



# Home truths:

The financial realities for low income consumers when accessing household goods

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May 2018





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## Executive Summary

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This research set out to explore the consumer experience of the rent-to-own sector after CAB research and evidence had suggested that this was a growing area of consumer concern. The research found positive and negative aspects of the sector and makes recommendations for future change.

However, the research also quickly raised issues around the extent of consumers who would be unable to afford household goods, as well as a lack of awareness of consumers of different affordable options that are available to them. This research therefore expanded to look at the wider issues of the affordability of household goods and the different options in accessing them, as well as focusing on the rent-to-own sector.

Using data and evidence from Scotland's CAB network, CAS research, the Citizens Advice Consumer Service; a citizens advice bureau advisers focus group, and new research undertaken by YouGov<sup>1</sup>; this research has found a number of key insights into consumer finances; the rent-to-own sector; and different options for consumers when accessing essential household goods. These include:

### Consumer Finances

In April 2017, we asked a representative sample of consumers in Scotland about their finances<sup>2</sup>. The results showed a stark picture of the financial difficulties that many consumers face:

- Just over half, 53%, reported they had had to use credit or borrow money to 'get by' at least once in the last year. About the same proportion had had to use credit to buy food, while around a quarter reported skipping meals in this position.
- Around a third of people couldn't pay an unexpected bill of £100, even through savings, while a fifth of people would need to use credit to pay this bill.

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<sup>1</sup> Total sample size was 1,026 adults. Fieldwork was undertaken between 12th - 16th October 2017. The survey was carried out online. The figures have been weighted and are representative of all Scottish adults (aged 18+).

<sup>2</sup> You can access the full report online here -

[https://www.cas.org.uk/system/files/publications/living\\_one\\_pay\\_day\\_to\\_the\\_next\\_report\\_0.pdf](https://www.cas.org.uk/system/files/publications/living_one_pay_day_to_the_next_report_0.pdf)

- 22% of respondents (around one in five) reported that they had no savings due to not being able to afford to save.
- We also found that 13% of consumers had been turned down for credit in the last 12 months, with more than half being refused credit due to a low credit score.

### Affording household goods

Based on the April 2017 research into people's finances, CAS identified that many consumers would face difficulties if they were in a situation where they had to unexpectedly purchase an expensive but essential household good. We therefore commissioned follow up research with YouGov to look at this area in particular.

Consumers were asked about a situation in which they had to unexpectedly purchase some kind of white good (e.g. a fridge-freezer, washing machine etc.) and did not have enough money available to pay for it outright, and what they would consider doing to obtain the item:

- By far the most popular option (43%) was to use a credit or store card.
- The next two most popular options involved asking friends or family; 27% of respondents would ask them if they could help with finding one to borrow or get free and 25% would ask them if they could lend them money to buy one.
- It is interesting to note that when asked if they had used a rent-to-own retailer comparatively few consumers stated that they had, 3% of all respondents.

This may show a number of things: that only a small section of the population use rent-to-own agreements; that some consumers do not want to use this form of credit but may end up doing so; or that consumers use rent-to-own products as a 'planned' purchase rather as an unexpected purchase.

### The rent-to-own sector

Between 2014/15 and 2015/16 there was an increase of 29% in consumer credit-related advice related to rent-to-own issues, the only area of consumer credit to increase in advice demand in this period. CAS undertook analysis of the data from citizens advice bureaux in relation to consumers receiving advice on issues related to rent-to-own:

- The cases analysed showed that these **clients tended to be young, most often female, and often a lone parent**. Qualitative analysis showed that almost 40% of the cases from citizens advice bureaux had some kind of vulnerability, which could be related to their own health, mental or physical issues, or an individual they were caring for.
- Almost half of these clients were **experiencing financial difficulty** due to a change in their financial circumstances which results in a reduction in their income. For example, a client's benefit being sanctioned or someone moving out of the household. Moreover, in almost 50% of these cases the client was in financial hardship such as requiring a food parcel and/or not having any income to spend on food or heat.

- Our case evidence shows that **rent-to-own clients have an average of seven issues that need advised on compared to four for all clients**. Of the clients receiving advice about debts to rent-to-own retailers almost a quarter received more than 10 pieces of advice. The high number of pieces of advice may be an indication of the possible complexity of these cases and/or that these clients have a higher number of overall debts.
- Qualitative analysis of these cases also indicated that many of these clients had **multiple debts**. Almost a third had consumer debts; over a third were in housing arrears; almost 40% had council tax arrears; and over a third had payday loans or doorstep loans.
- Analysis of cases showed that consumers can experience a number of problems with policies and practices in the sector, such as lack of affordability checks, the cost of additional insurance, and poor sales practices. Many of these problems have also been raised by the FCA and various consumer bodies.

### **Different options for consumers**

Although not an initial focus of the research, our findings have suggested that a number of affordable household good options are not universally well known and used by consumers who would benefit from them. Our follow up research with YouGov showed, for example, that only 7% of consumers would consider a charitable option for accessing low cost or free white goods (i.e. approaching a charitable organisation to see if they could get one free of charge). The rent-to-own roundtable event with stakeholders also raised the issue of the importance of raising awareness of different options.

This report examines different options for low income consumers to access household goods including not for profit providers, Credit Unions, Community Development Finance Initiatives, furniture recycling projects, housing association schemes, Community Care Grants, and charity grants/shops. The appropriate option will depend on the consumer and it is important that they have a choice in which option they choose. We do not advocate for any particular option, but believe it is fundamentally important that consumers, and organisations supporting and advising them, are aware of the different local and national options that are available to them.

### **Recommendations**

The report makes a number of recommendations for how the current landscape can be improved for consumers including how to improve practice within the rent-to-own sector; steps regulators can take; and the role of the Scottish and UK Governments in exploring options for low income consumers to access affordable credit.

## Introduction

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Citizens Advice Scotland (CAS), our 60 member Citizens Advice Bureaux (CAB), the Citizen Advice consumer helpline, and the Extra Help Unit, form Scotland's largest independent advice network. Advice provided by our service is free, independent, confidential, impartial and available to everyone. Our self-help website provides information on rights and helps people solve their problems.

In 2015/16 the Citizens Advice network in Scotland helped over 310,000 clients in Scotland alone and dealt with over one million advice issues. With support from the network clients had financial gains of over £120 million and our Scottish self-help website Advice for Scotland received over 4 million unique page views.

The Citizens Advice Service is the largest provider of independent debt advice in Scotland. In 2016/17, citizens advice bureaux in Scotland advised on 91,000 new debt issues for clients in Scotland, worth a total of almost £128m. The client financial gain as a result of this advice was almost £28m.

### This research

**In providing an overview of the landscape and issues affecting consumers accessing affordable credit, this report draws on previous CAS research. In relation to this new research CAS has focused on vulnerable consumers accessing goods.**

Firstly, evidence from Scotland's CAB network was analysed. A real-time electronic recording system is used by the majority of citizens advice bureaux in Scotland. This provides a central resource to collect advice and client data. Bureaux are able to submit 'Citizens Alerts', brief summaries of a client's case which illustrate social policy issues. All 'Citizens Alerts' are given an advice code which assists the Policy Team at CAS to monitor issues and provides valuable evidence of clients' experiences. Additionally, it allows CAS to analyse these cases and look for patterns among the client group accessing credit through the rent-to-own sector.

Secondly, CAS accessed evidence from the Citizens Advice Consumer Service. This is a national phone line operated jointly by Citizens Advice Scotland and Citizens Advice (England & Wales) which allows GB residents to obtain advice over the phone. Scottish consumers contacted the helpline on more than 34,000 occasions during 2016/17<sup>3</sup>.

Thirdly, CAS held a focus group of citizens advice bureaux advisers with experience in providing debt advice. This focus group discussed a wide range of issues concerning the rent-to-own sector including: the client profiles of rent-to-own customers; why consumers chose to use this type of credit; customers' experiences; options to access goods; and potential improvements which could be made within the rent-to-own sector. It drew on

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<sup>3</sup> Any cases included in this report are from consumers calling from within Scotland

the expertise and experience of advisers in citizens advice bureaux to gain a greater understanding of the issues around this sector. As well as contributing towards the contents of this report this group also assisted in highlighting the issues clients experienced and shaped the questions in the survey discussed in the following paragraph.

CAS also commissioned YouGov in October 2017 to carry out a qualitative and quantitative survey. This survey aimed to explore the types of credit consumers in Scotland would prefer to use to make an unexpected purchase of certain types of good, including white goods and high value items, and what factors would influence these purchases<sup>4</sup>. It also included a free text box to gain a deeper understanding of the experience of consumers who had accessed goods through rent-to-own stores<sup>5</sup>. This survey comprised of an online questionnaire of 1,026 Scottish members of the YouGov Scotland Omnibus panel of 1 million individuals who have agreed to take part in surveys. Emails are sent to panellists who are selected based on their age, gender, social class and education to form a representative sub-sample. The data are then statistically weighted to the profile of Scottish adults aged 18+.

CAS held a roundtable event with external stakeholders in March 2018. CAS presented with and discussed our research and findings. The view expressed was that generally this work confirmed stakeholders' existing knowledge.

Additionally, CAS recognises that there has been a great deal of research on consumer credit and the rent-to-own sector, both by academics and by other organisations. CAS has drawn on these both to gain an understanding of the sector and of the consumers accessing high-cost credit, such as through rent-to-own stores.

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<sup>4</sup> The full survey questionnaire has been included in Appendix 1

<sup>5</sup> It should be noted that only 28, an extremely small number of respondents, answered 'Yes' to having used a rent-to-own store

## Consumer Finances

CAS research into the personal finances of consumers in Scotland has found that many are struggling financially on a regular basis and have little resilience or capacity to deal with unexpected bills. This means that when a consumer needs to replace a household good – such as a washing machine or cooker – they have little choice but to try to source these goods from friends or family or through credit. This section outlines our evidence on the scale of this problem.

### Making it to the end of the month

In April 2017, we asked a representative sample of consumers in Scotland how often in the last year, if at all, they had run out of money before payday and needed to either use credit, an overdraft facility, or borrow money to 'get by'.<sup>6</sup> Just over half, 53%, reported this had happened to them at least once in the last year. This research highlights that some are having to use credit just to cover basic essentials or in some cases go without these entirely.

Table 1: How often respondents had to go into debt to pay for essential items in the last year

2015/16	Never	Once or twice	Three times or more	Go without/miss entirely
<b>Mortgage</b>	<b>76%</b>	<b>12%</b>	<b>9%</b>	<b>10%</b>
<b>Food</b>	<b>49%</b>	<b>26%</b>	<b>23%</b>	<b>23%</b>
<b>Utility payments</b>	<b>68%</b>	<b>17%</b>	<b>12%</b>	<b>14%</b>
<b>Appropriate clothing</b>	<b>61%</b>	<b>12%</b>	<b>11%</b>	<b>37%</b>
<b>Basic toiletries</b>	<b>63%</b>	<b>14%</b>	<b>14%</b>	<b>24%</b>

<sup>6</sup> Citizens Advice Scotland (2017), *Living from one pay day to the next*

## Coping with unexpected bills

We asked respondents how they would cope with an unexpected bill that had to be paid within seven days. The amount of people who could pay an unexpected bill without using savings or essentials decreased as the bill increased in value.

Table 2: Ability to pay unexpected bills within seven days

	Bill of £100	Bill of £250	Bill of £1000
<b>Could pay without using savings or cutting back on essentials</b>	<b>46%</b>	<b>31%</b>	<b>17%</b>
<b>Could pay but would have to use savings</b>	<b>20%</b>	<b>28%</b>	<b>35%</b>
<b>Could pay but would have to cut back on essentials</b>	<b>11%</b>	<b>8%</b>	<b>5%</b>
<b>Would have to use credit/borrow money to pay</b>	<b>18%</b>	<b>21%</b>	<b>21%</b>
<b>Would have to sell a personal or household item to pay</b>	<b>2%</b>	<b>3%</b>	<b>2%</b>
<b>Could not pay</b>	<b>4%</b>	<b>9%</b>	<b>18%</b>

22% of respondents (around one in five) reported that they had no savings as a result of being unable to afford to save. It may be that this group are less financially resilient than the population as a whole. This could mean that they would be affected to a greater extent than others by a change in their circumstances and be more likely to be tipped over the edge into financial difficulties.

The FCA High-Cost Credit Review<sup>7</sup> also found that, of those using high-cost short-term credit products, 76% of accepted consumers had no money in accessible savings at the time of their last loan. Of those who did have savings the average was £177. This raises concerns about the lack of options that are available for those who are unable to pay an unexpected bill and/or have no accessible savings.

<sup>7</sup> FCA (2017), *High-cost credit: Feedback statement*. You can read the full report here <https://www.fca.org.uk/publication/feedback/fs17-02.pdf>

## Affording Household Goods

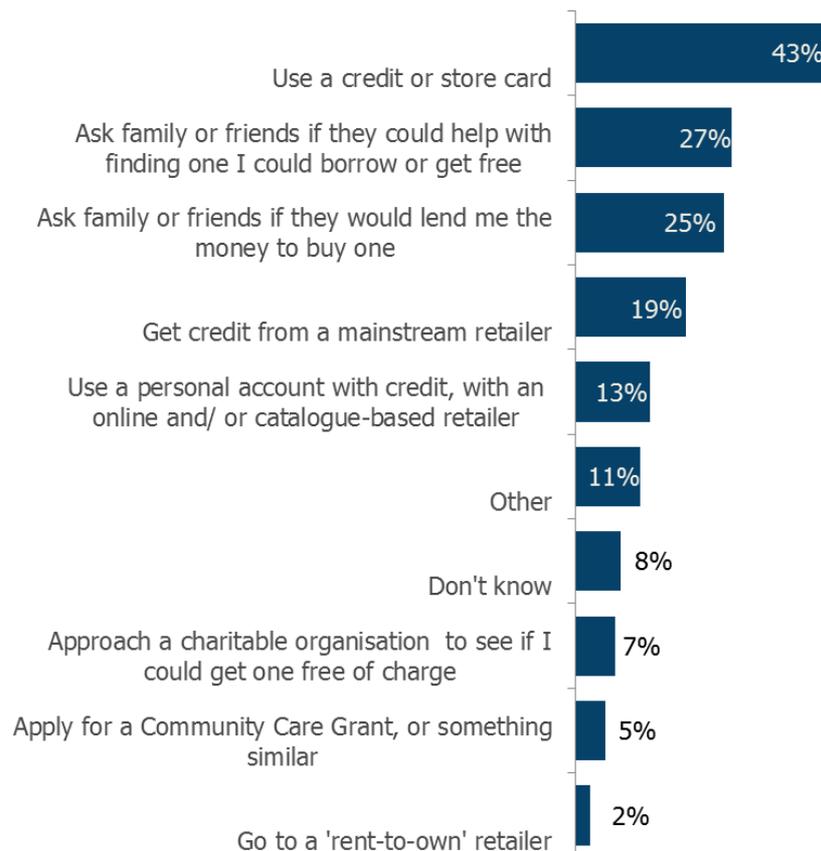
Based on the April 2017 research into people's finances, CAS identified that many consumers would face difficulties if they were in a situation where they had to unexpectedly purchase a household good. We therefore commissioned follow up research with YouGov to look at this area in particular.

Consumers were asked about a situation in which they had to unexpectedly purchase some kind of white goods item (e.g. a fridge-freezer, washing machine etc.) and did not have enough money available to pay for it outright, and what they would consider doing to obtain the item. The responses to this question can be seen in the graph below.

Figure 1

For the following question, please imagine you had to unexpectedly purchase some kind of white good and did not have enough money available to pay for it outright...

Which, if any of the following would you consider doing to obtain the item?'



As can be seen from Figure 1, by far the most popular option (43%) was to use a credit or store card. However, this was higher for those in social grade<sup>8</sup> ABC1 (49%) compared to those in social grade C2DE (37%). There was a similar pattern for those who stated they would get credit from a mainstream retailer. 19% of respondents overall selected this option. For those in ABC1 the figure was 22% and for those in C2DE it was 16%.

The second and third most popular choices were to ask family or friends if they could either help with finding one to borrow or get free (27%), or else to ask family or friends if they would lend money to buy one, even if it was a second hand model (25%). There is little difference between social grades in this category (ABC1 26%, C2DE 27% and ABC1 27%, C2DE 24% respectively). This research highlights some of the options consumers may wish to take when faced with an emergency.

It is interesting to note that when asked if they had used a rent-to-own-retailer comparatively few consumers stated that they had, 3% of all respondents. There were also low percentages in those who would consider using them to make an unexpected purchase in response to all three questions (2% for white goods, 2% for high value item and 1% for a last minute important gift). This may show a number of things: that only a small section of the population use rent-to-own agreements; that some consumers do not want to use this form of credit but may end up doing so; or that consumers use rent-to-own products as a 'planned' purchase rather than an unexpected purchase.

As part of this survey, consumers were also asked about their experience in using a rent-to-own retailer<sup>9</sup>. Although there were a small number of respondents, these answers may shed some light on the reason that they made this choice. Some of the negative aspects highlighted were: the interest rates; the price; the length of time the agreement lasted; the lack of discount if a consumer was able to clear the account early; and the collection procedures if payments were missed. Some specific comments were that the total repayment cost was high and that it would be cheaper to purchase the goods outright in the long run.

Positive comments about their experience of using a rent-to-own retailer included that it was the consumer's only option at that time; that the consumer was able to get what they wanted at the time; that the process was quick and easy; that there was little cost to change products; and that the goods were insured. Some specific comments about a lack of options were that the goods were needed badly at the time; that the consumer's family was struggling; that they liked being able to pay in small instalments; and that the consumer could only afford a very low deposit/little money upfront.

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<sup>8</sup> Social grade is a classification which is based on occupation (professional status and qualification) and is not the same as social class. It was developed by the National Readership Survey. Those in ABC1 include High managerial, administrative or professional; Intermediate managerial, administrative or professional; and Supervisory, clerical and junior managerial, administrative or professional. Those in C2DE include Skilled manual workers; Semi and unskilled manual workers; and State pensioners: casual or lowest grade workers: and unemployed with state benefits only

<sup>9</sup> Twenty-seven individuals responded to these open text questions

When thinking about improvements a number of respondents were unsure or thought there was nothing that could have improved the experience. The suggestions from those who did comment on this included: lower prices; lower interest rates; more understanding staff; and more rigorous background checks. These answers suggest that those who access the rent-to-own sector may have limited options in order to purchase goods. It may also show that these consumers are aware of some of the potentially negative consequences of using rent-to-own retailers but that they offer a service for those who are struggling financially, lack access to money, and are in dire need of a particular item, such as a cooker.

Furthermore, citizens advice bureau advisers who attended the separate focus group suggested that some clients seeking debt advice were reluctant to disclose that they had debts to rent-to-own retailers. This could be displayed through a reluctance to include these debts in any kind of debt arrangement and/or by going without food in order to maintain their payments. Some advisers felt this was because if they were not able to access credit through this route clients felt they would have no other options. Although anecdotal, similar issues may have prevented some respondents to the survey stating that they would consider using rent-to-own retailers.

## Access to credit

While the most popular option to pay for an unexpected purchase was to use a credit or store card (white goods (43%), high value items (39%) and a last minute important gift (46%)), this does not guarantee that a consumer would be able to access this form of credit. CAS research<sup>10</sup> found that low income consumers are far less likely to have accessed credit than their medium or high income counterparts. We also found that 13% of consumers had been turned down for credit in the last 12 months, with more than half being refused credit due to a low credit score.

This research also highlighted a lack of awareness surrounding credit ratings. 34% of respondents stated they had never checked their credit rating, and 5% did not know how to check their credit rating or did not know what this was. Given that a consumer may be refused credit on the basis of their credit rating it is concerning that many have either not checked this or may be unaware of how to do so. This report also found that 26% of respondents had not used any form of credit<sup>11</sup> in the previous five years. It may be that a poor credit rating is one of the reasons that some consumers have not been able to access credit in the past five years or that some consumers are choosing not to attempt accessing credit due to concerns about being refused.

For those who are already struggling on their income, being unable to access affordable credit can further disadvantage them, either through only being able to access credit at a more expensive rate or having to go without. Gibbons and Nixon (2017) estimate that 12 million people are unable to access credit<sup>12</sup>. They also highlighted some difficulties related to credit ratings. Their report found that some individuals were turned down for

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<sup>10</sup> Citizens Advice Scotland (2017), *Living from one pay day to the next*

<sup>11</sup> Including loans; store cards; overdrafts; hire purchase/catalogue etc.

<sup>12</sup> Gibbons, D and Nixon, B (2017), *The Social Impact of Fair for You, Third Report*, Centre for Responsible Credit

affordable credit due to errors in their credit files. They also highlighted that it was difficult for lenders to make a positive lending decision for those who have 'thin credit files' who may tend to be younger consumers. Furthermore, 'Living from one pay day to the next' found that 28% of respondents had not accessed any type of credit in the past five years and some were having to go without essentials. These reports demonstrate that there is a group of consumers who are unable to access credit, and affordable credit in particular. Moreover, the FCA High-cost credit review<sup>13</sup> found that since the payday loan cap some consumers have become unprofitable to service. They also found no evidence that those who were declined payday loans were using other high-cost short-term credit products. It may be that some consumers now have fewer credit options available to them. This lack of choice for some consumers in options to access affordable credit is of concern.

## Going without?

Work undertaken by CAS suggests that some people are simply going without, including in relation to essential goods. The CAS 2016 report, 'Living at the Sharp End'<sup>14</sup>, told how an increasing number of CAB clients are seeking advice related to food banks and financial crisis support. When the case study participants in the research were asked what options they felt were available to them if they have a period without income to pay for essentials, six of the ten responded that there were 'not many' or no options available. 'Living from one pay day to the next' also found that within the last year survey respondents either missed payments or had to go without. 23% of respondents had to go without food; 37% went without appropriate clothing; and 24% went without basic toiletries. In relation to missing payments 10% of respondents had missed mortgage payments and 14% had missed utility payments. This would suggest that for some clients if they have no money they have to go without paying for one of these essentials. This may in part be due to the problems raised above for low income consumers in terms of accessing mainstream credit. Citizens advice bureaux have also reported a consistent rise in priority debts over the last five years the areas where bureaux had seen an increase in debt advice since were related to rent arrears and Council Tax. It may be the case that the need to pay for essentials has led clients to miss priority payments.

Moreover, this report found that of the 13% of citizens advice bureaux clients who sought advice regarding food banks also sought advice related to debt. Of these, 73% needed advice on priority payments and 26% required advice on consumer credit debt. These figures would appear to suggest that debt related to priority payments is higher than debt related to consumer credit debt. However, some consumers may turn to consumer credit to make priority payments. Research also suggests that some consumers are unable to access credit so may accrue debt and/or go without essentials.

## Summary

The findings above show that many are struggling financially on a regular basis and have little resilience or capacity to deal with unexpected bills. This means that when a

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<sup>13</sup> You can access this report here <https://www.fca.org.uk/publication/feedback/fs17-02.pdf>

<sup>14</sup> You can access this report here [https://www.cas.org.uk/system/files/publications/living\\_at\\_the\\_sharp\\_end\\_-\\_2016.pdf](https://www.cas.org.uk/system/files/publications/living_at_the_sharp_end_-_2016.pdf)

consumer needs to replace a household good – such as a washing machine or cooker – they have little choice but to try to source these goods from friends or family or through credit. Rent-to-own is a common option for those in this position, with 200,000 people taking out this form of credit in 2016. The next section outlines CAS evidence on the sector.

## The rent-to-own sector

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The initial focus of this research was on the consumer experience of the rent-to-own sector. Rent-to-own is the only area of consumer credit where advice given by Citizens Advice Bureaux has increased in recent years. Between 2014/15 and 2015/16 there was an increase of 29% in consumer credit-related advice related to rent-to-own issues. This increase was of concern to CAS and we wanted to explore this issue in more detail.

Consumers use the rent-to-own sector purchase goods, such as washing machines, televisions and mobile phones, through hire purchase agreements. Generally these agreements require the consumer to make weekly or fortnightly payments over a number of years. The consumer does not own the goods until they make the final payment. The interest rates charges to consumers using rent-to-own stores tend to be high and these goods cost more than if the consumer bought the item outright.

Until recently, these stores included Brighthouse, Buy As You View and PerfectHome. Brighthouse dominated the market with 283 stores across the UK. Between the three companies, they accounted for about 90% of the market. However, Buy As You View went into administration in September 2017. Moreover, Brighthouse reported in their 2016/2017 Annual Report<sup>15</sup> that there had been a lower number of customer sign ups and that for that financial year revenue decreased by 13.7% to £320.1 million. One of the reasons for the difficulties experienced by rent-to-own retailers could be due to some of the regulatory changes imposed by the FCA, including ordering compensation to be paid to customers due to historic poor practice related to unaffordable lending and inappropriate fees and charges.

It is recognised that any improvements in practice which could benefit consumers accessing the rent-to-own sector is positive. However, CAS would highlight our concerns if consumers' access to credit is further limited. Moreover, if a consumer is only able to access goods through the rent-to-own sector the dominance of Brighthouse raises concerns in terms of true competition within the sector. If retailers within the sector are unable to compete in the market this could cause further detriment to consumers using rent-to-own retailers.

### Scale of the issue

CAS found that, as a proportion of advice given, consumers who accessed the rent-to-own sector were not overly large in terms of numbers. Additionally, our research with YouGov found that only 2% of consumers would consider rent-to-own retailers for an unexpected white goods purchase, rising to 3% of consumers in the C2DE social category. National figures show that around 200,000 people in the UK took out rent-to-own credit in 2016, so the proportion of consumers may be higher than our survey suggests.

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<sup>15</sup> You can read the full report here

[https://www.brighthousegroup.co.uk/files/8014/9926/8903/Annual\\_Report\\_2016\\_17\\_-\\_July\\_2017.pdf](https://www.brighthousegroup.co.uk/files/8014/9926/8903/Annual_Report_2016_17_-_July_2017.pdf)

There may be a number of reasons that consumers are choosing to use rent-to-own retailers and these are explored in more detail in Citizen Advice England and Wales 'Higher Purchase, Hire Prices' (2016) report<sup>16</sup>. This report found the most common reason that people used rent-to-own retailers was because they could not afford the item outright (71% of respondents to their survey). At 30% the second most common reason survey respondents gave was because they had been refused other forms of credit. This evidence could mean that for some consumers they are accessing high-cost credit as they are unable to access affordable credit.

Although the number of consumers affected may be comparatively low, CAS is concerned at the potentially high level of detriment which these consumers might suffer. For example, the above research by Citizens Advice England and Wales in 2016 highlighted that consumers who access goods through rent-to-own stores frequently pay a higher price for these goods than if they had bought them outright. This report demonstrated that consumers could be paying up to £702 for a television purchased through a rent-to-own retailer when they could purchase a television with similar specifications at Argos for £189.99 or £319 in Harrods.<sup>17</sup> The most selected option when respondents to the YouGov survey were asked what influenced them most when purchasing this kind of good (white good, high-value good, and last minute gift) was 'overall cost', with 30% of respondents choosing this option. This highlights that when given a choice consumers prefer that the goods they purchase cost less overall and, as this is not the case in the rent-to-own sector, consumers who use these stores suffer detriment through paying a higher price for their goods.

## Profile of rent-to-own customers

### Rent-to-own clients are young, most often female and often a lone parent

Our analysis of citizens advice bureaux data related to this topic area showed that clients tended to be young, most often female, and often a lone parent. Qualitative analysis showed that almost 40% of the clients had some kind of vulnerability, which could be related to their own health, mental or physical issues, or an individual they were caring for. The profile is similar to that highlighted by Evans and Allison (2016) who state that the "typical RTO customer profile is a female lone parent, living in rented accommodation and almost exclusively from low income households that are wholly or partly reliant on welfare benefits"<sup>18</sup>.

Almost half of these CAB clients who received advice related to rent-to-own debts were experiencing financial difficulty due to a change in their financial circumstances which results in a reduction in their income. For example, a client's benefit being sanctioned or someone moving out of the household. Moreover, in almost 50% of these cases the client was in financial hardship such as requiring a food parcel and/or not having any income to spend on food or heat. These cases and the case below highlight a wide variety of ways

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<sup>16</sup> You can read the full report here

[https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/FINALRENTTOOWNREPORT%20\(4\).pdf](https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/FINALRENTTOOWNREPORT%20(4).pdf)

<sup>17</sup> Citizens Advice England and Wales (2016), 'Hire Purchase: Higher Prices',

<sup>18</sup> Evans, G and Allison, C (2016), *Better and Brighter? Responsible Rent to own Alternatives*, p.5

in which clients linked to the rent-to-own sector were financially vulnerable and lacked financial resilience.

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### ! Citizens ALERT

A client had hire purchase agreements from a rent-to-own retailer for a sofa, washer, cooker, and fridge freezer. Following her children being taken into care, her benefits have changed and she can no longer afford to make these payments. She contacted the retailer and has been told they will take the goods away from her.

A client had multiple debts and was making payments of £135 per week to a rent-to-own retailer (for multiple goods). She has lost a baby and was on long-term sick. She subsequently began to struggle to pay her debts.

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Some of the vulnerabilities highlighted above are also mentioned in the recent Financial Conduct Authority (FCA) High-cost credit review<sup>19</sup>. This report highlights that rent-to-own consumers: have a low median annual net income; a low credit score; and have the highest median number of products with outstanding personal debt. It also found that rent-to-own consumers were less likely to hold a mortgage and relatively less likely to have borrowing through a credit card. Additionally, it is more likely for these consumers to use other forms of high-cost credit. The report notes the vulnerability of this group of consumers. The factors highlighted in this report could lead to barriers to rent-to-own consumers being able to access affordable credit, for example, due to a poor credit score, and with a lack of options available to them. The FCA findings correlates with the data from citizens advice bureaux, for example, in relation to the financial vulnerability of those accessing high cost short term credit

## The complexity of rent-to-own cases

Rent-to-own clients have more complex needs than the average CAB clients. For example, those clients who sought advice on problems related to the rent-to-own sector had an average of seven issues on which they needed advice compared to four for all clients.

It is worth noting that a number of these clients requested assistance with a variety of debt issues and, as part of the process of providing advice on these multiple debts, it emerged that they had rent-to-own debts. On average, bureaux clients receive advice on three different queries. However, clients who sought advice on rent-to-own issues received advice on a higher number of queries; for example, almost one quarter received advice on more than 10 queries. The high number of pieces of advice may be an

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<sup>19</sup> FCA (2017), *High-cost credit: Feedback statement*

indication of the possible complexity of these cases and/or that these clients have a higher number of overall debts.

Qualitative analysis of these cases also indicated that many of these clients had multiple debts. Almost a third had consumer debts; over a third were in housing arrears; almost 40% had council tax arrears; and over a third had payday loans or doorstep loans. The presence of multiple debt for clients receiving advice on rent-to-own debt may suggest that these clients are in poor financial circumstances and require a high level of assistance.

Rent-to-own consumers appear to be more financially vulnerable than other citizens advice bureaux clients. Of these cases: almost three quarters of clients were given advice related to debt; 56% of cases were given advice relating to benefits; over a third of cases were given advice relating to finance and charitable support; and one in four clients were given advice relating to food banks.

These issues, when combined with debts related to rent-to-own retailers, demonstrate that these consumers are particularly vulnerable to a financial shock and would struggle to cope with a change in financial circumstances, such as losing their job; a change in their working hours; a change in their benefit entitlement; or the end of a relationship. In relation to using rent-to-own retailers a change in circumstances could mean that they were no longer able to afford to make their repayments. This vulnerability may also suggest that an individual who meets the criteria for one item from a rent-to-own retailer may not adequately meet the criteria for a new and/or additional item.

## The experiences of CAB clients

**Clients and advisers have reported problems with affordability checks, insurance and poor sales practices.**

In order to gain an understanding of the experiences of CAB clients, CAS undertook a focus group of citizens advice bureau debt advisers. This feedback and analysis raises a number of concerns about practices and costs within the rent-to-own sector.

### Affordability checks

A focus group with citizens advice bureaux advisers was held by CAS in August 2017. One of the issues raised by advisers was that they were aware of clients who they felt had not had sufficient affordability checks carried out. It was also mentioned that in some instances a credit check was carried out for the first item a consumer purchased through the store but if, as is often the case, they took on more goods than an additional credit check was not carried out. One particular case highlighted was that of a single parent with two children who was paying £97.33 per week for 12 items. This case and the one below highlight how multiple products from a rent-to-own retailer can add up.

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**! Citizens  
ALERT**

A couple with limited income were lent in excess of £9,000 by a rent-to-own retailer for various purchases. Their income was solely from benefits and the wife had mental health issues. The retailer was contacted to question the level of lending. The retailer responded that their lending policy is based on disposable income and product suitability.

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This also illustrates how small costs for each individual item can escalate to a large and often unaffordable amount overall. This could be particularly problematic for consumers on a low income, as many rent-to-own consumers are. Additionally, this group highlighted that despite the cost of goods seeming low in some cases it could be a high proportion of a client's income, particularly if they are receiving benefits. Based on the above cases, CAS would encourage all rent-to-own stores to ensure that they have adequate affordability checks in place and for the FCA to include this as a condition of rent-to-own retailers' licence

Advisers attending the focus group suggested that in some cases only one credit check was carried out by rent-to-own retailers yet consumers may be encouraged to take out additional agreements. This raises serious concerns that vulnerable consumers, whose circumstances may have changed in the time between trying to access credit to purchase goods, could subsequently be unable to afford the level of credit provided. In this scenario it may be possible for them to return the goods to the rent-to-own retailer to clear their debt though they would suffer detriment by losing ownership of items they have paid towards. It is also possible that an individual could be pushed into further hardship by taking on more debt in order to meet their repayments.

As a result of engagement with the FCA, Brighthouse has committed to provide over £14.8 million to 249,000 customers in relation to agreements for lending which may not have been affordable, as a result of the company's lending application affordability and collection processes. CAS will monitor the changes made by the FCA to ensure that future agreements for lending are affordable.

## Insurance

CAS is especially concerned about the selling of insurance and aftercare, which can add a considerable cost to a hire purchase contract and make it more difficult to compare prices. The 2016 report by Citizens Advice England and Wales found that 77% of consumers who were given the choice bought aftercare from a rent-to-own store and 69% of consumers bought insurance when they purchased an item. Of these, 56% of those buying aftercare and 55% of those buying insurance did not feel like they had a choice as to whether to purchase this or where to purchase it from<sup>20</sup>. It is also important

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<sup>20</sup> Citizens Advice England and Wales (2016), 'Hire Purchase: Higher Prices'

that consumers understand what is covered by their insurance and there are routes of redress open to a consumer if they are not happy with the repair provided.

### ! Citizens ALERT

A client had recently taken out a hire purchase agreement for a TV. He had taken out insurance which was sold by the rent-to-own retailer. Around a month after this purchase the client's home was broken into and the TV was stolen. The client contacted the retailer to inform them of the theft but was told he would not receive a replacement TV. On looking into the insurance cover policy it stated that if goods were stolen the insurance company would only make a payment to the rent-to-own retailer which matched the amount the client had already paid towards the goods. In this case the client did not have a choice over whether they purchased insurance from the rent-to-own retailer.

A consumer bought a sofa from a rent-to-own retailer. There was a large screw and staples hanging out and the consumer cut her finger on this. She was concerned about the safety of this item as she had a baby. Initially the rent-to-own retailer sent someone to repair the sofa and they hammered the screw in but the consumer was unhappy with the repair. The rent-to-own retailer replaced the sofa but the replacement was also faulty and had staples hanging out.

CAS recognises that there have been some recent changes which may improve the experiences for consumers. One example of this is the decision by Brighthouse that it is no longer compulsory for a consumer to purchase aftercare when purchasing goods. This is positive because, prior to this, interest was added to the aftercare component making it harder for consumers to know the whole cost and compare this to other stores/shop around. Despite this positive step taken by Brighthouse it is important that all rent-to-own stores ensure that consumers feel they have a choice in whether to purchase aftercare and/or insurance through their stores.

### Poor sales practices

The issue of products being oversold was highlighted in the adviser focus group. Some poor practice which advisers were aware of from citizens advice bureaux clients included: consumers being pressurised to make a purchase, for example, sales staff may make the customer feel the service is personalised to them and they might feel unable to say 'no'; or the terms and conditions not being fully explained. As demonstrated earlier, those accessing goods through rent-to-own stores often have characteristics which make them more vulnerable, and CAS would therefore be concerned if there were not changes in the sector, either through changes made by the rent-to-own sector or through the FCA's enforcement powers, to ensure that these consumers do not suffer detriment through accessing the rent-to-own sector.

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**Citizens  
ALERT**

A consumer returned a sofa to a rent-to-own retailer as he could not afford to pay for it. He advised that he did not think that appropriate credit checks took place before he entered into this hire purchase contract.

A couple who are vulnerable adults reported that they have been harassed multiple times a rent-to-own retailers. They have been offered rent-to-own agreements which they say they cannot afford. They say they have asked the rent-to-own retailer to stop sending them offers for new agreements but they continue to do so.

A consumer who is unable to read was able to take out four hire purchase agreements with a rent-to-own retailer over a two year period. The consumer signed these agreements whilst being unable to read them.

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## What would better look like?

It is important to balance the harm to consumers of the rent-to-own sector with closing off this avenue of credit. CAB advisers raised the point that if a consumer's washing machine breaks and rent-to-own is the only way they are able to replace it they may view this as positive. Within this focus group the fact that the consumer may feel they have more choice regarding the model and quality of a good they get from a rent-to-own retailer was also highlighted. Thinking about avenues of credit it is important to explore where people go if they have no money and what options there may be.

There have been some improvements made within the rent-to-own sector. Nonetheless, consumers accessing this sector may still experience detriment as a result of using these retailers. This includes: making payments at a level which is not affordable to them; poor sales practices, including overselling; and a lack of affordable credit options available to consumers who access the rent-to-own sector. In terms of consumers accessing high cost credit more generally, the FCA High-cost credit review<sup>21</sup> did not find evidence that consumers who, after the payday loan cap, had been unable to access payday loans were using other high-cost short-term credit products. This raised a question for CAS about where consumers who would have previously used these products are going.

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<sup>21</sup> FCA (2017), *High-cost credit: Feedback statement*

## Options for affordable Household Goods

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This section will discuss some of the potential options for low income consumers seeking to purchase goods at an affordable cost. It focuses on the options currently available within Scotland but recognises that there are other initiatives throughout the United Kingdom. Some of these other options are discussed in Evans and Allison (2016)<sup>22</sup> and like them, CAS recognises that there is not a single approach which is the ideal solution for all and local circumstances need to be taken into account in the delivery of these options. Which option is best or more appropriate for a consumer depends on the individual and their particular circumstances.

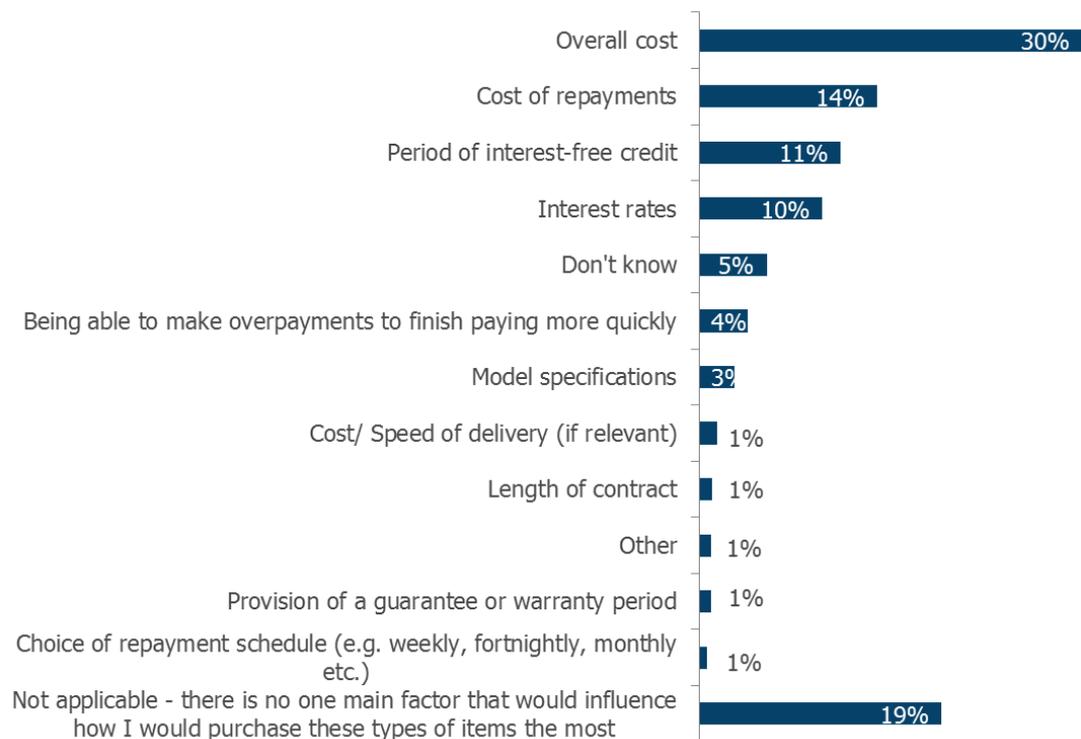
In thinking about options it is important to keep in mind what influences consumers when purchasing goods. As Figure 2 shows, the most frequently selected option when asked what would influence how a consumer would purchase these types of items was overall cost. More than half (56%) of respondents selected this, alongside 46% selecting interest rates as an important factor. Social grade is not shown in Figure 2 and there is some variation here. In relation to overall cost 61% of respondents in social class ABC1 said it would influence their decision and 52% of C2DE respondents said it would influence their decision.

The influence of interest rates in this scenario was also higher for ABC1 respondents than for C2DE respondents 49% and 42% respectively said this would influence their purchase. When asked which factor influenced them the most, overall cost was the most frequently selected option, at 30%. Once again there were some differences in the influence of this on a purchase between social grade of respondents. 32% of ABC1 respondents chose this option and 27% of C2DE respondents.

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<sup>22</sup> Evans, G and Allison, C (2016), *Better and Brighter? Responsible Rent to Own Alternatives*

**Figure 2: Which, if any of the following, would have an influence on how you would purchase these items<sup>23</sup>?**



It may seem contradictory that what consumers select as important when making decisions about purchasing goods appear to go against what is offered by the rent-to-own sector. There may be a number of reasons that consumers are choosing to use rent-to-own retailers and these are explored in more detail in Citizen Advice England and Wales 'Higher Purchase, Hire Prices' (2016) report<sup>24</sup>. This report found the most common reason that people used rent-to-own retailers was because they could not afford the item outright (71% of respondents to their survey). At 30% the second most common reason survey respondents gave was because they had been refused other forms of credit. This evidence could mean that for some consumers they are accessing high-cost credit as they are unable to access affordable credit. The below options could be alternative routes to access credit for low income consumers.

## Not for profit providers

One potential way for low income consumers to access goods at an affordable cost is through not for profit providers. These providers may offer an option for consumers to access goods at a price which is affordable to them. It should be noted that for some not for profit providers they only offer the consumer online only options. CAS' (2018)

<sup>23</sup> Respondents were asked to imagine they were not able to purchase any of these types of items outright, and were going to buy these types of items on some form of credit

<sup>24</sup> Citizens Advice England and Wales (2016), 'Hire Purchase: Higher Prices'

'Disconnected: Understanding Digital Exclusion and Improving Access'<sup>25</sup> found that almost one in five (18%) of citizens advice bureaux clients surveyed never use the internet. Potentially, this could be a barrier to accessing some providers. Nonetheless, there may also be advantages to consumers for using these providers, such as if they own an item outright and if they pay less in total for the item provided.

## Case study

One not for profit provider providing goods to consumers is Fair for You<sup>26</sup>. Fair for You describe themselves as offering an alternative to high cost weekly payment stores and as being a responsible lender. Fair for You does not have stores, and consumers are able to access their services online. Consumers are able to apply for a loan to purchase goods, including white goods and furniture, and, if they are successful in their application, can choose the length of contract and the level of payment they are able to make. Consumers own the goods they are given a loan for immediately. This contrasts with the rent-to-own sector where consumers do not own the item until the last payment is made. Consumers are able to change the payment and the length of the contract if they wish. This allows flexibility which could be particularly helpful for those with a fluctuating income.

Fair for You also operates a Good Payers club for consumers who have been with them for more than six months, or those who have paid off their first loan, and made all their loan payments on time. This club gives members access to a wider range of items, including laptops, smart TVs and games consoles, and priority access to limited and special offers. Fair for You has a policy that it will not provide a second loan to a consumer until they have paid off at least 1/3 of their first loan. Fair for You also directs consumers to Turn2us, a national charity which provides help to people in financial hardship.

The Centre for Responsible Credit undertook research into the social impact of Fair for You in March 2017<sup>27</sup>. This report highlighted that Fair for you are aiming to ensure that low income households are able to purchase household goods at a price which is affordable to them and their target customers are families on a low income with children. It also highlighted that Fair for You offers budgeting support to their clients and helped them to improve their credit file.

## Credit Unions

Another possible avenue for low income consumers to access credit is through a credit union. It is noted that this does not allow a consumer to purchase goods directly but they could take out a loan through a credit union and use it to purchase the good/goods they wish to buy. The Association of British Credit Unions Limited (ABCUL) highlights that credit unions may offer a number of products to consumers, including savings products and loans<sup>28</sup>. ABCUL describes credit unions as providing affordable loans and highlights

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<sup>25</sup> You can read the full report here

[https://www.cas.org.uk/system/files/publications/cas\\_disconnected\\_report.pdf](https://www.cas.org.uk/system/files/publications/cas_disconnected_report.pdf)

<sup>26</sup> More information about Fair for you is available here <https://www.fairforyou.co.uk/>

<sup>27</sup> Gibbons, D and Nixon, B (2017), *The Social Impact of Fair for You: Third Report* <https://www.responsible-credit.org.uk/wp-content/uploads/2017/03/The-Social-Impact-of-Fair-for-You-Report-2017.pdf>

<sup>28</sup> More information about credit unions is available here <http://www.abc.ul.coop/home>

that some loans at some credit unions could cost a consumer less than 1% a month or an APR of 12.7%. By law, credit unions cannot charge more than 3% per month or an APR of 42.6%.

A difference between credit unions and the majority of other lenders is that they are largely exempt from Consumer Credit regulations. Few credit unions in Scotland have a consumer credit licence which means that there are a number of restrictions in place on them. For example, without this licence a credit union is banned from having an arrangement with a third party to provide finance in exchange for goods. However, a small number of credit unions in Scotland do have permission to offer this service.

Credit unions may also choose to encourage individuals to take out a loan as opposed to using a rent-to-own retailer or offer customers of these retailers the opportunity to buy their loan and repay a credit union at a lower rate.

### Case study

As highlighted above, credit unions may offer a wide range of products. Members of the North East Scotland Credit Union (NESCOU)<sup>29</sup> are able to access White Goods packages, and/or Laptop, Furniture & Carpet Packages. NESCOU work in partnership with a number of local housing associations who can refer tenants as new members for these particular packages. In these cases, the loan is looked at faster than if the individual were to apply for a loan independently.

## Community Development Finance Initiatives

Community Development Finance Initiatives (CDFI) are organisations who lend money, typically restricted to those markets which are underserved and who may be unable to access finance through mainstream routes. Rent-to-own consumers may struggle to access credit from mainstream sources so CDFI's could provide a route to access affordable credit. As with credit unions, although this allows consumers to be lent money it does not enable them to purchase goods directly from the organisation they are receiving a loan from but could allow the consumer to purchase an item and payback a loan to the CDFI.

### Case study

Scotcash is based in Glasgow and was established in 2007 with assistance from Glasgow Council and Glasgow Housing Association. They are a not for profit social enterprise and a Community Interest Company. Scotcash states their "main aim is to provide financial products and services to those who have difficulty accessing mainstream sources, such as banks and building societies"<sup>30</sup>. They describe themselves as offering affordable credit and providing customers with money advice and help with basic bank accounts and credit union savings accounts. Anyone in Scotland can access their services. Scotcash state that they offer a lending alternative to rent-to-own retailers and provide an ethical option.

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<sup>29</sup> More information about NESCOU is available here <https://nescu.co.uk/>

<sup>30</sup> <https://www.scotcash.net/why-scotcash/what-we-do/>

The affordability loans Scotcash offers start at £50 and are based on a customer's present circumstances, as opposed to their credit history. The repayments are fixed and customers can choose to pay weekly, fortnightly, four-weekly or monthly.

## Furniture recycling projects

There are a number of furniture recycling projects across Scotland, which could offer a route to access goods for consumers currently using rent-to-own retailers. These projects sell second hand furniture and white goods to consumers and rely on donations from the public. These projects describe themselves as offering high quality furniture and goods at a reasonable price. Some projects may have aspects of their services which are only available via referral from an agency, e.g. Starter packs for those in a new tenancy who are in urgent need.

In some cases furniture recycling projects can offer an affordable way for low income consumers to access furniture and goods. It is noted that some offer the most vulnerable groups goods for no or a discounted charge. However, these discounts may depend on referrals which mean an individual has to be engaged with an agency or on particular benefits. Moreover, not all consumers on a low income are benefit claimants and may be in employment. Access to these projects may also depend on where an individual is resident, as many of these projects have stores. Furthermore, in order to purchase these goods the individual is still required to make a payment, albeit a low payment, which could present a barrier.

### Case study

Castle Furniture Project<sup>31</sup> aims to provide household goods for free or at low cost to disadvantaged families and individuals in Fife. They offer staff and transport to collect donations throughout Fife. They accept donations of household furniture, electrical appliances, mobile phones and baby equipment. Once these donations are collected they assess the condition and repair and/or renovate them where possible. All reconditioned domestic appliances come with a three month warranty. Installation and delivery of these goods can be arranged by the project. The project also offers a low cost repair service.

The project also accepts referrals to help those in hardship or distress. They work in partnership with local authorities, housing associations and also allow individuals to self-refer (if these individuals can prove their benefit status they can receive a discount of up to 50%).

## Housing Associations

Some Housing Associations may offer assistance to their tenants in order to assist them in accessing furniture and/or white goods which allow them to make payments over time. This may be for existing tenants or new tenants, to assist them in maintaining their tenancy. For low income consumers who are tenants of a Housing Association this could provide an additional option. However, this is not an option for all consumers and is limited to Housing Association tenants and may be limited geographically.

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<sup>31</sup> You can read more about this project here <http://www.castlefurniture.org/>

## Case study

Glasgow Housing Association offer tenants two furniture packages<sup>32</sup>. The basic package can be paid off over one year (either through four-weekly or monthly payments). An example of what it could include is carpet, underlay and curtains, beds, mattresses, a cooker, and a fridge freezer. The medium package can be paid off over two years (either through four-weekly or monthly payments). An example of what it could include is carpet, underlay, settee, armchairs, coffee table, curtains and curtain poll, beds, mattresses, wardrobes, chest of drawers, lino, a cooker, and a fridge freezer. For both packages costs vary depending on the size of the property. Housing officers will work with tenants to see what their needs are and what the best option for them is. These packages are available to both new and existing tenants.

## Community Care Grants<sup>33</sup>

One option for consumers on a low income needing to purchase furniture and/or white goods could be to apply for a Community Care Grant. These are paid out of the Scottish Welfare Fund. A Community Care Grant is provided to help those on a low income to live independently in the community or to help people maintain their household in times of exceptional pressure. Their intention is to help pay expenses to enable people to live in the community and allow families to stay together. They are discretionary and the decision as to whether to pay a grant or not is made by the local authority. A Community Care Grant will be paid if someone is eligible; their situation is one of the situations that a Community Care Grant can be paid for; and if there is enough money left in the budget.

Community Care Grants may be issued for certain types of items such as furniture, a cooker or a washing machine. The grant may cover some or all of what an individual applies for. An individual can be given help in kind, rather than cash. For example, the grant could be awarded in travel vouchers, furniture, white goods or retail vouchers. If the grant is for furniture or white goods, it should include delivery and installation or fitting costs.

One issue which was raised at the roundtable event with external stakeholders was a lack of understanding of what a Community Care Grant could be used for among attendees. In particular, comments were made that the language could be clearer. Additionally, 'Living at the Sharp End'<sup>34</sup> found a lack of awareness of the Scottish Welfare Fund among survey respondents. This suggests that steps could be taken to both raise awareness about the existence of community care grants and to ensure that their role is more understandable.

## Charitable grants

Hundreds of small charities give grants to individuals, from one-off sums to help with things such as furniture, decorating or ways to improve quality of life to regular amounts

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<sup>32</sup> You can read more details of these here <https://www.gha.org.uk/ways-we-can-help/at-home/furniture-lets>

<sup>33</sup> You can read about this in more detail here <https://www.citizensadvice.org.uk/scotland/benefits/help-if-on-a-low-income/scottish-welfare-fund-s/scottish-welfare-fund-community-care-grants-s/>

<sup>34</sup> CAS (2016), 'Living at the Sharp End'

to help cover bills and expenses. A grant is money, or a voucher, that covers all or most of the cost of buying something.

In most cases, charitable funds have been set up to help people in financial need who have something in common. For example, many grant funds exist for veterans, while others focus on those with disabilities or low incomes. Many of these charities offer grants for those in financial difficulty, including those struggling to afford household goods.

The charity Turn to Us offer a Grant Search on their website which can tell you what you could be entitled to based on your personal circumstances: <https://grants-search.turn2us.org.uk/>

### Case studies

Examples of charitable funds that can provide grants for paying for household goods include:

**British Gas Energy Trust** provides grants to help customers (of any energy company) with energy bill arrears and white goods – [www.britishgasenergytrust.org.uk](http://www.britishgasenergytrust.org.uk). **EDF Energy** and **Npower** also run similar schemes.

**Buttle UK** provide grants to a maximum of £300, often to help buy white goods – [www.buttleuk.org](http://www.buttleuk.org)

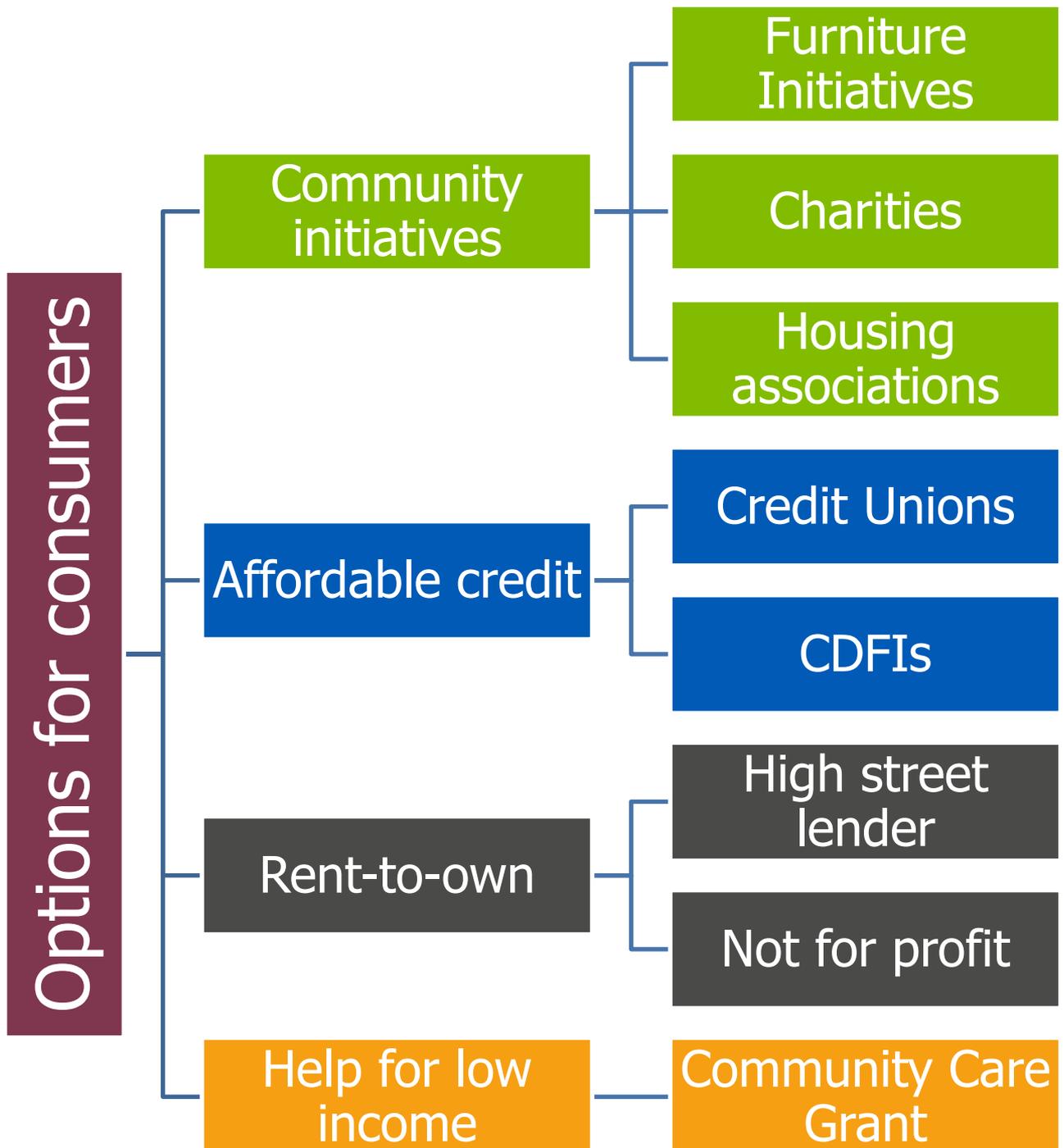
**Family Fund** provides grants to families raising disabled or seriously ill children and living in the UK – [www.family.fund.org.uk](http://www.family.fund.org.uk)

**Help for Heroes** provides a range of services, including grants for household goods, if you have suffered a Service attributable injury in the UK Armed Forces – [www.helpforheroes.org.uk](http://www.helpforheroes.org.uk)

### Charity shops

One option for consumers on a low income to access goods could be to access these through a charity shop. However, it should be noted that not all charity shops are able to sell white goods or particular goods, e.g. gas appliances. Moreover, in order to pay for goods from a charity shop they need to be purchased outright. The goods offered may be at a lower cost but this may still present a barrier for some consumers on a low income and/or with limited or no savings or access to credit. This option may also depend on what is available in a charity shop at a certain point in time. Additionally, a consumer may choose not to go down this route as they wish to purchase new goods or goods with particular specifications. It is important that consumers, whatever their income, are able to have an element of choice in their purchase decisions.

## Household Good options for consumers



## Conclusion and recommendations

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There appears to be a group of individuals who are struggling to live on the income they are receiving for a variety of reasons, including changes to benefits; low-paid insecure work; and increased living costs. Nonetheless, consumers still need to be able to access affordable credit. This report has highlighted that some clients struggle to access affordable credit and has illustrated some of the difficulties and barriers they may face. As a consequence, there is a group of vulnerable consumers who are accessing high-cost credit, and share a number of characteristics, including tending to be young, having a low income, and having a health or disability condition. This report has also showed that some consumers have less financial resilience and may struggle to cope if they faced a change of circumstances and/or emergency. It also demonstrated the limited options people have when they have no money and that in some cases the only option is to go without.

This lack of resources may be one of the reasons consumers use rent-to-own retailers. However, in some circumstances accessing high-cost credit can worsen their situation in the long-term. Therefore, it is necessary to balance the potential harm to individuals accessing high-cost credit with the possibility of closing down the only avenue to credit they may have. However, more can and should be done within the credit market to ensure that consumers are able to access credit in an affordable manner. Attention also needs to be given to the fact that some people can no longer afford to feed themselves and the deeper causes for this.

CAS recognises that there have been some improvements within the rent-to-own sector. However, as demonstrated in this report, consumers using rent-to-own retailers still face detriment. This is particularly concerning given their particular vulnerability. Given their vulnerability to financial shocks CAS would argue that it is especially important that they are able to access affordable credit. In order to reduce the detriment experienced by these consumers further changes are necessary. CAS advocates for the below changes. It will be of particular importance to continue exploring what options may be out there for consumers with limited resources and/or no access to affordable credit. CAS looks forward to engaging with organisations to improve the landscape for low income consumers.

**Recommendation One: Rent-to-own retailers should work with customers to assist them in improving their credit rating and ensure they are not lent more than is affordable.**

**Recommendation Two: The Financial Conduct Authority should use their regulatory powers to ensure that there is genuine competition within the rent-to-own sector.**

**Recommendation Three: The Financial Conduct Authority should take steps to reduce these high charges. This could include the introduction of a cap on total costs.**

**Recommendation Four: Rent-to-own retailers should carry out credit checks for each item a consumer wishes to purchase, regardless of whether or not they have an existing agreement with the retailer.**

**Recommendation Five: There should be a limit on the number of goods a consumer is able to access from rent-to-own retailers at one time.**

**Recommendation Six: Sales staff in rent-to-own retailers must provide all the information a consumer could require to make an informed decision, this includes stating that purchasing insurance and/or aftercare if not compulsory.**

**Recommendation Seven: The UK Government, the Scottish Government and the Financial Conduct Authority should undertake research into options available to low income consumers to access affordable credit and, if necessary, assist with their development.**

## Appendix 1: Survey questions

Questions asked by YouGov.

**Q1. For the following question, please imagine you had to unexpectedly purchase some kind of white good (e.g. a fridge-freezer, washing machine etc.) and did not have enough money available to pay for it outright...**

**Which, if any, of the following would you consider doing to obtain the item? (Please select all that apply)**

Ask family or friends if they could help with finding one I could borrow or get free  
Ask family or friends if they would lend me the money to buy one, even if it was a second-hand model

Use a credit or store card

Use a personal account with credit, with an online and/ or catalogue-based retailer (e.g. Very, Littlewoods, etc.)

Get credit from a mainstream retailer (e.g. John Lewis, Currys, Argos etc.)

Go to a 'rent-to-own' retailer (e.g. Brighthouse etc.)

Approach a charitable organisation (e.g. Bethany Trust) to see if I could get one free of charge

Apply for a Community Care Grant, or something similar, that I would have to pay back over time

Other

Don't know

**Q2. For the following question, please imagine you had to unexpectedly purchase a high value item (e.g. smartphone, TV etc.) and did not have enough money available to pay for it outright...Which, if any, of the following would you consider doing to obtain the item? (Please select all that apply)**

Ask family or friends if they could help with finding one I could borrow or get free  
Ask family or friends if they would lend me the money to buy one, even if it was a second-hand model

Use a credit or store card

Use a personal account with credit, with an online and/ or catalogue-based retailer (e.g. Very, Littlewoods, etc.)

Get credit from a mainstream retailer (e.g. John Lewis, Currys, Argos etc.)

Go to a 'rent-to-own' retailer (e.g. Brighthouse etc.)

Other

Don't know

**Q3. For the following question, please imagine you had to unexpectedly purchase an important gift (e.g. for an anniversary, birthday, Christmas etc.) at the last minute for a loved one (e.g. partner, child, parent etc.) and did not have enough money available to pay for it outright...**

**Which, if any, of the following would you consider doing to obtain the item? (Please select all that apply)**

- Ask family or friends if they could help with finding one I could borrow or get free
- Ask family or friends if they would lend me the money to buy one, even if it was a second-hand model
- Use a credit or store card
- Use a personal account with credit, with an online and/ or catalogue-based retailer (e.g. Very, Littlewoods, etc.)
- Get credit from a mainstream retailer (e.g. John Lewis, Currys, Argos etc.)
- Go to a 'rent-to-own' retailer (e.g. Bighthouse etc.)
- Other
- Don't know

**Q4. Thinking generally about the type of items you have just been asked about (i.e. white good, high-value and last minute important gifts)...**

**Please imagine you were not able to purchase any of these types of items outright, and were going to buy these types of items on some form of credit...**

**In general, which, if any, of the following would have an influence on how you would purchase these items? (Please select all that apply. If nothing in particular would have an influence for these types of items, please select the 'Not applicable' option)**

- Overall cost
- Interest rates
- Model specifications
- Length of contract
- Cost of repayments
- Choice of repayment schedule (e.g. weekly, fortnightly, monthly etc.)
- Being able to make overpayments to finish paying more quickly
- Period of interest-free credit
- Cost/ Speed of delivery (if relevant)
- Provision of a guarantee or warranty period
- Other
- Don't know
- Not applicable - nothing in particular would influence how I would purchase these types of items

**Q5. You said the following would influence how you purchase these type of items you have just been asked about (i.e. white good, high-value and last minute important gifts) on some form of credit...**

**Which ONE, if any, of the following would you say influences how you would purchase these types of items the MOST? (Please select the option that best applies)**

Overall cost

Interest rates

Model specifications

Length of contract

Cost of repayments

Choice of repayment schedule (e.g. weekly, fortnightly, monthly etc.)

Being able to make overpayments to finish paying more quickly

Period of interest-free credit

Cost/ Speed of delivery (if relevant)

Provision of a guarantee or warranty period

Other

Don't know

Not applicable - nothing in particular would influence how I would purchase these types of items

**Q6. Have you ever used a 'rent-to-own' retailer (e.g. Brighthouse etc.)?**

Yes, I have

No, I haven't

Don't know/ can't recall

**Q7. You said you have used a 'rent-to-own' retailer...**

**What, if anything, was positive about any of your experience(s) of using a 'rent-to-own' retailer? (Please type your answers in the box below, giving as much detail as possible. If you are unsure, please type 'DK')**

**Q8. You said you have used a 'rent-to-own' retailer...**

**What, if anything, was negative about any of your experience(s) of using a 'rent-to-own' retailer? (Please type your answers in the box below, giving as much detail as possible. If you are unsure, please type 'DK')**

**Q9. You said you have used a 'rent-to-own' retailer...**

**What, if anything, do you think could have improved any of your experience(s) of using a 'rent-to-own' retailer? (Please type your answers in the box below, giving as much detail as possible)**

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