

Since the inception of our business we have always believed strongly that a fair credit market for all requires products that responsibly help individuals to build a credit history in order to access credit products that are priced for their true risk.

The FCA have just released a commissioned review into the credit market. The Woolard Review highlights the need to identify what credit builder products are currently in the market and that they are effective in supporting consumers to access a wider and cheaper range of credit products.

LOQBOX is the first dedicated product that allows consumers to build a demonstrable credit history that can be accessed by any lender or product provider in the UK through any of the three main credit reference agencies. Most importantly, we built our product to act as an incubator that benefits both consumers and the wider financial services sector and its many varied participants. For customers that have used LOQBOX for six months less than 0.2% of them are thin or no file. Proving demonstrably that LOQBOX can erase the thin file no file problem in half a year.

Importantly, LOQBOX approaches credit building holistically. We understand that consumer credit is complex and often those with limited or no credit histories have also never been provided with the kind of education or support that ensures their long term success.

The Woolard review shares our concerns when it comes to financial inclusion; the report suggests that 3 million vulnerable people, with low credit scores are using high-cost credit products. Woolard comments that these consumers are not able to access mainstream credit but it doesn't change the need for credit.

We believe in three core principles.

Opportunity. Credit building is about providing an opportunity to prove one's creditworthiness in order to access fairly priced products and services. Without this opportunity the only option left for consumers is to try and utilize credit products that were never designed to safely allow consumers to prove their creditworthiness. The outcome of this can often lead to consumer harm. Importantly to LOQBOX, Opportunity means the opportunity to build a credit history, not a silver bullet for boosting a credit score.

Capability. For many, a credit builder product is and perhaps should be their first credit product. Without widespread countrywide financial education it is likely that this will also be the first time many consumers will have been faced with the need to understand how a credit product works. It is therefore incumbent on us as a credit builder product to ensure that we seize this opportunity to help educate our customers so when they have graduated to more traditional products they have done so in a way that ensures they are prepared for the rest of their financial life.

Resilience. Credit is often a necessary part of many people's financial lives. We see it as our responsibility to ensure that our customers receive credit at a price that is fair and reasonable and most importantly based upon their ability to manage credit products. But the flip side of lending is saving. We believe that savings form a crucial part of everyone's financial lives and as such we have balanced the need to prove an ability to manage a

regular credit commitment from one's disposable income with the need to save a small buffer to protect our customers from the inevitable bumps in the road.

The Woolard report mentions, the number of people running out of money before the end of the week / month increased by 60% between March and Sept 2020. This means that around 25% of UK adults think they will struggle to make ends meet over the next 6 months which could leave them facing the choice of borrowing or going without.

Low and Grow products can be a good solution for customers who need to build a credit history. However, there should be clear graduation routes for those consumers to move to a cheaper credit product as they have proved they are creditworthy.

Unlike low and grow credit products, we envisaged a product that was tailor made for the problem it was trying to solve. Lenders want to be able to access trustworthy data about the way UK consumers manage credit in a way that helps them to assess creditworthiness of applicants. Consumers want to be able to prove when they are able to manage credit commitments even when they have no credit history to speak off. Once those consumers have proven they can manage credit they can graduate and access fairly priced traditional credit products from established credit providers. Those providers can lend in the knowledge that these applicants have not only exhibited aspirational behavioural traits but they have managed a credit commitment alongside building their resilience and their financial capability, This has been proven through LOQBOX's own customers with those having used the product for 12 months having 2 - 4 x lower bad debt rates on credit card products compared to others with similar credit histories.

At LOQBOX we are pleased to see this important part of the credit market discussed openly with a view to driving positive consumer outcomes.

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