074 | 109.3 |
| Ribble Valley | E07000124 | 109.26 |
| Eastleigh | E07000086 | 109.26 |
| East Devon | E07000040 | 109.23 |
| West Devon | E07000047 | 109.22 |
| Runnymede | E07000212 | 109.19 |
| City of Edinburgh | S12000036 | 109.11 |
| East Cambridgeshire | E07000009 | 109.09 |
| Hambleton | E07000164 | 109.05 |
| Cheltenham | E07000078 | 109 |
| Epping Forest | E07000072 | 108.99 |
| Spelthorne | E07000213 | 108.98 |
| Dorset | E06000059 | 108.98 |
| Wiltshire | E06000054 | 108.97 |
| Babergh | E07000200 | 108.92 |
| Aberdeenshire | S12000034 | 108.9 |
| Hertsmere | E07000098 | 108.87 |
| North Somerset | E06000024 | 108.87 |
| Rutland | E06000017 | 108.85 |
| Malvern Hills | E07000235 | 108.83 |
| Mendip | E07000187 | 108.82 |
| Chelmsford | E07000070 | 108.82 |
| Central Bedfordshire | E06000056 | 108.82 |
| East Dunbartonshire | S12000045 | 108.81 |
| Cherwell | E07000177 | 108.76 |
| Lisburn and Castlereagh | N09000007 | 108.71 |

| LA NAME | LA CODE | AVERAGE INDEX 2023 |
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| Sutton | E09000029 | 108.68 |
| Argyll and Bute | S12000035 | 108.64 |
| Cheshire East | E06000049 | 108.6 |
| Harrogate | E07000165 | 108.59 |
| Basingstoke and Deane | E07000084 | 108.58 |
| Bracknell Forest | E06000036 | 108.58 |
| Huntingdonshire | E07000011 | 108.56 |
| Melton | E07000133 | 108.55 |
| Hammersmith and Fulham | E09000013 | 108.54 |
| Monmouthshire | W06000021 | 108.5 |
| Wychavon | E07000238 | 108.49 |
| Chichester | E07000225 | 108.49 |
| Tewkesbury | E07000083 | 108.37 |
| Highland | S12000017 | 108.37 |
| Oadby and Wigston | E07000135 | 108.36 |
| Tonbridge and Malling | E07000115 | 108.35 |
| Blaby | E07000129 | 108.31 |
| Powys | W06000023 | 108.19 |
| Hinckley and Bosworth | E07000132 | 108.18 |
| Dacorum | E07000096 | 108.15 |
| York | E06000014 | 108.09 |
| Broxtowe | E07000172 | 108.04 |
| Lewes | E07000063 | 107.84 |
| Barnet | E09000003 | 107.83 |
| Broxbourne | E07000095 | 107.82 |
| Ryedale | E07000167 | 107.82 |
| Gedling | E07000173 | 107.81 |
| Teignbridge | E07000045 | 107.79 |
| North Norfolk | E07000147 | 107.73 |
| South Somerset | E07000189 | 107.69 |
| Ceredigion | W06000008 | 107.69 |
| Merton | E09000024 | 107.67 |
| North West Leicestershire | E07000134 | 107.67 |

| LA NAME | LA CODE | AVERAGE INDEX 2023 |
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| Staffordshire Moorlands | E07000198 | 107.61 |
| Somerset West and Taunton | E07000246 | 107.58 |
| Shropshire | E06000051 | 107.57 |
| Mid Devon | E07000042 | 107.57 |
| Stirling | S12000030 | 107.56 |
| Tower Hamlets | E09000030 | 107.51 |
| Herefordshire, County of | E06000019 | 107.51 |
| Exeter | E07000041 | 107.51 |
| Ards and North Down | N09000011 | 107.5 |
| Charnwood | E07000130 | 107.47 |
| Islington | E09000019 | 107.43 |
| Scottish Borders | S12000026 | 107.39 |
| South Staffordshire | E07000196 | 107.38 |
| Brighton and Hove | E06000043 | 107.37 |
| West Northamptonshire | E06000062 | 107.36 |
| Fermanagh and Omagh | N09000006 | 107.33 |
| West Suffolk | E07000245 | 107.33 |
| Bournemouth, Christchurch and Poole | E06000058 | 107.32 |
| Lichfield | E07000194 | 107.32 |
| Canterbury | E07000106 | 107.28 |
| High Peak | E07000037 | 107.28 |
| Rother | E07000064 | 107.24 |
| Maidstone | E07000110 | 107.23 |
| Perth and Kinross | S12000048 | 107.19 |
| Cornwall | E06000052 | 107.19 |
| Harrow | E09000015 | 107.17 |
| Trafford | E08000009 | 107.14 |
| Newry, Mourne and Down | N09000010 | 107.14 |
| Dartford | E07000107 | 107.13 |
| Bexley | E09000004 | 107.1 |
| Antrim and Newtownabbey | N09000001 | 107.1 |
| Mid Ulster | N09000009 | 107.09 |
| South Derbyshire | E07000039 | 107.08 |
| Forest of Dean | E07000080 | 107.06 |
| Watford | E07000103 | 107.05 |
| North Kesteven | E07000139 | 107.01 |
| East Lothian | S12000010 | 106.95 |
| Rugby | E07000220 | 106.92 |
| East Suffolk | E07000244 | 106.92 |
| Worthing | E07000229 | 106.9 |
| Cheshire West and Chester | E06000050 | 106.89 |
| Adur | E07000223 | 106.84 |
| Castle Point | E07000069 | 106.8 |
| Breckland | E07000143 | 106.8 |
| Bristol, City of | E06000023 | 106.78 |
| Stafford | E07000197 | 106.72 |
| Stockport | E08000007 | 106.69 |
| Amber Valley | E07000032 | 106.69 |
| Colchester | E07000071 | 106.66 |
| Braintree | E07000067 | 106.66 |
| Havering | E09000016 | 106.65 |
| Arun | E07000224 | 106.62 |
| Welwyn Hatfield | E07000241 | 106.58 |
| Fylde | E07000119 | 106.55 |
| Aberdeen City | S12000033 | 106.54 |
| Moray | S12000020 | 106.51 |
| Allerdale | E07000026 | 106.51 |
| Armagh City, Banbridge and Craigavon | N09000002 | 106.5 |
| Ashford | E07000105 | 106.5 |
| Selby | E07000169 | 106.47 |
| North Devon | E07000043 | 106.41 |
| Erewash | E07000036 | 106.36 |
| Reading | E06000038 | 106.31 |

| LA NAME | LA CODE | AVERAGE INDEX 2023 |
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| Swindon | E06000030 | 106.22 |
| Rushmoor | E07000092 | 106.21 |
| Richmondshire | E07000166 | 106.18 |
| South Ribble | E07000126 | 106.16 |
| Sedgemoor | E07000188 | 106.15 |
| Vale of Glamorgan | W06000014 | 106.14 |
| Causeway Coast and Glens | N09000004 | 106.09 |
| King's Lynn and West Norfolk | E07000146 | 106.08 |
| Chorley | E07000118 | 106.03 |
| Lancaster | E07000121 | 105.94 |
| Carlisle | E07000028 | 105.91 |
| East Riding of Yorkshire | E06000011 | 105.91 |
| Lambeth | E09000022 | 105.9 |
| Isle of Wight | E06000046 | 105.9 |
| Mid and East Antrim | N09000008 | 105.86 |
| Hillingdon | E09000017 | 105.81 |
| Torridge | E07000046 | 105.8 |
| Ealing | E09000009 | 105.76 |
| Gwynedd | W06000002 | 105.72 |
| North East Derbyshire | E07000038 | 105.57 |
| Southwark | E09000028 | 105.57 |
| South Holland | E07000140 | 105.51 |
| Warrington | E06000007 | 105.5 |
| Copeland | E07000029 | 105.48 |
| Bedford | E06000055 | 105.47 |
| North Warwickshire | E07000218 | 105.47 |
| Redbridge | E09000026 | 105.39 |
| Wyre | E07000128 | 105.32 |
| Angus | S12000041 | 105.26 |
| Newark and Sherwood | E07000175 | 105.24 |
| Dover | E07000108 | 105.19 |
| Folkestone and Hythe | E07000112 | 105.16 |

| LA NAME | LA CODE | AVERAGE INDEX 2023 |
|---|---|---|
| Wyre Forest | E07000239 | 105.16 |
| Worcester | E07000237 | 105.15 |
| Midlothian | S12000019 | 105.14 |
| Hounslow | E09000018 | 105.11 |
| Stevenage | E07000243 | 105.09 |
| Dumfries and Galloway | S12000006 | 105.04 |
| Torbay | E06000027 | 104.97 |
| Haringey | E09000014 | 104.9 |
| Havant | E07000090 | 104.87 |
| Thurrock | E06000034 | 104.84 |
| Newcastle-under-Lyme | E07000195 | 104.82 |
| Southend-on-Sea | E06000033 | 104.81 |
| Hackney | E09000012 | 104.79 |
| Gloucester | E07000081 | 104.79 |
| Belfast | N09000003 | 104.79 |
| Crawley | E07000226 | 104.66 |
| West Lindsey | E07000142 | 104.65 |
| West Lancashire | E07000127 | 104.62 |
| Flintshire | W06000005 | 104.62 |
| North Northamptonshire | E06000061 | 104.62 |
| Norwich | E07000148 | 104.62 |
| East Staffordshire | E07000193 | 104.58 |
| Milton Keynes | E06000042 | 104.57 |
| Cardiff | W06000015 | 104.44 |
| Cannock Chase | E07000192 | 104.43 |
| Tendring | E07000076 | 104.41 |
| Eastbourne | E07000061 | 104.38 |
| Swale | E07000113 | 104.36 |
| Conwy | W06000003 | 104.35 |
| Croydon | E09000008 | 104.32 |
| Northumberland | E06000057 | 104.31 |
| Sefton | E08000014 | 104.24 |
| South Lanarkshire | S12000029 | 104.22 |
| Fenland | E07000010 | 104.17 |
| Enfield | E09000010 | 104.16 |

| LA NAME | LA CODE | AVERAGE INDEX 2023 |
|---|---|---|
| Gravesham | E07000109 | 104.15 |
| East Lindsey | E07000137 | 104.15 |
| Greenwich | E09000011 | 104.08 |
| South Ayrshire | S12000028 | 104.05 |
| Waltham Forest | E09000031 | 104.05 |
| Basildon | E07000066 | 103.98 |
| Dudley | E08000027 | 103.97 |
| Medway | E06000035 | 103.97 |
| Derry City and Strabane | N09000005 | 103.96 |
| Bury | E08000002 | 103.95 |
| Pembrokeshire | W06000009 | 103.94 |
| Redditch | E07000236 | 103.93 |
| Leeds | E08000035 | 103.93 |
| Lewisham | E09000023 | 103.91 |
| Barrow-in-Furness | E07000027 | 103.8 |
| Plymouth | E06000026 | 103.76 |
| Fife | S12000047 | 103.71 |
| Brent | E09000005 | 103.6 |
| Renfrewshire | S12000038 | 103.56 |
| West Lothian | S12000040 | 103.5 |
| Wirral | E08000015 | 103.48 |
| Scarborough | E07000168 | 103.48 |
| Carmarthenshire | W06000010 | 103.47 |
| Chesterfield | E07000034 | 103.43 |
| Denbighshire | W06000004 | 103.39 |
| Southampton | E06000045 | 103.39 |
| Nuneaton and Bedworth | E07000219 | 103.39 |
| Gosport | E07000088 | 103.37 |
| Bridgend | W06000013 | 103.32 |
| Falkirk | S12000014 | 103.29 |
| Sheffield | E08000019 | 103.27 |
| Ashfield | E07000170 | 103.27 |
| Isle of Anglesey | W06000001 | 103.24 |
| Harlow | E07000073 | 103.11 |
| Tamworth | E07000199 | 103.03 |

| LA NAME | LA CODE | AVERAGE INDEX 2023 |
|---|---|---|
| Slough | E06000039 | 103.01 |
| North Tyneside | E08000022 | 102.99 |
| Bassetlaw | E07000171 | 102.97 |
| Rossendale | E07000125 | 102.94 |
| Glasgow City | S12000049 | 102.86 |
| Wrexham | W06000006 | 102.83 |
| Ipswich | E07000202 | 102.81 |
| Swansea | W06000011 | 102.73 |
| Torfaen | W06000020 | 102.72 |
| Telford and Wrekin | E06000020 | 102.69 |
| Coventry | E08000026 | 102.69 |
| Wigan | E08000010 | 102.62 |
| Hastings | E07000062 | 102.54 |
| Portsmouth | E06000044 | 102.5 |
| Calderdale | E08000033 | 102.49 |
| Inverclyde | S12000018 | 102.45 |
| Clackmannanshire | S12000005 | 102.44 |
| Kirklees | E08000034 | 102.31 |
| Thanet | E07000114 | 102.24 |
| Derby | E06000015 | 102.19 |
| Mansfield | E07000174 | 102.19 |
| Wakefield | E08000036 | 102.16 |
| Gateshead | E08000037 | 102 |
| Newham | E09000025 | 101.92 |
| Darlington | E06000005 | 101.9 |
| Bolsover | E07000033 | 101.74 |
| Great Yarmouth | E07000145 | 101.73 |
| Salford | E08000006 | 101.72 |
| Peterborough | E06000031 | 101.65 |
| Newcastle upon Tyne | E08000021 | 101.64 |
| Preston | E07000123 | 101.64 |
| Boston | E07000136 | 101.59 |
| Leicester | E06000016 | 101.59 |
| County Durham | E06000047 | 101.56 |
| Caerphilly | W06000018 | 101.55 |
| Stockton-on-Tees | E06000004 | 101.42 |
| Newport | W06000022 | 101.4 |

| LA NAME | LA CODE | AVERAGE INDEX 2023 |
|---|---|---|
| Tameside | E08000008 | 101.3 |
| North Lanarkshire | S12000050 | 101.27 |
| Rhondda Cynon Taf | W06000016 | 101.24 |
| Bolton | E08000001 | 101.23 |
| East Ayrshire | S12000008 | 101.21 |
| Dundee City | S12000042 | 101.2 |
| Lincoln | E07000138 | 101.17 |
| Luton | E06000032 | 101.08 |
| Nottingham | E06000018 | 101.03 |
| St. Helens | E08000013 | 100.97 |
| Neath Port Talbot | W06000012 | 100.86 |
| Birmingham | E08000025 | 100.82 |
| Barking and Dagenham | E09000002 | 100.58 |
| Barnsley | E08000016 | 100.51 |
| North Ayrshire | S12000021 | 100.48 |
| Halton | E06000006 | 100.46 |
| Walsall | E08000030 | 100.44 |
| Rotherham | E08000018 | 100.43 |
| Redcar and Cleveland | E06000003 | 100.31 |
| Manchester | E08000003 | 100.28 |
| Pendle | E07000122 | 100.18 |
| West Dunbartonshire | S12000039 | 100.15 |
| North Lincolnshire | E06000013 | 100.11 |
| Sandwell | E08000028 | 99.96 |
| Rochdale | E08000005 | 99.92 |
| Liverpool | E08000012 | 99.77 |
| Merthyr Tydfil | W06000024 | 99.56 |
| Blackburn with Darwen | E06000008 | 99.39 |
| Doncaster | E08000017 | 99.38 |
| Oldham | E08000004 | 99.36 |
| South Tyneside | E08000023 | 99.34 |
| Bradford | E08000032 | 99.24 |
| Wolverhampton | E08000031 | 99.15 |
| Sunderland | E08000024 | 99.13 |
| Burnley | E07000117 | 99.05 |

| LA NAME | LA CODE | AVERAGE INDEX 2023 |
|---|---|---|
| Hyndburn | E07000120 | 99.02 |
| Knowsley | E08000011 | 98.79 |
| Stoke-on-Trent | E06000021 | 98.57 |
| Hartlepool | E06000001 | 98.35 |
| Blaenau Gwent | W06000019 | 97.78 |
| Blackpool | E06000009 | 97.25 |
| North East Lincolnshire | E06000012 | 96.93 |
| Middlesbrough | E06000002 | 96.39 |
| Kingston upon Hull, City of | E06000010 | 94.51 |

# APPENDIX B METHODOLOGICAL APPENDIX

The annual Good Credit Index illustrates geographical inequality in access to good credit. Three sub-indices - credit need (the likely demand for credit), credit scores (the likelihood of a successful credit application) and availability (the physical availability of good and bad credit sources) - are built to form the aggregate Good Credit Index with equal weighting given to each. These themes were deemed important in focus groups and an evidence review. Each sub-index was created using public, private and geospatial data.

## LEVEL OF GRANULARITY

The index is calculated using local authority level data, the most granular data widely available and most feasibly analysed. Using data at a lower level, such as postcodes, would not reflect people's travel outside their residence postcode to access high street services. The index includes all local authorities across the UK's four nations, excluding local authorities with populations under 25,000. Therefore the Isles of Scilly, the Orkney Islands, the Shetland Islands, the Outer Hebrides and the City of London are not included in our analysis.

## DATA SOURCES

Each sub-index is built using various datasets including publicly available national statistics, published data from financial inclusion charities, geospatial data scraped from Open Street Map and credit provider websites, and private data provided to us by credit reference agency Experian.

Geospatial data was reused from last year's Good Credit Index due to internal resource constraints. However, we believed very little in this data has changed since it was scraped. It is publicly available data scraped from the websites of various credit source options, such as www.everydayloans.co.uk, which listed branch addresses. For the pawnbrokers data, we wrote our own script to scrape data from the National Pawnbrokers Association website which has a tool to 'find your local branch' on a map. Collection methods were designed to impose minimum load on each website; 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.

All datasets were aggregated to the local authority level and did not provide any information about any individuals. Some data is longitudinal and covers 12 months but other data is static and provides a snapshot.

| CREDIT SCORES | | | |
|---|---|---|---|
| **INDICATOR** | **SOURCE** | **TIMEFRAME** | **HOW WE ACCESSED THE DATA** |
| Average credit score by local authority | Experian | Static, October 2022 | |
| Consumer County Court Judgements | Registry Trust, UK | Longitudinal, 2022 | |
| Insolvencies - England and Wales | The Insolvency Service | Longitudinal, 2022 | https://www.gov.uk/government/statistics/individual-insolvencies-by-location-age-and-gender-england-and-wales-2022 |
| Insolvencies - Scotland | Accountant in Bankruptcy | Longitudinal, 2021-22 | https://aib.gov.uk/about-aib/statistics-data/scottish-statutory-debt-solutions-statistics-annual-edition |
| Insolvencies - Northern Ireland | The Insolvency Service | Longitudinal, 2022 | https://www.gov.uk/government/statistics/individual-insolvency-statistics-october-to-december-2022 |
| Voter Registration Rate | ONS | Longitudinal, 2022 | https://www.ons.gov.uk/peoplepopulationandcommunity/elections/electoralregistration/datasets/electoralstatisticsforuk |
| % difference in unsecured loans, fixed term deferred loans and credit sale debt per person from national average | Experian | Static, 2022/23 | |
| Percentage of adults in the rented sector | Money Advice Service | Static, April 2022 | |
| Credit card debt | StepChange | Longitudinal, March 2022 | |

| CREDIT SCORES | | | |
|---|---|---|---|
| **INDICATOR** | **SOURCE** | **TIMEFRAME** | **HOW WE ACCESSED THE DATA** |
| Gross Disposable Household Income | ONS | Longitudinal, 2020 | https://www.ons.gov.uk/economy/regionalaccounts/grossdisposablehouseholdincome/datalist |
| Claimant count | ONS | Longitudinal, May 2023 | https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/datasets/claimantcountbyunitaryandlocalauthorityexperimental |
| Children in Low Income Families | DWP | Longitudinal, March 2021 | https://www.gov.uk/government/statistics/children-in-low-income-families-local-area-statistics-2014-to-2022 |
| Credit Broker Searches | Equifax | 2021 | |
| Need for debt advice | Money and Pensions Service (MAPS) | Static, 2021 | |
| HARD bank searches | Experian | Longitudinal, April 2023 | |
| Population | ONS | June 2021 | https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland |

| CREDIT SCORES | | | |
|---|---|---|---|
| **INDICATOR** | **SOURCE** | **TIMEFRAME** | **HOW WE ACCESSED THE DATA** |
| Number of pawn shops | National Pawnbrokers Association | Static, May 2022 | https://www.thenpa.com/ Find-APawnbroker.aspx |
| Payday lenders: Cash Generator | Cash Generator | Static, May 2022 | https://cashgenerator. co.uk/pages/ stores |
| Payday lenders: Everyday Loans | Everyday Loans | Static, July 2022 | https://www.every-day-loans.co.uk/ find-your-local-branch/ |
| Free cashpoints | LINK | Static, February 2023 | |
| Bank branches | OpenStreetMap | Static, July 2022 | https://download.geofab-rik.de/ europe.html |
| Internet users | ONS | Longitudinal, 2020 | https://www.ons.gov. uk/ businessindustry-andtrade/ itandinter-netindustry/bulletins/ internetusers/2020 |
| Use of online banking by age group | Financial Conduct Au-thority | February 2020 | https://www.fca.org.uk/ publication/ research/fi-nancial-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 a similar impact on the results.

### Credit need index

As some data was outdated, we were unable to run the same multivariate regression as in the 2022 Index to allow for direct comparison. We instead ran our own regression to determine the relative importance of each variable in predicting credit need compared to other factors and therefore its weighting. The dependent variable was average credit scores in local authorities, and the indicators were the independent variables. The regression coefficient for each indicator was then used as that indicator's weighting.

In the absence of external data which would provide a confident indicator of the weighting, we felt Credit Scores were a suitable proxy as credit need should, on average, correlate with Credit Score. This is because a lower score indicates a higher likelihood of financial vulnerability, lower incomes, difficulty making bill and credit repayments, and rejected credit applications.

### Credit environment index

We adapted the calculation of the credit environment index from our 2022 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. We used the same method as in 2022 to allow for comparison across years.

### 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

As in the Good Credit Index 2022, our analysis used the latest ONS local authority codes and boundaries despite us using some data from 2021 and before.

This year we added a new measure in the credit need index: need for debt advice, kindly provided to us by the Money and Pensions Service (MAPS). This data is based on their UK-wide survey.

## 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 39 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.

Due to when the data used to calculate online credit availability dates from, it is not meaningful to make specific comparisons of access to online sources of credit across years.

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