

Yes we can - Address Material Poverty **Through Affordable Credit**

It has been a busy week at Fair for You, with the news of the rent to own sector facing some curbs on elements of the credit solution that most penalise their customers. I am prompted to blog by some that question whether there is a need for this type of credit.

Maybe no surprise that in my opinion, there is never a need for penal high cost credit, so long as consumer led and better designed solutions are supported.

Fair for You was established and is successful as an alternative to rent to own in providing essential household items to lower income home makers having to use high cost credit. Bearing in mind our average loan is under £400, the estimated saving independently calculated is £527. As this weeks clampdown from the FCA has shown, that cost saving is not about the interest rate, but the design and structure of the entire credit solution.

Before we set up Fair for You, we conducted 2 years of research, exploring what was most needed from credit. Our current offering was designed in response to be highly visible and clear in the terms, with flexibility that accommodates income fluctuations as well as expenditure changes; supportive - delivered with a basic duty of care and affordable.

It is absolutely possible to remove material deprivation through a credit solution: based on feedback from customers who tell us their health and well-being has improved directly as a result of a FFY loan.

The cost to the consumer is based upon how far we can drive out the costs of loan deployment, collection and management of delinquency.

As a CIC owned by a charity we have no profit objective, that takes care of a huge amount of costs borne by customers of high cost credit alternatives.

There are no cash loans available, this is based entirely on significant feedback and our intention to ensure that all of the benefit of the credit we provide remains in the household, whilst empowering the home maker to shop with confidence knowing they can purchase new, quality items and access flexible credit that works for them.

We have built a highly effective bespoke lending solution that includes affordability and creditworthiness assessment based on our in depth knowledge and understanding of our demographic built over 10 years of working in this sector.

We choose good partners - initially Whirlpool, who have committed to ensuring that cost effective purchases can be installed within 3 days, and with free recycling of old products

and free delivery across the UK with 1 hour delivery slots including Sundays. That addresses so many of the concerns we identified, from rural poverty, & having to take time off work in households with very fine margins and very high anxiety and reliance on the product.

We have extended our offering consistently, most recently welcoming Dunelm ensuring beds and sofas right across the UK at affordable prices can be delivered. The huge difference on the education and behaviour of a child that wants to go to bed at night because they have a nice bed of their own is feedback that we receive regularly, and never fails to touch all of us.

Essentially this also reduces the cost to the consumer, as we take a commission on every product sold that offsets the interest income we require from every loan we provide.

Most challenging for all credit providers in this demographic, is the need to collect effectively. Aided by the enhancements in payment technology and communications technology driven by the utility sector, again we have found we can drive out substantial costs in delivering, managing and collecting small loans. & perhaps this is the area, I am most proud of the progress we have made in showing that you can collect effectively whilst maintaining support to consumers through difficult situations.

As we would expect, we encounter customers that struggle to maintain payments. Our policy is not to add substantial fees or interest but to try to keep customers on a payment plan that allows them to repay the loan even if its over a longer period. We have no late fees at all, and most customers will switch a plan, to continue paying.

Most of the time, that level of support works. We do not sell on debts, or use bailiffs, so one major step forwards has been the increasing efficiency of the Eligible Loan Deduction Scheme operated by the DWP, which allows us to recover a loan at very low level from customers benefits directly where payments stop completely. That is the lowest cost and most effective solution for affordable credit to be extended in the UK.

It has taken 3 years to develop a solution after 2 years of research - however it is absolutely clear we can reduce material poverty through deploying better designed credit, right across the UK even with very small loans, which are life changing to our customers.

We share widely our research and our experience in having created the first national alternative to rent to own in the UK. We are now working to ensure that Fair for You is available as widely as possible.

We welcome any support to our mission to alleviate material poverty and support low income home makers to avoid having to resort to any high cost credit solution.

**Please remember that if you have clients/service users/volunteers or staff who would like to access affordable credit, our fantastic Renfrewshire Affordable Credit Alliance has tons of information about local options, including Fair For You, on www.raca.org.uk*