Are the most vulnerable offered fair access to credit?

Abstract

Growing cost of living and the resulting financial struggles have been widely acknowledged in the financial sector over the last few years. The industry and regulations have gone a long way to recognise those facing financial difficulties, subsequently offering help and advice. Is similar help available to those whose struggles are not immediately connected to their financial situation yet but are still classified as vulnerable?

This paper will explore the data from Vulnerability Registration Service (VRS) and Credit Bureau to understand how consumers who suffer from non-financial vulnerabilities (e.g. mental or physical health conditions, addiction or learning difficulties to name a few) interact with credit and financial services more broadly. It will also investigate the effect of recognising vulnerability on financial situation over time.

Consumers that self-reported as vulnerable to VRS are three times less likely to have a mortgage account than the general UK population. This alone suggests that even when no adverse credit history is present on file, those of us who find themselves in the most fragile life circumstances are barred from entering the property market and may be over-exposed to less favourable housing arrangements like renting or social housing.

The examined population is also underrepresented across other account types and this paper will investigate what this exclusion means to the vulnerable population. We will also explore credit monitoring to determine how the vulnerable interact with these tools, which enable them to monitor their financial situation and keep it under control, and if they are more likely to pay for these services that are elsewhere available for free.

Subsequently, we are going to examine how registration with external parties influences the evolving financial situation of a vulnerable individual. We will achieve this by comparing the profiles of those who experience non-financial vulnerability before registration and after registration. Our underlying hypothesis is that registration with a third party has a positive impact on an individual’s credit profile and in fact should fill lenders with more confidence.

Overall, the paper will demonstrate a significant gap in the market that currently exists in providing vulnerable consumers with the right products that could increase financial well-being and participation in economic activity for those consumers while diversifying customer base of the providers.

Authors & Affiliations

Mrs Justyna Bialobrzeska[1]
[1]TransUnion, London, United Kingdom