

## Market Context

# Home Collected Credit is an important and resilient segment.

### The non-standard finance market is sizeable

There are around 10m non-standard finance consumers, an estimated 20% to 25% of the UK's adult population who have difficulty accessing credit from mainstream lenders<sup>1</sup> on account of an impaired or non-existent credit history.

Overall outstanding unsecured balances of lenders actively operating in the non-standard lending market grew at an estimated 9% p.a. between 2014 and 2016, with balances in aggregate at the end of 2016 at an all-time high of c. £16 billion<sup>1</sup>.

### The HCC market is still directly relevant to customers

HCC customers typically have low or variable incomes, with an estimated net median individual income of £15,502. They take out small, unsecured, short-term loans to finance events such as birthdays or Christmas, or unexpected household expenditure. The average loan value in the home collected credit market in 2016 was £770<sup>2</sup>.

**"...for those who are less well-off and with worse credit scores, I would stress that credit has a role to play, for instance in smoothing more erratic incomes or enabling the purchase of essential goods that would otherwise prove too expensive."**

Andrew Bailey, Chief Executive, FCA<sup>3</sup>

1.6m people had home credit debt at the end of 2016, a figure that remains broadly stable, and outstanding home credit debt at the end of 2016 was £1.3bn. Following a period of decline to 2014, outstanding home collected credit balances were relatively stable from 2014 to 2016, in part driven by the greater professionalisation of smaller players<sup>1</sup>.

**"There is a relative lack of change in the overall number of borrowers over time."<sup>2</sup>**

### Morses Club has a material share of the fragmented HCC market

There are three sizeable providers of home credit. With a 14% share of HCC users, Morses Club is the #2 provider of Home Collected Credit. Aside from the top 3 operators, the market is fragmented, with 420 home credit members registered with the Consumer Credit Association.

There are high barriers to entry to the sector, notably regulatory compliance requirements that became even more stringent following the FCA's 2018 review of the High Cost Credit Market. Advances in technology that facilitate the assessment of affordability and other administrative procedures, as well as making it easier for consumers to access advisers, represent another barrier to prospective market entrants.

NON-STANDARD  
FINANCE CUSTOMERS

10m

HOME COLLECTED CREDIT  
CUSTOMERS

1.6m

PROVIDER OF  
HOME COLLECTED CREDIT

#2

### Market developments support Morses Club's strategy

LEK's assessment that there is potential for a more integrated "whole of customer" offering<sup>1</sup> aligns with Morses Club's strategy to diversify into areas adjacent to its core HCC proposition. The consulting firm believes that open banking, may offer further opportunities for non-standard lenders to compete at the margins with prime lenders and banks in some product categories.

- 1 LEK UK Specialist lending market trends and outlook 2018  
<https://www.lek.com/insights/uk-specialist-lending-market-trends-and-outlook-2018>
- 2 FCA High Cost Credit Review Technical Annex 1, July 2017  
<https://www.fca.org.uk/publication/feedback/fs17-02-technical-annex.pdf>
- 3 The Consumer Credit landscape today, February 27th, 2018, Finance & Leasing Association,  
<https://www.fca.org.uk/news/speeches/consumer-credit-landscape-today>
- 4 <https://ccauk.org/members/>



UNSECURED CONSUMER CREDIT  
(EXCLUDING CREDIT CARDS)

**+£16bn**

BETWEEN DECEMBER 2017 AND DECEMBER 2018