

5 Access to banking services and credit

The survey looked at respondents' access to bank accounts and various types of credit.

5.1 Bank accounts

5.1.1 Ownership of a bank account

A total of 70% of respondents said that they had a bank or building society current account. However, only 32% of the sample had an account with a cheque book and a cheque guarantee card (Table 5 – 1).

Table 5-1: Access to bank accounts

	Base	Has current account	Has cheque book and cheque guarantee card	No current account
		%	%	%
Total	(410)	70	32	30
Owner occupiers	(106)	86	53	14
Social housing	(232)	66	25	34
Privately rented	(70)	60	26	40
Under 30	(131)	79	32	21
31-44	(133)	67	28	33
45-59	(72)	67	33	33
60+	(74)	61	39	38
Lone parent	(65)	63	22	37
Couples with children	(90)	74	30	26
White	(308)	66	32	34
Black	(26)	88	31	12
Asian	(58)	84	36	16
Disabled or infirm person in household	(129)	64	26	36
Working household	(198)	85	43	14
Workless household	(212)	55	22	45

Not surprisingly a higher proportion of owner occupiers (86%) had a bank account, than social housing tenants (66%). People aged over 60 were the least likely to have a bank account (61%).

Nationally, 88% of people have a current account (Family Resources Survey 2001/2002, Department of Work and Pensions). However, ownership of bank accounts was lower amongst low-income groups falling to only 70% of those with an income of below £200 pw. In this survey area only 57% of respondents with an income of below £200pw had a bank account. A study of social housing tenants conducted by the Charities Aid Foundation for Peabody Trust found a similar proportion of tenants (68%) had a current

account. These findings suggest that the level of bank account ownership by social housing tenants in this survey is typical.

When compared with other similar surveys conducted over the past few years by Salford University, the proportion of social housing tenants with a bank account in this study was slightly higher, but the proportion with a cheque guarantee card is lower, suggesting that a higher proportion of people on low incomes are taking out a basic bank account which does not give a guarantee card.

5.1.2 Not having an account and being refused an account

The main reasons for not having a bank account were that people had no money to put into an account (51% of those without an account). These were mainly people on benefits or a state pension who were ‘paid’ in cash. Others said they did not want an account or that there was no need for them to have an account.

Table 5-2: Reasons for not having a bank account

	Total
I have no money / little money to put in	51
No bank in this area	2
No point - benefits received in cash	26
No point - paid in cash	7
Afraid I might get overdrawn	3
Concerned there may be too many charges	2
Religious or ethical reasons	1
Tried to open but was refused	3
Have a savings account instead	1
None of these / don't want an account	16
Base: those without a bank account	124

A total of 16% of respondents had tried to open an account and been refused, with 8% saying this was within the last two years. Overall, 18% of social housing tenants had been refused an account compared with 8% of owner-occupiers. 6% of owner-occupiers had been refused an account in the past two years compared with 9% of social housing tenants. Black and ‘other ethnic origin’ respondents were more likely than average to have been refused an account although the numbers of respondents in these groups is small.

Table 5-3: Proportion of respondents who have been refused a bank account

	Base	Ever %	In past 2 yrs %
Total	(410)	16	9
Owner occupiers	(106)	8	6
Social housing	(232)	18	9
Privately rented	(70)	21	14
Under 30	(131)	18	15
31-44	(133)	22	10
45-59	(72)	11	6
60+	(74)	5	-
Lone parent	(65)	22	11
Couples with children	(90)	20	13
White	(308)	17	8
Black	(26)	27	15
Asian	(58)	5	5
Disabled or infirm person in household	(129)	15	6
Working household	(198)	14	10
Workless household	(212)	18	8

The main reason for not being able to open an account was a lack of identification. Reasons for being refused an account are show below in Table 5-4.

Table 5-4: Reasons for being refused a bank account

	Ever Number	Last 2 years Number
Don't know - did not say	13	5
No ID	21	14
Previous bad credit history	4	3
No job, unemployed	3	-
Had to have a minimum amount	3	-
Had debts	3	2
Have a CCJ	2	1
No British Passport	2	2
Not working	2	1
Already had another account	2	1
Could not speak English	2	2
Spelling mistake on name I put on application compared with my passport	1	1
Had an overdraft / to do with an overdraft	1	1
Thought I was a risk	1	-
Need to have another bank to prove who you are	1	1
Not lived here long enough - no credit history - use wife's account	1	1
Bankrupt	1	1
Because I had had a card stolen	1	-
House is Blacklisted	1	1
I would not have my pension paid in directly - but another bank let me have an account	1	-
Base: been refused an account	65	36

5.1.3 Awareness of a basic bank account

Recently, banks have set up what are called ‘basic’ bank accounts where people can deposit money and arrange for direct debits to pay bills. They are not issued with a cheque guarantee card. The government is anxious that more people have bank accounts as they would like benefits to be paid directly into an account rather than by cash at a post office.

Awareness of this was modest, 36% overall (Table 5 – 5). Though this is a higher proportion than found in other surveys conducted by Salford University. Awareness was higher than average amongst those in social or privately rented accommodation. A total of 45% of lone parents had heard of this type of bank account.

Table 5-5: Awareness of basic bank account

	Base	Yes – heard of it %
Total	(410)	36
Owner occupiers	(106)	31
Social housing	(232)	37
Privately rented	(70)	39
Under 30	(131)	37
31-44	(133)	41
45-59	(72)	29
60+	(74)	32
Lone parent	(65)	45
Couples with children	(90)	31
White	(308)	38
Black	(26)	46
Asian	(58)	256
Disabled or infirm person in household	(129)	36
Working household	(198)	35
Workless household	(212)	37

A total of 16% of all respondents and almost a quarter (23%) of those with a bank account said they had a ‘basic’ bank account. This is likely to be an overestimate as some of these people had a chequebook and cheque guarantee card (Table 5 – 6).

Table 5-6: Proportion of account holders who have a basic account.

	Base	Proportion of all respondents %	Proportion of account holders %
Total	(410)	16	23
Owner occupiers	(106)	8	9
Social housing	(232)	18	27
Privately rented	(70)	24	40
Under 30	(131)	20	25
31-44	(133)	20	30
45-59	(72)	13	19
60+	(74)	7	11
Lone parent	(65)	18	29
Couples with children	(90)	17	22
White	(308)	17	26
Black	(26)	35	39
Asian	(58)	10	12
Disabled or infirm person in household	(129)	19	29
Working household	(198)	16	18
Workless household	(212)	17	31

5.2 Using credit

5.2.1 Access to sources of credit

A quarter of respondents (25%; Table 5 – 7) said they had a credit card and 9% had a store card (that is a credit card to use in a specific shop). People working full-time were much more likely to have a credit card than others (54%). Respondents to this survey were only half as likely as people nationally to have a credit card (25% here compared to 52%, 2002), (Kempson et al, 2002). A total of 28% had either a credit card or a store card. This means that almost three quarters of the sample have no access to the easy credit these cards provide. 41% of households where someone was working had a credit or store card compared with 15% of workless households.

Table 5-7: Proportion of sample with a credit card or a store card

	Base	Has credit card %	Has store card %
Total	(410)	25	9
Owner occupiers	(106)	48	20
Social housing	(232)	17	4
Privately rented	(70)	17	9
Under 30	(131)	24	13
31-44	(133)	29	6
45-59	(72)	26	8

60+	(74)	20	8
Lone parent	(65)	15	3
Couples with children	(90)	29	9
White	(308)	23	9
Black	(26)	23	4
Asian	(58)	43	14
Disabled or infirm person in household	(129)	39	9
Working household	(198)	39	14
Workless household	(212)	13	5

5.2.2 Access to debit cards or cheques with guarantee cards

A total of 31% of respondents said they had a debit card such as Switch or Delta ranging from 48% of owner occupiers to 24% of social housing tenants (Table 5 – 8). A third of the sample (32%) had a cheque book with guarantee card ranging from 53% of owner occupiers to 25% of local authority tenants. 57% of households where someone was working had a debit card or cheque guarantee card compared with 27% of workless households Overall, 41% of the sample had either a debit card or a cheque book with guarantee card (many had both). However, this means that more than half the respondents (59%) had neither meaning they can only make purchases by cash.

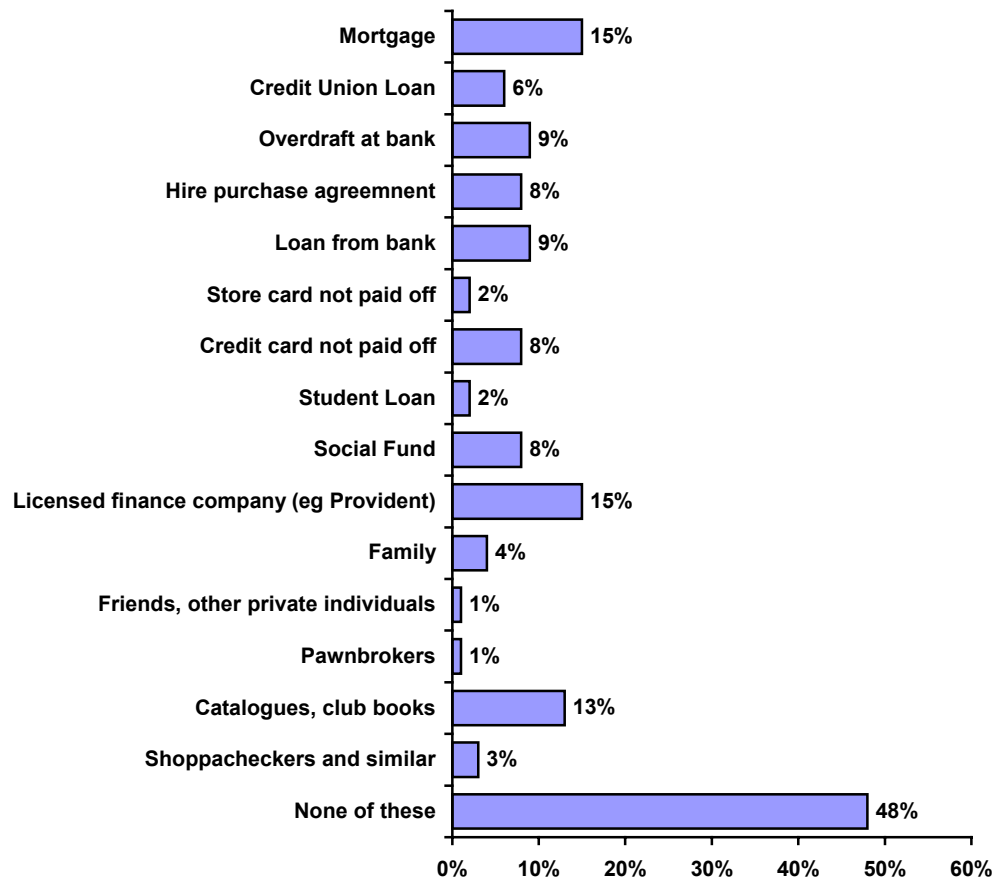
Table 5-8: Credit and debit cards

	Base	Credit card or store card %	Debit card or cheque guarantee card %	Has bank account but no credit cards, debit cards or cheque guarantee card %	No bank account and no cards %
Total	(410)	27	41	24	30
Owner occupiers	(106)	52	61	15	14
Social housing	(232)	19	34	28	34
Privately rented	(70)	20	36	24	40
Under 30	(131)	28	47	31	21
31-44	(133)	29	35	24	33
45-59	(72)	29	43	21	35
60+	(74)	23	43	14	38
Lone parent	(65)	15	25	37	
Couples with children	(90)	32	41	26	
White	(308)	26	39	22	34
Black	(26)	23	46	38	12
Asian	(58)	45	48	27	16
Disabled or infirm person in household	(129)	22	36	25	36
Working household	(198)	41	57	23	14
Workless household	(212)	15	27	25	45

5.2.3 Sources of credit used currently

Figure 5.1 shows the sources of credit used at the time of the survey. The figures are the percentages of the sample that currently have credit from that source. The use of selected forms of credit is shown in Table 5.9. Just half the respondents (52%) had some form of credit or borrowings (Figure 5 – 1). People aged over 60 were less likely to use credit (26%). Owner-occupiers (64%) were the most likely to have some form of credit (as many had mortgages, 55%). A total of 38% of owner-occupiers had some form or credit or borrowings other than a mortgage. A half of social housing tenants currently had some form or credit, as did 41% of respondents in privately rented accommodation. People aged between 30 and 44 were the most likely to have credit.

Figure 5-1: Current sources of credit



Base: complete sample (410)

As has been found in other studies (Kempson et al. 2002) lone parents are far greater users of credit than others and also tend to use expensive forms of credit. More than two-thirds of lone parents (69%) currently had credit, loans or borrowings compared to 49% of couples with children, 43% of single people or couples aged under 60 and 16% of pensioner households. Overall, 45% of respondents had one or more forms of credit or

borrowings other than a mortgage (Table 5 – 9). Social housing tenants were the most likely to use credit (49%) compared with 41% of privately renting respondents and 38% of owner-occupiers. 15% of the sample had mortgages, ranging from 9% of those aged under 30 to 22% of those aged 30-44 and 21% of those aged 45-59. Only 5% of those aged 60 or over lived in a household with a mortgage. 7% of the sample had a mortgage and no other forms of credit or borrowings.

The most popular forms of credit were loans from a licensed lender where weekly repayments are made, often on the doorstep (15%) and 13% currently had credit with catalogues or club books.

Table 5-9: Proportion of sample with selected forms of credit, excluding mortgages

	Base	One or more types of credit (other than a mortgage) %	Catalogues %	Licensed lender with small weekly repayments %
Total	(410)	45	13	15
Owner occupiers	(106)	38	13	4
Social housing	(232)	50	16	20
Privately rented	(70)	41	6	13
Under 30	(131)	49	11	19
31-44	(133)	53	17	21
45-59	(72)	49	14	8
60+	(74)	22	9	1
Lone parent	(65)	69	28	38
Couples with children	(90)	49	14	27
White	(308)	53	16	19
Black	(26)	23	-	12
Asian	(58)	22	7	-
Disabled or infirm person in household	(129)	47	16	16
Working household	(198)	51	12	10
Workless household	(212)	40	15	19
No savings at all	(150)	43	15	19
Income below £200 pw	(197)	44	16	18

Owner occupiers were more likely to use ‘traditional’ forms of credit such as bank loans, overdrafts or HP agreements (Table 5 – 10). People in social housing were far more likely than owner occupiers to use expensive forms of credit such as licensed lenders (20% compared with 4%). People with children were far more likely to use Doorstep lenders or similar companies (27%) compared with 4% of respondents without children.

A study conducted for Peabody trust by the Charities Aid Foundation also found that about half the tenants used some form of credit and that a quarter of the sample used relatively expensive forms of credit such as catalogues and licensed lenders. This study

found that 33% of respondents in social housing used these relatively expensive forms of credit suggesting that the findings from this survey are typical of social housing tenants in general.

Table 5-10: Type of credit used by tenure

	Total %	Owner occupier %	Social Housing %	Rented privately %
Mortgage	15	56	-	1
Overdraft at bank	9	9	8	11
Hire purchase agreement	8	9	8	6
Interest free loan from a store	1	2	0	3
Credit card not paid off	8	13	6	6
Store card not paid off	2	5	1	-
Loan from bank	9	15	7	3
Loan from building society	2	5	1	-
Student loan	2	1	2	6
Credit Union loan	3	1	5	-
None of above	65	37	74	77
Licensed finance company - Provident or similar	15	4	20	13
Catalogue or club books	13	13	16	6
Local shops	0	-	-	1
Shopchequers, cashchequers	3	-	4	4
Pawnbrokers	1	-	1	-
Social Fund	8	1	11	7
Loan from family	4	2	3	9
Loan from individuals	1	1	1	-
None of these	69	82	62	73
Base: complete sample	410	106	232	70

5.2.4 Levels of interest paid

In general, respondents were not clear about the amount of interest they paid. Only between a quarter and a half of people with each type of credit or borrowing claimed to know what interest they were paying. Overall, of the 293 instances of credit covered by this question, the interest rate was known by 39% (Table 5 – 11). However, some of these were probably incorrect. For example, some respondents who thought they knew the interest rate of the Provident thought it was under 20%. All those who thought they knew the interest rate for their catalogues thought it was under 5%. Though some respondents, even if they do not know the exact rate do know they are paying a high interest rate (Table 5 – 12).

Table 5-11: Proportion of borrowers knowing the interest rate paid

	Number of respondents with that type of credit	Know interest rate %
Overdraft	37	32
HP agreement	32	28
Credit card	32	56
Store card	7	-
Bank loan	35	31
Building society loan	7	57
Credit union loan	12	33
Licensed lender (such as Provident)	60	60
Catalogues or club books	55	25
Shoppachequers, cashchequers	12	33
Pawnbrokers	3	33

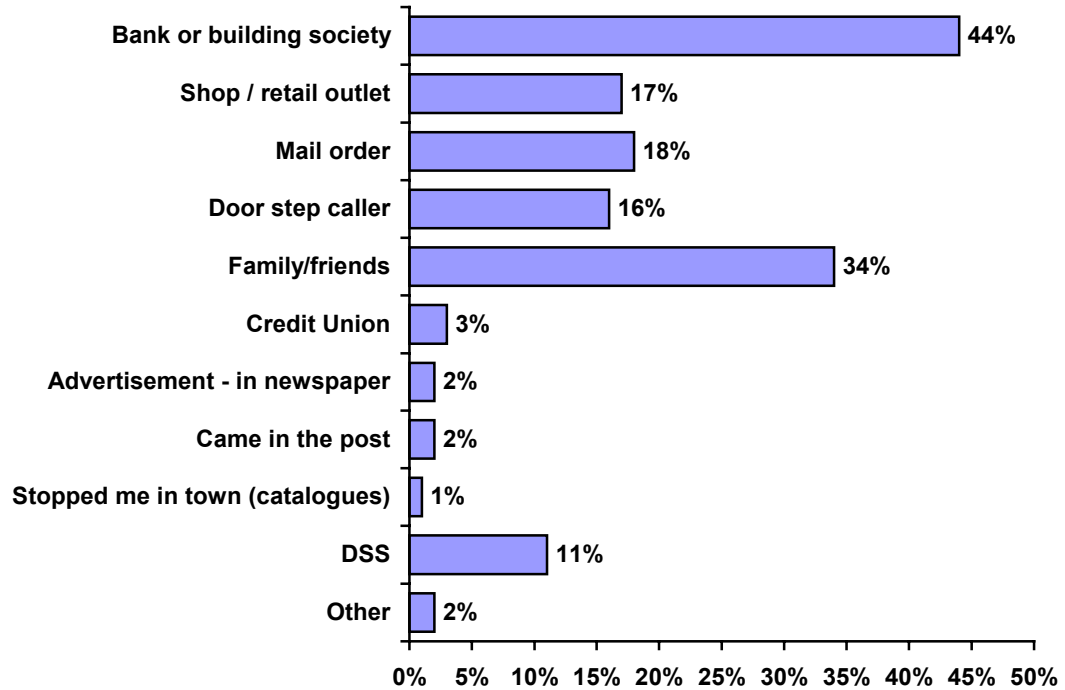
Table 5-12: Interest rates respondents think they are paying

	Number of loans	Number saying they know the rate	0-10%	11-24%	25-49%	50-99%	100% +
Overdraft	37	12	83%	17%	-		
HP agreement	32	9	33%	33%	33%		
Credit card	32	18	22%	67%	11%		
Store card	7	0	-	-	-		
Bank loan	35	11	45%	45%	9%		
Building society loan	7	4	50%	50%	-		
Credit Union loan	12	4	50%	50%	-		
Licensed lender - such as Provident	60	36	6%	8%	39%	47%	-
Catalogues / club books	55	14	100%	-	-	-	-
Shoppachequers/Cashchequers	12	4	-	-	25%	50%	25%
Pawnbrokers	3	1	-	-	100%	-	-

5.2.5 Contacting lenders

Figure 5 –2 shows how respondents contacted their lenders. This question was not asked for each type of credit individually because the questionnaire would have become too complicated. Some people had more than one type of credit, therefore the mode of contact for each type of loan cannot be determined.

Figure 5-2 : How respondents made contact with the lender



Base: those with at least one type of credit or borrowing, excluding mortgages (189)

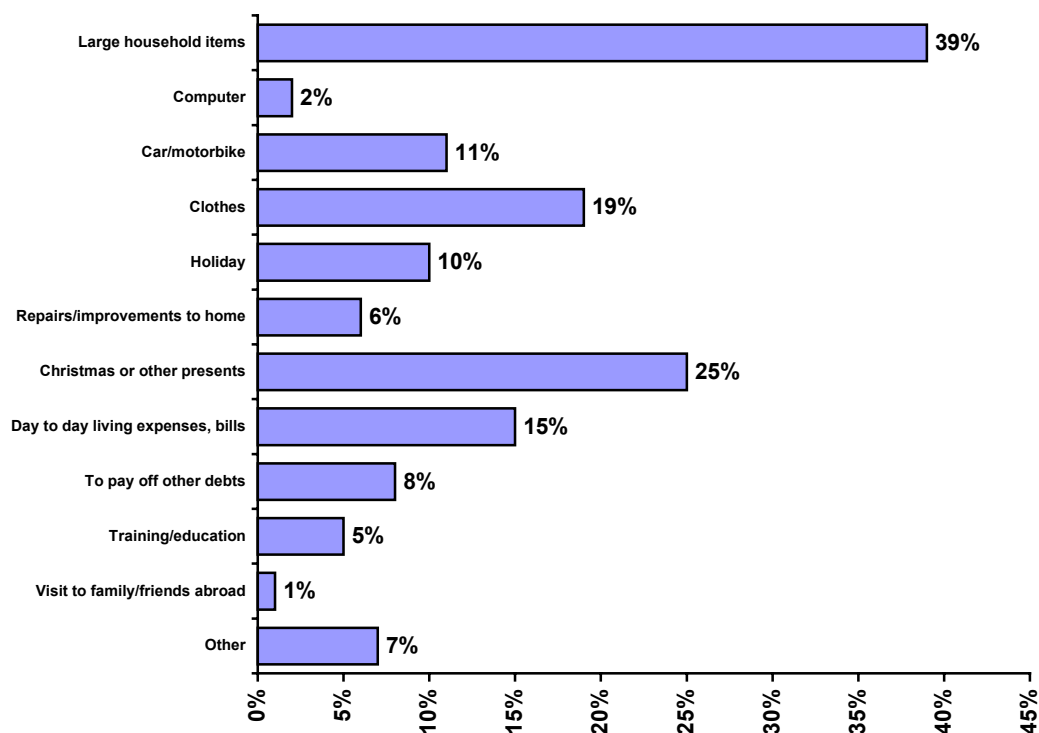
Just under half of those who had credit or borrowings (44%) had made contact through a bank or building society. One in three said that they had contacted the lender through family or friends (or had been told about this source by family or friends). Very few had responded to advertisements. People with loans that are repaid weekly were likely to have found this through friends or family or a doorstep caller.

5.2.6 Purpose of loan or credit

Figure 5 – 3 shows the reasons why people had taken out a loan or used credit. More than one in three (39%) of those who had credit or borrowings other than a mortgage had used the credit to buy large household items such as furniture or kitchen goods and 11% to buy a car or motorbike. A total of 19% of those with credit said it was to buy clothes and 10% for a holiday. Given that the survey was conducted in January, a quarter of those with credit said it was to buy Christmas or other presents.

However, 15% of those with credit or borrowings said this was to cover day to day living expenses or household bills such as electricity (this represents 7% of the sample). If those with student loans are excluded, 12% of those with credit said it was for day to day living expenses. A total of 8% of those with credit said this was to pay off other debts (which represents 4% of all respondents). Overall, 10% of all respondents have credit or borrowings to pay household bills or to pay off other debts. This rose to almost one in twelve (13%) of couples with children (Table 5 – 13).

Figure 5-3: Purpose of credit or borrowings – all who have credit (excluding mortgages)



Base: all who have credit or borrowings excluding mortgages (189)

Note: sums to more than 100% as people may have credit for more than one reason

Table 5-13: Proportion of sample who have credit to pay household bills/general living expenses or to pay off debts – complete sample including those who have no credit

	Base	Credit for living expenses, household bills or to pay off debts %
Total	(410)	10
Owner occupiers	(106)	5
Social housing	(232)	12
Privately rented	(70)	16
Under 30	(131)	13
31-44	(133)	11
45-59	(72)	11
60+	(74)	4
Lone parent	(65)	9
Couples with children	(90)	13
White	(308)	12
Black	(26)	12
Asian	(58)	7
Disabled or infirm person in household	(129)	12
Working household	(198)	13
Workless household	(212)	8
No savings at all	(150)	13

Base: complete sample including those who currently have no credit or borrowings

5.2.7 Reasons for choosing a particular form of credit

When asked why they had chosen this particular form of credit, the most frequently given response was that it was easy or convenient. Others said it was the best interest rate at the time. Others, mainly those with catalogue or club book credits mentioned they liked being able to make small regular payments. Many respondents said they used a source of credit recommended to them by friends or family. Some respondents had relatives who ran catalogues. Other reasons are shown in Table 5-14 – 5-21.

Table 5-14: Reasons for choosing bank loan – unprompted

Bank loans	Number making response
Good deal, good rate	15
Was offered, was arranged by bank/shop/garage	3
It is easy (vague)	6
Been with bank/organisation a long time	14
Trustworthy lender	2
My overdraft got too big so bank put it on a managing loan	1
Consolidated all the debts	2
Base: number of loans	42

The main reason respondents chose a bank loan was that the rate was good or they had been with that bank for some time.

Table 5-15: Reasons for choosing overdraft – unprompted

Overdraft	Number making response
Good deal, good rate	1
It is easy (vague)	4
Been with bank/organisation a long time	7
Easy - overdraft was part of the bank account	24
Base: number of loans	37

The main reasons for using an overdraft were that they were offered the facility as part of their bank account.

Table 5-16: Reasons for choosing credit card/store – unprompted

Credit card / store card	Number making response
Good deal, good rate	2
Was offered, was arranged by bank / lender	7
It is easy (vague)	12
Been with bank/organisation a long time	3
Gave you 10% off when opened account	1

Had a bank account and they just gave me one	3
Easy - it is there when you need it	8
Base: number of loans	36

The main reason for using a credit card or store card was that it was easy, that it was there when you needed it or that they had been offered it by the bank or store.

Table 5-17: Reasons for choosing hire purchase – unprompted

Hire Purchase / HP	Number making response
Good deal, good rate	3
Was offered, was arranged by shop/garage	20
It is easy (vague)	5
Interest free	1
At the time all I could get	1
Been with organisation a long time	1
It is what I have always done	1
Did not need to pay a deposit / no cash to pay outright	1
Base: number of loans	32

The main reason for using Hire Purchase was that they were offered the deal in the shop or garage.

Table 5-18: Reasons for choosing licensed lender such as Provident where they often collect weekly at the door – unprompted

Licensed lender	Number making response
Recommended by friend/family	15
It is easy (vague)	12
At the time all I could get, nowhere else to go	10
He came to house and I needed the money	9
Known him for years	4
Easy - they collect from the door	4
Easy installments, small weekly payments	3
Was offered, was arranged by shop/garage	1
So I can get the cash quickly	1
Trustworthy lender	1
Knew the collector	1
Good deal, good rate	1
Don't do a credit check	1
Can get it quickly	1
Base: number of loans	60

The main reasons given for using a licensed lender were that it was recommended to them by family or friends, that it was easy, that it was all they could get or that the collector knocked on the door when they needed some money. Others mentioned that it

was easy to pay in small weekly instalments, it was convenient that they collected from the door or that they had known the collector for a long time.

Table 5-19: Reasons for choosing catalogues or club books – unprompted

Catalogues, club books	Number making response
Easy instalments, small weekly payments	19
It is easy (vague)	18
Recommended by friend/family	6
Can shop at your leisure - no hassle	5
Good deal, good rate	2
Interest free	2
It is what I and my mother have always done	2
At the time all I could get	1
Been with bank/organisation a long time	1
Leaflet through door - offered £10 off	1
Can get it quickly	1
Stopped me in town	1
Wrote to me	1
Able to get reasonable/good quality items	1
Base: number of loans	55

The main reasons for using catalogues/club books were that it was easy to pay in small weekly instalments; it was easy; that it had been recommended by family/friends; or, it was just a hassle free way of shopping.

Table 5-20: Reasons for choosing pawnbrokers and other lenders – unprompted

Pawn brokers / other lenders such as Shoppacheckers	Number making response
Recommended by friend/family	6
It is easy (vague)	3
Easy - they collect from the door	1
Interest free	1
At the time all I could get	1
Been with bank/organisation a long time	1
Easy - they ask no questions	1
Use Shoppacheckers so I can get the cash quickly	1
Base: number of loans	14

Although only a small proportion of the sample, the most common explanation for using pawnbrokers was that a friend or member of their family recommended it.

Table 5-21: Reasons for choosing social fund – unprompted

Social Fund	Number making response
Interest free	12
It is easy (vague)	8
What you when you are on income support	5
Easy instalments, small weekly payments	3
At the time all I could get	2
Done this before	1
Recommended by friend/family	1
All you can get when on social	1
Base: number of loans	31

The main reasons for using the Social Fund was that it was interest free, it was easy, you could repay in small instalments and ‘it is what you do when you are on the social.’

Respondents with credit were then shown a list of possible reasons for choosing that source (Table 5 – 22). The most frequently cited reasons were that one could make small regular repayments, it was available locally and the interest rate was low. However 19% of people with credit, rising to 27% of those in social housing said it was because they collected from the door. Almost half those in social housing liked to make small regular repayments.

Table 5-22: Reasons for choosing a particular form of credit – prompted

	Total	Owner occupier	Social Housing	Rented privately
Low rate of interest	26	32	22	28
Able to borrow relatively small sums	14	7	17	21
Did not need security of guarantees	15	10	17	14
Available locally	27	19	32	21
Small regular repayments	32	12	46	28
It is convenient - come to the door to collect	19	4	27	21
I know collector or catalogue person	6	-	10	7
Other / none of these	25	29	21	31
Base: all with some form of credit/loan/borrowings	213	68	115	29

5.2.8 Levels of credit loans or borrowings

Respondents were asked to say what their total level of credit, loans or borrowings were, excluding mortgages. The actual amount of credit does not necessarily correlate with an ability to repay. For example, some households where people were in paid employment had loans to buy a car. These figure in the higher levels of credit in Table 5 – 23 but in most cases these would be responsible borrowing and not a problem loan.

In other instances, a relatively small loan might take a disproportionately large amount of a household's income to repay, particularly if the interest rate was also very high. A number of respondents refused to give this information or said that they did not know. One respondent who was in financial difficulties said: *"I would not like to go into it – thinking how much money we owe. All I know is it is costing us £900 per month."* In this household, both partners were working but in jobs with a low income.

Table 5-23: Current level of borrowings

	One or more loans, borrowings %		Complete sample %
£100 or less	11		5
£101-£250	11		5
£251-£500	15		7
£501-£1000	17		8
£1001-£2500	10		5
£2501-5000	10		4
£5001-£10,000	6		3
More than £10,000	4		2
Refused to say / did not know	16		7
None - mortgage only	-		7
No current credit	-		48
Base:	186		410

Overall, 5% of the sample had borrowings of less than £100 and 10% less than £250. However, 5% of the sample overall had borrowings (excluding mortgages) in excess of £5000. The total amount of credit for the 156 respondents who gave a figure was about £350,000, an average of £2,250 per household. The average level of credit figures are skewed by the small number of households with large borrowings, with 63% of those giving a figure having borrowings of £1,000 or less. In general, households where people were in paid employment owed more money than those in workless households. Owner-occupiers on average had larger levels of borrowing than those in rented accommodation (these figures exclude mortgages).

Table 5-24: Average level of borrowings – base those who gave a figure for the level of borrowings (excluding mortgages)

	Average borrowings
Total	2250
Owner occupiers	4450
Social housing	1730
Privately rented	1325
Working household	3535
Workless household	850
Lone parents	1375

Couples with children	3175
Income below £200 pw	1500
Income above £200 pw	3872
In receipt of welfare benefits	1775
No benefits	3650

Note: average borrowings is the total amount borrowed divided by the number of respondents in that sub group. Figures look high because of a small number of respondents with high levels of borrowings. 63% of all respondents giving a figure had borrowings of less £1000.

Table 5 – 25 compares the level of borrowings for this sample and that for the country as a whole (Kempson et al. 2002). It shows a remarkable level of agreement apart from the higher proportions of people with higher amounts of credit in the national sample. This is to be expected as this study was conducted in such a low-income area.

Table 5-25: Amounts owed (excluding mortgages, this study compared with the national situation)

	This study %	National %
Nothing	55	53
Up to £500	17	16
£500 -£1500	9	7
£1500-£3000	3	5
£3000 to £7000	5	7
£7000 to £10000	1	3
More than £10,000	1.5	4
Refused to say / did not know	7	4
Base:	410	1647

Note: national figures Kempson et al, DTI, Overindebtedness in Britain, 2002

5.2.9 Asking and being refused credit

A total of 9% of respondents have been refused a loan or credit in the past two years (Table 5 –26). Overall, 24% have been given any credit they wanted and 67% said they had not asked for any credit. People renting were more likely to have been refused credit than owner-occupiers. Owner-occupiers and people in households where someone is employed were more likely than others to have asked for credit and to have been given what they wanted. People aged over 60 were unlikely to have asked for credit and no respondents in this age group had been refused credit. Lone parents were the most likely to have asked for credit.

Table 5-26: In the past two years have you been refused a loan or credit?

	Base	Been refused credit %	Got credit asked for %	Not asked for credit %
Total	(410)	9	24	67
Owner occupiers	(106)	3	30	67
Social housing	(232)	10	22	67
Privately rented	(70)	11	21	67
Under 30	(131)	12	25	62
31-44	(133)	12	29	59
45-59	(72)	4	26	68
60+	(74)	-	12	88
Lone parent	(65)	9	40	51
Couples with children	(90)	12	29	59
White	(308)	9	29	62
Black	(26)	15	8	77
Asian	(58)	2	14	84
Disabled or infirm person in household	(129)	7	23	69
Working household	(198)	9	29	62
Workless household	(212)	8	20	71
No savings at all	(150)	11	19	69
Income below £200 pw	(197)	9	23	68

When asked why they thought they had been refused credit over a third (37%) said they did not know or had not been given a reason (Table 5 – 27). A total of 20% respondents said it was because they had a poor credit history and 11% because they had no credit rating. Other reasons are listed in Table 5-27.

Table 5-27: Table 4.29 Reasons for being refused credit

	Total %
Don't know, they didn't tell me	37
Bad credit history	20
No credit rating	11
Have CCJ	9
We are in debt/too much loan already	3
Not on electoral roll	3
Not working so cannot pay it back	3
Had not allowed original loan to run long enough before asking to top it up	3
Was registered homeless	3
Only working part-time	3
My age (young)	3
Was in a flat, don't like to loan to people in a flat	3
Bankrupt (some years ago)	3
This address had a bad credit rating	3
Will only give a secured loan and for that need 3yrs of pay slips	3
Base: those refused credit in past 2 years	35

Note: 3% means 1 respondent