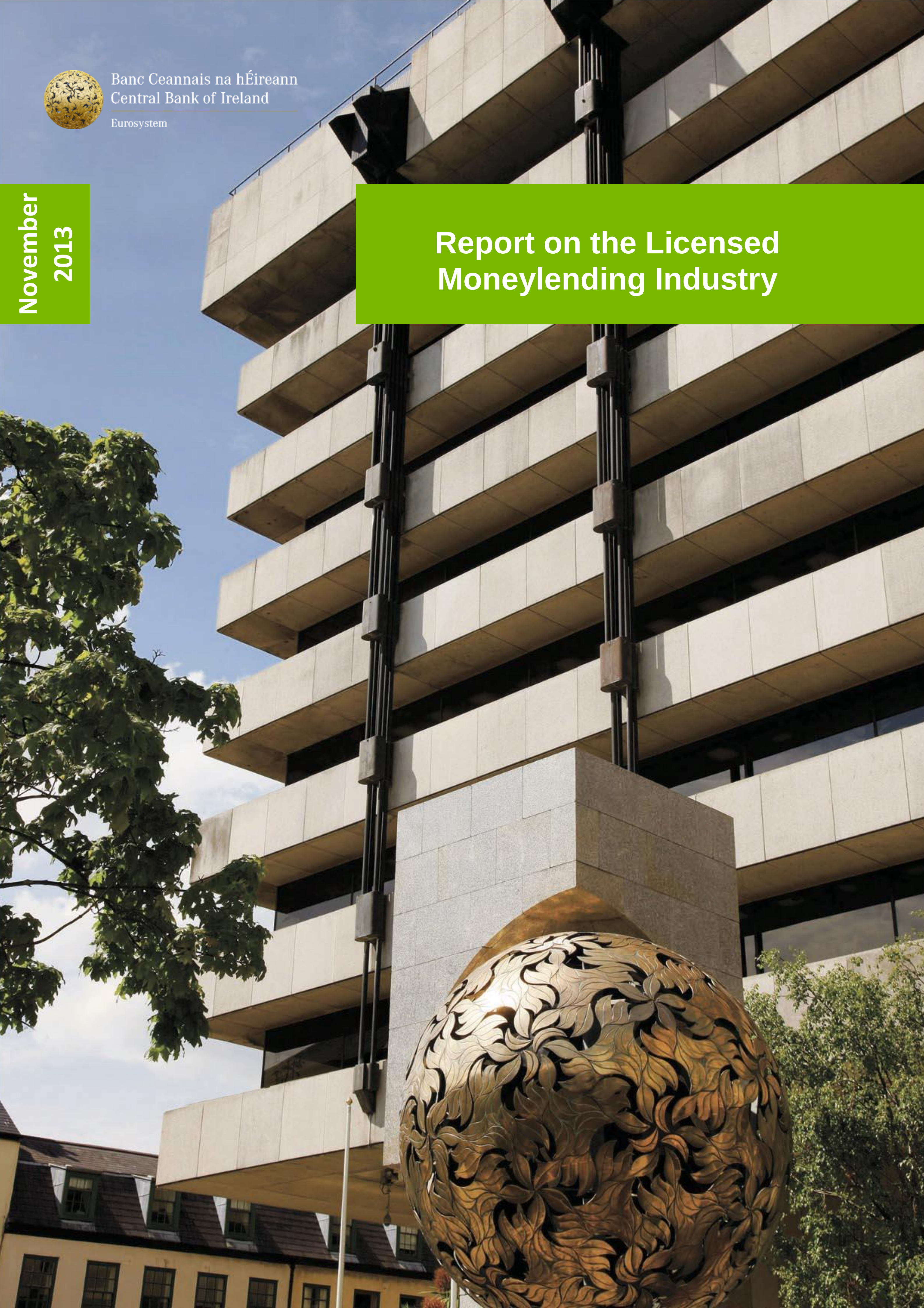
Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

November 2013

Report on the Licensed Moneylending Industry



Contents

[1] The Central Bank originally published this Report on the Moneylending Industry on 8 November 2013 containing research conducted by Amárach Research. Amárach Research subsequently notified the Central Bank that they had identified that, due to manual error on their part, they had reported a number of incorrect figures. Amárach Research takes full responsibility for the error and has since undertaken a full review of all data and an independent review has also been undertaken by Deloitte This report has been amended to correct any inaccuracies (06.2.14)

1. Overview of the licensed moneylending sector

Business models

Moneylending is the practice of providing credit to customers on foot of a "moneylending agreement" (as defined in the Consumer Credit Act 1995). The credit will usually take the form of a cash loan but may also involve the provision of goods on credit from a retailer or the purchase of goods from a catalogue. Moneylenders are generally either individuals or companies and the number of customers of existing firms ranges from less than one hundred to in excess of one hundred thousand. Customer numbers have increased from approximately 300,000 in 2005[2] to around 360,000 at present and outstanding loan amounts are in the region of €200 million.

The number of licensed moneylending firms has changed in recent years from 47 in the 2007 Report to 51 in 2008 and to 43 at the time of this Report. Of the 43, 40 are actively engaged in lending. The business models operated by moneylending firms fall into four categories:

- home collection firms where repayments are collected at the customer's home;
- remote firms where payment is made directly to the firm e.g. by direct debit;
- retail firms involved in the provision of goods on credit with repayments being made by a variety of methods e.g. cash, direct debit; and
- other firms who operate on the basis of running accounts e.g. catalogue companies.

It should be noted that some firms will have products in more than one category.

The 40 firms were licensed to provide moneylending services in the following District Court Districts (2007 data shown in brackets) under the terms of their annual licence[3].

No. of moneylenders	
27 (8)	Operate in all 25 District Court Districts
7 (20)	Operate in only 1 District Court District, including the Dublin Metropolitan Court District
33 (27)	Operate in more than 1 District Court District
29 (34)	Operate in the Dublin Metropolitan Court District

[2] As reported in the 2007 Report on the Licensed Moneylending Industry.
[3] As at 29 May 2013, source: Register of Moneylenders, Central Bank of Ireland.

Most licensed moneylenders are not engaged in commercial activity other than moneylending. 15% of licensed moneylenders are involved in other commercial activities including, for example, the sale and rental of electrical goods and furniture. In such circumstances, credit is provided to the customer to finance the purchase of the good or service.

Moneylenders are required under the Consumer Credit Act, 1995 (as amended) to hold a licence to engage in the business of moneylending.

In terms of the annual percentage rate (APR), rates range across products from 17.23% to 188.45%, excluding collection charges. If a collection charge is included, rates range from 37.79% to 287.72%

Regulatory framework

The Central Bank of Ireland (Central Bank) regulates the activities of moneylenders and is responsible for issuing new licences and renewing, on an annual basis, the licences of existing firms. The Central Bank is also responsible for the on-going supervision of moneylenders and monitors compliance with legislative and supervisory requirements by way of reviews, advertising monitoring, market intelligence and themed inspections.

Licensed moneylenders are covered by a range of provisions under the Consumer Credit Act, 1995 (as amended), which include the following:

- an annual licence renewal process;
- requirements relating to the content of moneylending agreements and repayment books which include information relating to the annual percentage rate, cost of credit and collection charges; and
- requirements regarding matters that arise during the lifetime of the agreements e.g. specified collection times, a prohibition on reducing a new loan for the purpose of repaying outstanding debt (from a previous loan), a prohibition on selling goods while making a cash advancement to consumers and on increased charges for credit on default.

Since the publication of the 2007 Report on the Licensed Moneylending Industry ('2007 Report'), licensed moneylenders are now also subject to the European Communities (Consumer Credit Agreements) Regulations 2010[4]. Additional provisions applying to licensed moneylenders in these Regulations include disclosure of information to the consumer, the right of withdrawal from a moneylending contract, the right to repay a loan early, the right to a reduction in the total cost of credit in the event of early repayment and the moneylender's obligation to assess creditworthiness.

[4] S.I. No. 281 of 2010

In 2009, the Central Bank imposed additional requirements on licensed moneylenders, through the imposition of the Consumer Protection Code for Licensed Moneylenders.[5] This Code sets out a number of general principles that must be complied with such as acting fairly, with due skill and care, and common rules including the provision of information to the consumer, rules relating to contact with consumers, complaints handling and advertising.

2. Objectives of the review

In 2007, the Central Bank commissioned a report of the licensed moneylending industry. This current, larger study was carried out on the Central Bank's behalf by Amárach Research. It provides an updated overview of the sector and identifies consistent trends and new issues since the previous Report.

3. Approach

In conducting the review, Amárach Research engaged with customers of moneylenders as well as moneylenders themselves. In addition, the agency consulted with key stakeholder bodies, who provided a valuable insight into the review and helped provide a balanced analysis of the industry. The contribution of all parties to the study is acknowledged and appreciated.

Qualitative research was carried out between February and March 2013 and the quantitative research between April and May 2013 as outlined below.

Qualitative

- In-depth interviews with 8 moneylenders.
- In-depth interviews with 6 stakeholder bodies[6].
- In-depth interviews with 8 moneylending customers.

Quantitative

- Telephone survey of 40 licensed moneylenders.
- Structured telephone interviews with 500 customers of moneylenders.

Only customers with a current loan or those who had paid off a loan within the last 12 months were interviewed.

[5] Consumer Protection Code for Licensed Moneylenders, January 2009

[6] Money Advice & Budgeting Service, Free Legal Advice Centres Ltd, The Society of St Vincent de Paul, Consumer Credit Association of the Republic of Ireland, Irish League of Credit Unions and the National Consumer Agency.

A breakdown of the profile of the 500 customers is outlined below.

Gender		Age		Marital Status		No. in Household	
Male	38%	18-24	4%	Single	26%	1	12%
Female	62%	25-34	21%	Married	48%	2	27%
		35-44	27%	Living as married	9%	3	17%
		45-54	21%	Separated	6%	4	19%
		55-64	16%	Divorced	6%	5+	24%
		65+	11%	Widowed	4%		

The number of moneylender customers who own their own home (either outright or paying a mortgage) has increased to 53% (previously 41% in 2007). 1 in 4 (25%) live in local authority rental accommodation (34% in 2007), 13% live in privately rented accommodation similar to 2007 (14%) and 7% live with either parents or relatives.

Moneylender customers are also more likely to fall in the age range of 35-54 and are more likely to be in the lower-socio-economic group. Social class is identified throughout the report as ABC1 and C2DE which represents those from a higher and lower socio-economic class respectively (see appendix 1 for breakdown).

A breakdown of the sample of customers shows that the higher socio-economic group are more likely to be male, while the lower group are likely to be female. These groupings did not differ significantly by age group.

	Sample	ABC1	C2DE
Male	38%	62%	29%
Female	62%	38%	71%
18-24	4%	1%	5%
25-34	21%	24%	20%
35-44	27%	30%	26%
45-54	21%	25%	19%
55-64	16%	16%	16%
65+	11%	4%	14%

Note: For the remainder of this report the term 'customer' refers to the 500 moneylender customers who responded to the survey. All reference to 'moneylenders' unless stated otherwise, refer to those licensed to provide moneylending services by the Central Bank. *Due to rounding some figures throughout this report may not total to 100%.*

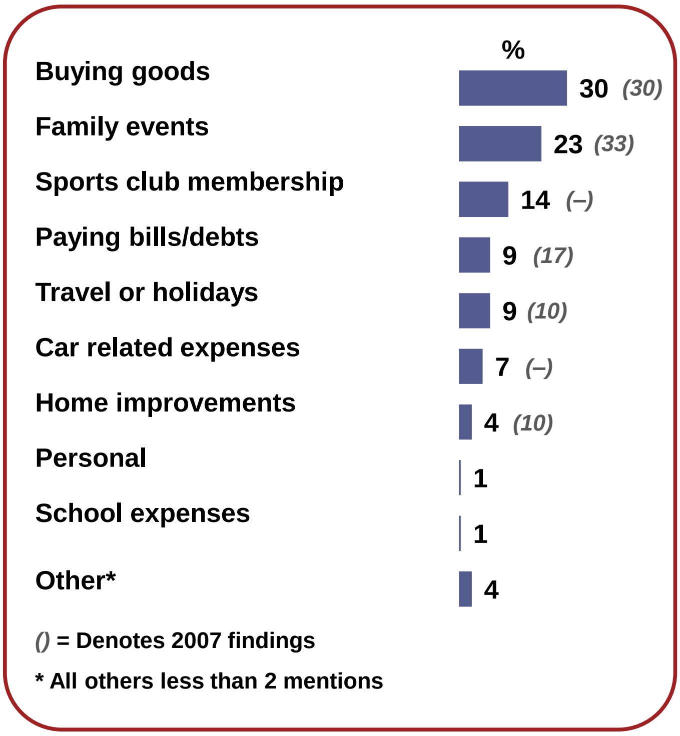
4. Main findings

4.1 Borrowing patterns

Key points

- Customers are likely to initially become aware of their moneylender through referrals from friends and family.
- The most common loan amount is €200-€500.
- The most frequent term offered is approximately 9 months and on an APR of 125%.
- Of the 80% who offer home collection, 38% charge a home collection fee. The average loan principal offered by those who charge collection fees is €566 (average cost per collection is 1% of loan principal).
- The most common reasons for borrowing remain unchanged since the 2007 Report and customers are still likely to borrow for personal items (goods/clothes) and family-related occasions primarily.
- The overriding catalyst for borrowing from moneylenders is convenience and ease of availability. There is a willingness by these customers to pay a premium for what they perceive to be convenience and access to credit.
- More customers hold longer-standing loan arrangements (of 5 years+) with a moneylender, borrowing small amounts.
- Over 1 in 5 customers have loan arrangements with more than one moneylender.

What are the reasons for borrowing money?



How were customers introduced to moneylenders?

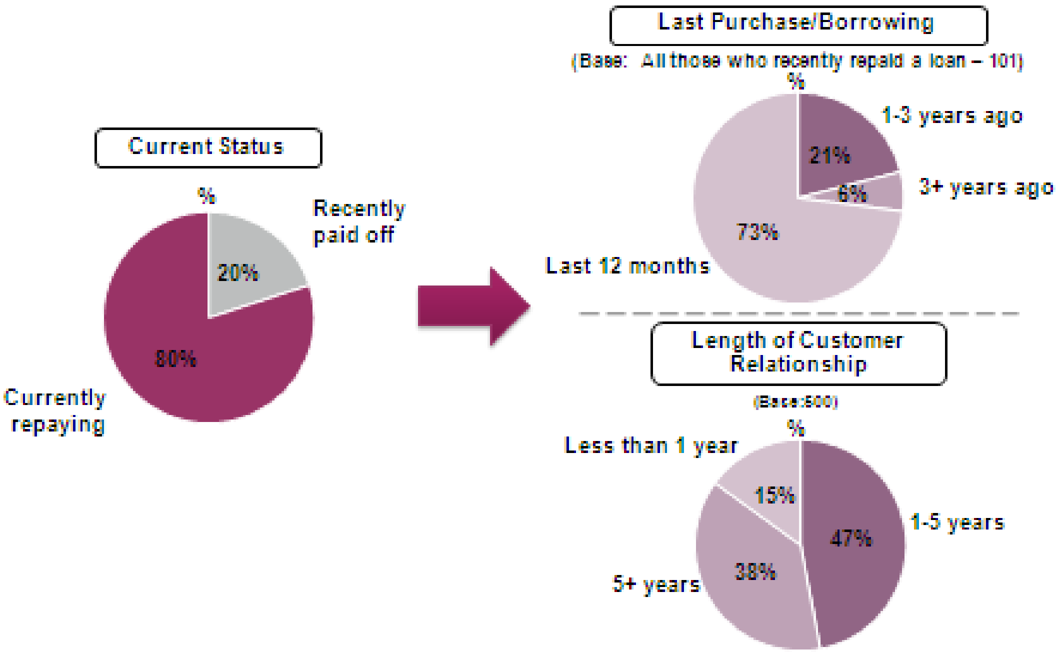
Referrals from family members and friends remains the most common introduction to moneylenders; however, this has declined since the 2007 Report from 60% in 2007 to 50% in this study. 14% of customers were introduced through sports club memberships, 8% seeing an advertisement and 11% receiving leaflets/catalogue via the post.

What is the most common loan?

The most common loan amount is €200-€500. The most frequent term offered is approximately 9 months on an APR of 125%. Of the 80% who offer home collection, 38% charge a home collection fee. The average loan principal offered by those who charge collection fees is €566 (average cost per collection is 1% of loan principal)

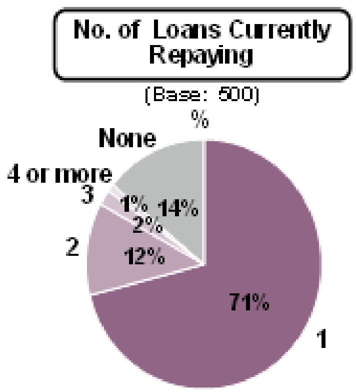
How long have customers dealt with moneylenders?

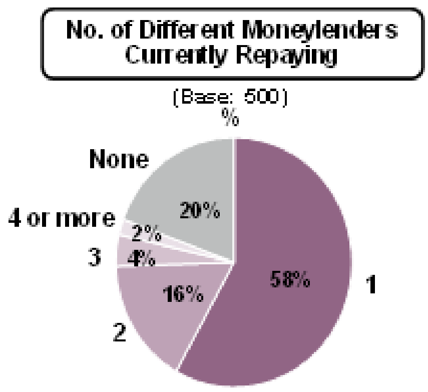
15% of the customers (who used moneylenders in the past 12 months) are customers for less than a year compared with 30% in the 2007 Report. Furthermore, the number of those sustaining long term loan arrangements has increased with 38% now active for more than five years, up from 33% in 2007.



How many separate loans do customers currently have with their moneylender?

As seen in the chart below, 15% of customers are currently repaying two or more loans with their moneylender, with 1% having 4 or more loans currently outstanding. Over 1 in 5 (22%) are currently making repayments to at least two separate moneylenders, 2% (10 respondents) reported having one or more loan with at least four different moneylenders.



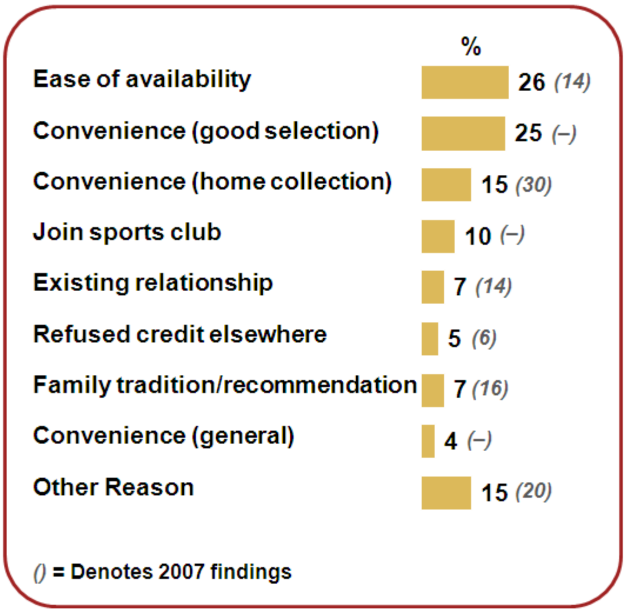


What forms of credit are customers receiving?

60% of customers received loans in cash, closely followed by credit for goods at 50%. The remainder of loans received are comprised of vouchers and hampers, 4% and 3% respectively (question offered multiple response options).

Why do customers use licensed moneylenders as opposed to other lenders?

The ease of availability as a reason to avail of short term credit has increased since 2007, with over 1 in 4 i.e. 26% mentioning it as a reason to use moneylenders as opposed to other lenders. In 2007, it was listed as 14%.



Note 1: "Good selection" refers to general consumer goods i.e. clothes, electrical goods, sporting equipment etc. Some moneylenders package these types of goods in a convenient way i.e. internet shopping or home delivery.

4.2 Repayment experience and arrears issues

Key points

- A quarter of customers experience difficulty meeting their moneylender's repayment requirements. Of these 79% missed at least 1 repayment.
- While 29% felt under pressure to make repayments on time (if they missed a repayment), the majority of customers believe they are being "treated fairly" when in arrears.
- There is a desire from customers to spread payments for goods/services over a specified period of time instead of paying up front.
- The majority of customers know and/or understand the interest on their loan, the cost of credit and the APR.
- 65% of customers made an early repayment of the amount owed. Of these customers, 31% reported that they received a rebate or refund for early repayment.
- Almost a quarter of customers were offered additional credit before the balance on their previous loan(s) had been fully repaid.
- Over 1 in 5 took out a new loan before another loan was paid off. Of these, 27% used their new loan to reduce an existing loan.

Do customers encounter difficulties making repayments?

25% of customers experienced difficulties making repayments on their loan in the past 18 months, this figure has risen by 9% since the 2007 Report. Of those in difficulty with repayments, 16% reported every repayment being a struggle. 63% of customers cited a drop in household income as the main reason for struggling with loan repayments. This is broken down as follows: 43% of customers said this was caused by work or benefit changes and 20% of customers cited personal circumstances as the reason for the drop in income. Other reasons customers found it difficult to repay were because of increases in household expenses and an unexpected bill, which both registered at 14% and 13% respectively.

How fairly are customers treated when they miss repayments?

79% of customers who experienced difficulties making repayments have missed at least one repayment. 29% felt under pressure to make repayments on time (if they missed a repayment). When repayments are missed, 90% of customers report being treated either "very fairly" or "quite fairly" by their moneylender (58% "very fairly" and 32% "quite fairly").

How do customers make repayments? (asked of customers)

How repayments were made	2013	2007
Payment made at customer's residence	39%	(60%)
Direct Debit	21%	(16%)
Post Office	20%	(12%)
Online	8%	(–)
At the moneylender's premises	5%	(12%)
Other	8%	(–)

() = denotes 2007 findings

Do customers know the rate of interest they are being charged?

84% of customers reported that they understand the cost of credit and 72% indicated that they understand the APR on their loan. 65% of customers reported knowing the rate of interest they were being charged on their current/most recent loan. In contrast, 71% of customers asked this question in 2007 stated that they did **not** know.

74% of customers reported that the moneylender had explained the cost of credit to them and 72% of customers said that the APR was explained to them.

Introduced as an easy to understand measure, the majority of customers i.e. 71% said moneylenders explained the cost per €100 borrowed on the most recent loan received. Almost 8 in 10 customers said that they understood the cost per €100 borrowed of their most recent loan.

Loan or other credit being advanced in full

Almost a quarter of customers i.e. 23%, said they were offered additional credit before the balance on their previous loan(s) had been fully repaid. 21% stated that they took out a new loan (before another loan was paid off) – of these, 27% of the customers interviewed claimed that they had used their new loan to reduce an existing loan[7].

[7] Section 99 of the Consumer Credit Act 1995, as amended, states that where credit is made available to a borrower by means of a moneylending agreement that credit shall not be reduced by the moneylender or a person acting on his behalf by any amount in respect of:
a)Repayment of the credit or any charges related thereto, or
b)Repayment of a previous credit or any charge related thereto,
and no payment in respect of the credit shall be required of the borrower by the moneylender or a person acting on his behalf before the due date of the first repayment instalment.

Rebates

65% reported that they had repaid a loan/line of credit early within the last 12 months. Of these, only 31% could recall having received a rebate for having done so[8].

[8] Regulation 19 states that a consumer may at any time discharge fully or partially his or her obligations under a credit agreement. In such cases, he or she is entitled to a reduction in the total cost of credit to the extent of the interest and the costs for the remaining duration of the agreement. The Regulations do not specify the amount of the rebate to be paid in the event of early repayment, and in instances where the consumer repays his/her loan fully close to the loan's agreed repayment date the rebate may be negligible or nil.

4.3 Attitudes towards credit and the availability of credit

Key points:

- The majority of moneylenders are carrying out creditworthiness assessments outside the credit history database (i.e. application forms with statement of means, conversations, previous loan repayment history etc).
- Nearly a third of customers are making mortgage repayments, which has increased from 22% in 2007.
- The majority have some level of savings with either another institution such as a bank/building society, credit union etc.
- The majority of customers do not shop around or consider alternatives to moneylenders before securing their moneylender loan. Those who do not understand their cost of credit are more likely not to shop around.
- Almost a third have borrowings from another credit provider – typically a bank/building society or credit union.
- Over half are not concerned about their debt obligations with moneylenders However, 14% feel "trapped" by their use of moneylenders.
- 23% of customers reported being refused a credit union or bank loan, however the majority believe they have the ability to access credit elsewhere.

How are moneylenders assessing creditworthiness?

95% of moneylenders do not have access to an external credit history database to check the credit history of applicants and the majority of moneylenders assess the risk of any new loan as follows[9] (note: multiple response options):

Existing clients:

- Repayment history on previous loans 88%
- Application form with statement of means 83%
- Conversation and general assessment of risk 83%

New clients:

- Application form with statement of means 73%
- Conversation and general assessment of risk 68%
- Employment 63%

[9] Regulation 11 of the European Communities (Consumer Credit Agreements) Regulations 2010 requires a creditor to assess a customers' creditworthiness on the basis of sufficient information, where appropriate obtained from the customer and, where necessary, on the basis of consultation of the relevant database.

50% of customers did not recall the moneylender assessing their creditworthiness before their most recent loan was taken out and a further 6% were unsure or could not remember. Of those who were assessed, 41% said that the most common form of assessment was a discussion about income and employment and 12% were asked to provide proof of employment.

How many customers are currently making repayments to other lenders?
31% of respondents are currently making mortgage repayments, up from 22% in the 2007 Report.

Similarly, 31% mentioned having additional borrowings from other institutions (other than a mortgage lender), an increase of 5% since 2007. Of this 31%, 70% have loans with a bank/building society, 35% with a credit union, 8% with a finance/hire purchase company and 1% with another source of credit (multiple response options). Similar trends were recorded in 2007 albeit slightly more weighted towards credit unions and finance companies.

Do customers shop around before taking out credit?
The number of customers shopping around before deciding on a moneylender has slightly decreased, down from 36% in the 2007 report to 34% in this report. Those who do not understand the cost of their loan i.e. 27% are least likely to shop around.

Only 21% of respondents considered alternative credit providers (to moneylenders) before taking out a loan/purchasing goods on credit, with 56% of these considering a credit union and 52% of these considering a bank or building society, other minor scoring options include 6% family/friend, 4% another moneylender, 2% finance/hire purchase company, 1% illegal moneylender and 3% other (multiple response options).

58% have savings in another institution and 92% of these are aware that these savings may assist them in obtaining a loan from the institution in which they are held.

29% of respondents would consider an alternative source of credit if the cost of credit with their moneylender increased.

Do customers worry about using credit?
83% of respondents are happy that they get ahead of their debts (clear any outstanding debts) with the remainder experiencing some difficulty. This figure has improved since the 2007 Report where only 61% of respondents reported being comfortable about clearing their debts.

Over half, 56%, are not concerned about their debt obligations with moneylenders. At the same time, 14% of respondents feel trapped by their use of credit from moneylenders. This represents a drop from 23% reported in the 2007 Report.

If their moneylender were to cease operating, where would customers seek credit?
43% (23%) said that they would go to a credit union, 21% (20%) to a bank/building society and 12% (6%) to another moneylender.
() = denotes 2007 findings.

13% of customers stated they would no longer require credit if their moneylender ceased operating; in 2007 this figure was higher at 22%. Customers who do not know where they would go to for credit (if their current moneylender ceased operating) has dropped from 23% to 12%.

Are customers able to obtain loans elsewhere?
62% believe that, if they applied, they would be capable of securing credit from alternative sources. In 2007, 71% believed that they had more options than ever before when deciding on a lender.
However, 23% of customers who have used moneylenders in the past 12 months claim to have been refused credit by a credit union or a bank/building society.

4.4 Customer satisfaction

Key points

- In general, customers have had largely positive experiences and reported high levels of satisfaction regarding their relationship with a moneylender.
- There is a high level of satisfaction relating to the collector's service and trust in his/her advice.
- The majority (83%) say they are likely to use a moneylending service again largely because of the convenience of service provided.

How satisfied are customers with the service they receive?

Respondents were asked to rate the service they receive from their moneylender on a scale of 1 to 10. Overall, moneylenders have an average customer satisfaction rating of 83% (score of 8-10) compared to 80% in 2007. 2% rated the service they received as poor (score of 1-4) which is the same result as 2007 and 16% had no strong opinions either positive or negative.

What are customers' reasons for a favourable satisfaction rating?

The main factors are:

1. No complaints or problems 28%.
2. Happy with service 14%.
3. Efficiency/speed of delivery 13%.
4. Good customer service/pleasant to deal with 11%.
5. Agent is very nice 10%.
6. General convenience 7%.
7. Easy to get loan approval 4%

What are the main sources of customer dissatisfaction?

Based on the responses recorded from customers, the most common reasons for dissatisfaction with moneylenders is based on the high interest rates/expensive form of credit (3%, compared to 5% in 2007). Negative comments recorded are, in general, similar to those recorded in the 2007 Report.

What is the customer's relationship with the collector?

Generally customer/agent relationships are seen in a positive light from the survey. 68% of customers agreed with the statement 'you think of the collector as a friend' and 83% agreed that they 'trust the collector to give me good advice about borrowing money'. The responses for these two statements were 72% and 88% respectively in 2007.

How likely are customers to continue using moneylenders?

83% say they are ('very' or 'quite') likely to use the services of a moneylender again, a figure that has remained unchanged since 2007. Almost 3 in 10 i.e. 28% quote the convenience of the service as the main reason for using their moneylender again.

4.5 Awareness of illegal moneylenders

Key points

- Most customers are influenced, when deciding on a credit provider, by the fact that the moneylender is regulated by the Central Bank.
- Increasingly fewer customers are concerned about whether their moneylender is licensed or not.
- Few customers have ever knowingly used illegal moneylenders in the past.
- Over a third of moneylenders are aware of illegal moneylending activity and one in five claim that this activity has increased.

Does the fact that a moneylender is licensed encourage customers to use them?

Compared to the 2007 Report when 74% of customers stated they were more likely to use a moneylender because they were licensed, this study indicates that only 66% of customers are influenced by the fact that their moneylender is licensed[10].

Are customers aware of illegal moneylenders operating in their communities?

13% of respondents are aware of illegal moneylenders operating in their area, which is marginally higher than the 11% recorded in 2007.

4% of customers indicated that they have engaged with illegal moneylenders.

Are licensed moneylenders aware of illegal moneylenders[11]?

Over a third of moneylenders i.e. 35% were aware of illegal moneylenders operating in the market currently. 20% of Moneylenders claimed there had been an increase in this illegal activity over the past 24 months, while 8% claimed a decrease.

[10] Part of being a licensed moneylender requires lenders to produce identification when issuing loans to confirm their status as a regulated lender. The Central Bank requires an agent or person acting on behalf of a licensed moneylender to produce identification confirming that they are licensed. In addition, all moneylending agreements, repayments books and advertising must state that the moneylender is regulated by the Central Bank of Ireland

[11] Section 98(1) of the Consumer Credit Act 1995, as amended, prohibits a person to engage in the business of moneylending on his own behalf unless he is the holder of a moneylending licence.

4.6 Factors that have changed in the industry since 2007 and expectations for the years ahead

Key points

- Traditional door-to-door moneylenders continue to form the main part of the industry.
- Some of main trends that have emerged since the 2007 Report include: general economic difficulties/pressure on finances, increased levels of bad debt, decline in profitability and perceptions of increased regulation.

4.6.1 Range of products/financial services offered by moneylenders

In what form is credit advanced to customers?

% of moneylenders	Form
65%	Money only
10%	Goods only
25%	Combination of money, goods, vouchers, hampers

% of moneylenders	Number of Payment methods available
35% (69%)	Offers only one repayment method, mainly door step collection
30% (9%)	Offers two repayment methods
35% (22%)	Offers three or more repayment methods

() denotes 2007 findings

% of moneylenders	Repayment methods available to customers offered by moneylenders
80% (82%)	Door collection
60% (33%)	At the office
35% (24%)	Direct debit/standing order
25% (–)	Postal draft
15% (20%)	Post
15%	Phone
10%	Post office
5%	Other

() denotes 2007 findings

4.6.2 Key issues and trends

Some of the key trends shaping the industry are outlined below.

General economic difficulties and pressure on finances

General economic difficulties and pressure on finances are prompting customers to worry more about their borrowings, and in particular (based on the size of debt and recourse on this larger debt with other retail institutions compared to moneylender credit), it is often the retail debt which customers are more focused on.

43% of moneylenders report that the demand for their services has increased in the past 24 months while 33% report a decrease. 55% of moneylenders indicate they have decreased the level of new loans taken on over the past 24 months (see level of bad debt below) and 45% have said that the average value of funds lent to clients has decreased.

Level of bad debts increasing in the industry

Initially during the qualitative research with moneylenders, some moneylenders said they are suffering cash flow problems due to a higher incidence of bad debts as customers struggle to repay their debts. This is supported by quantitative evidence - in the past 24 months, 55% of moneylenders surveyed said they experienced an increase in *bad debts* (whereas 35% said that the level of bad debts remained the same). In addition, 63% of moneylenders surveyed, experienced an increase of *missed repayments* from clients (also over the past 24 months).

Decline in profitability

50% of moneylenders expect that customer demand for loans will continue to increase with 13% expecting demand to decline, and 33% predict it to remain constant (5% do not know).

However, 45% of moneylenders expect profitability in the sector to decrease and 48% expect it to remain constant. Only 8% expect their profits to increase over the next 24 months.

Regulation

75% of moneylenders agreed that the attention of the Central Bank as a regulator of licensed moneylenders has increased in the past 24 months. In addition, 55% of moneylenders surveyed expect the level of regulation in the sector to increase over the next 24 months. However, more than 8 in 10 of moneylenders agree that the Central Bank has either an average or a good understanding of the industry as a regulator.

5. Main conclusions

- Customers are most likely to borrow money from moneylenders to purchase goods including, clothes, electrical items and home-ware. Amounts borrowed are typically small, but relationships with moneylenders are becoming longer term.

- Customers use moneylenders because the credit is easily available and the service is regarded as convenient. The significant majority expect to use the services of their moneylender again.

- The majority of customers do not consider alternatives to moneylenders before securing their moneylender loan. 31% have borrowings from another credit provider (other than a mortgage lender) – typically a bank/building society or credit union.

- Most customers believe they would be approved for credit elsewhere if they choose to apply.

- Customers level of understanding of the interest rate has increased and understanding of cost of credit and APR is high.

- Most customers are largely satisfied with the service provided by moneylenders and will use them again.

- Customers generally regard the relationship they have with their collector as friendly and positive; some home collected credit customers consider them as friends.

- A quarter of customers experience difficulties meeting repayments to their moneylender.

- While some customers feel under pressure to make repayments on time (if they miss a repayment), the majority of customers feel that they are treated fairly if they miss scheduled repayments and most are comfortable to engage in dialogue with moneylenders to manage arrears.

- A third of moneylenders are aware of illegal moneylending activity, but few customers (from our survey) claimed to have used them.

- Moneylenders believe the general economic difficulties and pressures on finances, the rise in bad debt, the decline of profitability and the focus on regulation to be key changes in the industry.

- Some of the responses received indicate potential breaches of current statutory moneylending requirements – non-payment of rebates on early loan repayment, refinancing (replacing an outstanding loan with a part of a new loan) and informal credit-worthiness assessment which may be based on insufficient information.

Appendix 1: Socio economic classifications

	Social Grading
Higher managerial, professional	A
Intermediate managerial, professional	B
Supervisory or clerical, junior managerial	C1
Skilled manual worker (e.g. Skilled Bricklayer, Carpenter, Plumber, Painter, Bus, Ambulance Driver, HGV driver, AA patrolman, publican)	C2
Semi or unskilled manual work (e.g. Manual workers, all apprentices to be skilled trades, Caretaker, Park keeper, non-HGV driver, shop assistant)	D
Casual worker - not in permanent employment	D
Student	C1
Housewife, Homemaker	E
Retired and living on state pension	E
Unemployed or not working due to long-term sickness	E
Full-time carer of other household member	E
Farmer 50+ Acres	F1/F+
Farmer 50- Acres	F2/F-

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