

## Market Overview

**Well positioned to take advantage of market opportunities.**

### Market drivers

**The non-standard finance market is sizeable and growing**

An estimated 10-12m consumers – 20-25% of UK adults – have difficulty accessing credit from mainstream financial institutions<sup>1</sup> due to an impaired or non-existent credit history.

*Read more on page 14*

### Market trends

**Non-Standard Credit Market expected to grow as supply contracts**

In the last year, the impact of the pandemic has dramatically altered the markets we operate in. We have seen a large number of both HCC and digital lenders exit the market for various reasons, and there is now a much smaller number of competitors operating in both sectors.

*Read more on page 16*

### The opportunity for Morses Club

**Market trends support Morses Club's strategy**

*Read more on page 16*



The effects of the pandemic are also likely to push more prime borrowers into the non-standard market, with around 2m people currently moving between standard and non-standard markets due to credit scores<sup>2</sup>.

Unemployment has risen during the year, and large numbers of adults are also working part-time while looking for full-time employment, or are on zero-hour contracts. A proportion of the working age population – whether or not in work – are also reliant on benefits, which have been reduced

as a result of government austerity policies since 2010. Insecure work and the resultant low or fluctuating income are driving the demand for non-prime lending.

**2 million**

MOVE BETWEEN STANDARD/  
NON-STANDARD

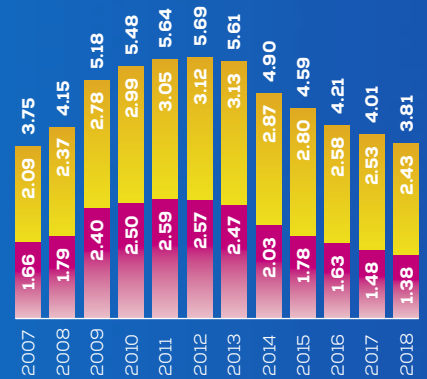
Fig 1 – Key

- Unemployed
- Underemployed\*

Fig 2 – Key

- Logbook
- Rent-to-own
- Pawnbroking
- Guarantor
- Motor finance
- Instalment
- HCSTC
- Home credit

Fig 1 – Unemployment and underemployment\* (m)



The community of small, family-owned HCC businesses has been badly hit, with a reduction of companies in the sector from 400 to 262 during the year. Our customer engagement has shown us that there is strong appetite for our blend of face-to-face and digital service from our HCC customers.

This trend of digitalising HCC services is expected to remain post-pandemic and continue to grow. Our size within the HCC sector and response to

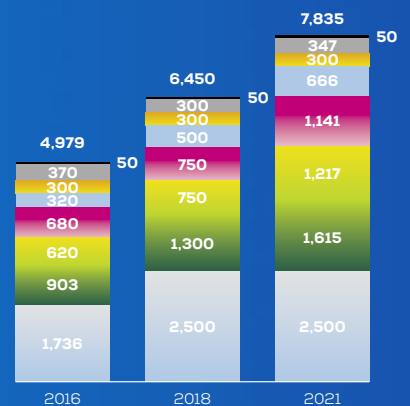
Covid-19, gives us better economies of scale to address this market.

The long-term trends within the digital business centre on the emergence of digital challenger banks and the growing number of customers leaving the High Street for new alternatives.

**262**

HCC PROVIDERS

Fig 2 – Historical and forecast new lending by segment excluding credit cards (m)



We see strong demand for our new and established products and services as we come out of lockdown. Our more integrated 'whole of customer' approach to offer selected products and services based on each customer's needs, will create opportunities from both existing and new customers.

There is expected to be a pent-up demand for lending in the second half of 2021 and there are now far fewer competitors challenging us for that custom. We are strongly positioned to

benefit from this reduced competition within the HCC industry, and to benefit from increasing demand in digital.

We see opportunities to attract new customers as they move away from the mainstream because we are distinguished from the majority of online disruptors through our focus on the non-prime sector and on the provision of credit.

**10m**

MARKET POTENTIAL

Sources

1. LEK UK Specialist lending market trends and outlook 2018
2. Company accounts, Apex insights analysis, FCA market statistics

Sources

- Fig 1 ONS, OBR (Note: underemployed defined as workers who are employed but wish to work more hours)  
Fig 2 Apex insight analysis