What does 2022 hold for financially vulnerable households in the UK?

January 2022

Registry Trust Ltd

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EXECUTIVE SUMMARY 01

The position of financially vulnerable households at the beginning of 2022 looks bad – and the current data does not yet factor in the effects of the looming cost of living crisis, the impact of the Christmas period, or the potential further economic side-effects of Covid-19.

As the not-for-profit organisation which maintains the Register of Judgments, Orders and Fines, Registry Trust data (see page 18 for more about us) is an important indicator of the state of the economy and household finances in the UK & Ireland. Approximately 1 in 13 UK adults (4.1 million people) have an outstanding County Court Judgment (CCJ) debt. This impacts their credit rating and can make it difficult for them to access credit, insurance, utilities, telecoms, housing, and employment, leaving them financially vulnerable. Currently, just 16% of CCJs are marked as 'satisfied' on the Register (settled in full with proof of payment sent to the courts by the defendant) and this proportion has been falling.

From our data and other recent research, we can see that almost no progress has been made in promoting financial inclusion and building financial resilience amongst financially vulnerable households since the last great economic shock in 2008. The disparity in the experiences of different groups of households in different regions is a feature of the Covid-19 crisis. For the most financially vulnerable, it is just the end of the beginning of the financial crisis with many still in the economic survival phase or just starting to repair and rebuild their finances.

This report focuses on their needs. It identifies three separate, interconnected, strategic goals for government, policymakers, regulators, the financial sector, and civil society organisations to collaboratively address:

- Deal with the existing financial crisis facing households and protect them from further financial harm;
- Help affected households repair their finances; and
- Promote financial resilience against future financial shocks.

Access to affordable consumer credit will be an important part of the post-Covid-19 recovery but there a number of challenges currently facing financially vulnerable consumers relating to this:

- Concerns about access to debt advice;
- The lack of a financial safety net;
- The year of the squeeze' (cost of living crisis);
- Lack of progress on alternatives to mainstream credit and innovation in the sector;
- Long-term negative impact of short-term forbearance on credit files; and
- Low rates of CCJ debt 'satisfaction'.

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CALLS TO ACTION

There are some fairly small steps relating to the Register of Judgments, Orders and Fines which Registry Trust maintains that could have a big impact on financially vulnerable households in 2022:

1.Require creditors to notify the courts when a CCJ debt has been repaid as part of treating customers fairly obligations.

2.Make information about partial settlement of CCJ debts available.

3.Publish claimant data on the Register of Judgments, Orders and Fines to promote corporate accountability as households struggle to rebuild their finances.

4.Use data more effectively to target interventions for the financially vulnerable.

INTRODUCTION & BACKGROUND 03

We need to understand the precarious position of financially vulnerable households at the beginning of 2022 to recognise the scale of the challenges ahead of policymakers, regulators, the financial services sector, and civil society organisations if they are to:

- Deal with the existing financial crisis facing households and protect them from further financial harm;
- Help households repair their finances; and
- Promote financial resilience against future financial shocks.

To do this, this report looks at:

- Key data on debt, household arrears, and financial vulnerability;
- The state of the consumer credit market; and
- Challenges facing vulnerable consumers in accessing support and affordable credit.

Millions of households went into the Covid-19 economic crisis already in a vulnerable financial position. The pandemic affected the finances of households in different ways. Indeed, some saw their financial position improve as they were able to cut their spending and save money. But, for every household that saw an improvement, two households saw their position deteriorate. Moreover, the current data does not reflect the impact of the anticipated cost of living crisis, which is expected to hit hard in 2022, or even the impact of the Christmas period on household finances. Nor do we yet know what the full impact of the latest Covid-19 variant, Omicron, will be on the economy and jobs.

The immediate priorities are helping those households who are already in financial difficulty and protecting households most exposed to the coming cost of living crisis. But we must also think about the post Covid-19 economy. Sustained efforts are needed to pre-empt and prevent future financial crises by helping households build financial resilience.

The economy recovered from the 2008 financial crisis. But there is no automatic link between economic recovery and a recovery in household finances. Post 2008, almost no progress has been made in promoting financial inclusion and building financial resilience amongst financially vulnerable households. Will things be different this time around? Can we learn lessons from past experience?

What is clear is that it will take a major collaborative effort on the part of policymakers, regulators, and civil society organisations. Central to that effort will be the role of data in helping us understand the challenges and, critically, where to target policies so they have the greatest impact.

04 THE COVID FINANCIAL CRISIS

THE FOUR PHASES OF THE COVID ECONOMIC AND FINANCIAL CRISIS

1. Emergency Phase:
Government and regulators introduced set of measures (furlough, business grants, payment holidays etc) – and creditors exercised forbearance to protect households.

2. Survival Phase:
Emergency measures wound down; vulnerable households need to survive financially.

3. Recovery Phase:
Recovery in economy (as measured by conventional indicators such as GDP) eventually feeds through to sustained recovery in household finances.

4. Restructuring and Rebuilding Phase:
Challenges that lie ahead in protecting household finances against the risk of future economic and financial shocks.

On the positive side, the overall economy, as measured by GDP [1], has bounced back. Moreover, the much feared large rise in unemployment as a result of the Covid-19 economic crisis did not materialise. Many households not only escaped being financially affected by the Covid-19 crisis, but ended up better off as can be seen by the huge increase in the savings ratio.

But there is no room for complacency. As mentioned, we do not yet know what the full impact of the ongoing Covid-19 pandemic will be. Even if the latest developments turn out to have comparatively limited impact, the headline economic data conceals some very worrying patterns with regards the position of financially vulnerable households.

As outlined below, the disparity in the experiences of different groups of households is a feature of the Covid-19 crisis. For the most financially vulnerable households, it is just the end of the beginning of the financial crisis with many still in the economic survival phase or just starting to repair and rebuild their finances. This report focuses on their needs.

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THE STATE OF HOUSEHOLD FINANCES 05

So, what do we know about the current state of household finances? A recent major research report by Joseph Rowntree Foundation paints a very worrying picture [2]. To begin with, 3.8 million (33%) of low income households (LIHH) [3] are in some form of arrears on housing/ utility/ state debt/ personal borrowing – this adds up to £5.2bn worth of bills. The number of LIHH in arrears has tripled. Looking specifically at consumer debt, 4.4 million (38%) of LIHH took on new or increased borrowing during pandemic. 69% of those in arrears had taken on new, or increased, debt.

LIHH arrears by category	Amount
Household bills	£3.4bn (£1.4bn utilities and telecoms)
Personal lending	£1.96bn (£160m mortgage)
Council tax	£750m
Tax/fines to Local Government	£570m
Rent	£440m
Other bills	£70m
Total	**£5.2bn**

Seven in 10 (2.7m) of those in arrears have more than one type of arrears, while 35% (1.3m) have three or more types of arrears. LIHH on Universal Credit (UC) have been especially hard hit – seven in 10 were facing arrears even before full impact of Covid-19 was felt.
For every household that saw its financial situation improve since the start of the pandemic (21% of all UK households), two households saw their financial situation get a little or a lot worse (38%).

The research found that the position is particularly bad for households who receive UC (including those in work). Even before the cut of £20 to UC took effect, 68% of households receiving the benefit saw their financial situation get worse over the past 18 months, compared to 40% of rest of working-age population. 40% of LIHH on UC are not confident they will be able to pay future bills on time and in full. Half are planning to cut back on essential spending to manage budgets.

Another major report reinforces the plight of households on UC.[3] This report found that the financial outlook is poor for 3.4 million (83%) households who receive UC. These households are nearly three times as likely to struggle to pay for food and/ or bills as working age households overall (42% compared to 15%) and twice as likely to have to borrow to pay for essentials (35% compared to 16%).

Overall, 42% of households on UC are considered to be in serious financial difficulty compared to 12% of general non-retired households. The precarious position faced by households on UC is down to the fact that they were often in financial difficulty before Covid-19 and have seen their finances deteriorate further during the crisis.

THE STATE OF HOUSEHOLD FINANCES CONT...

The position of specific groups

Specific groups are more likely to be in a financially vulnerable position. Ethnic minority households much more likely to be in arrears on housing/ utility/ state debt/ personal borrowing – 56% compared to 29% of white households [5].

Another group of people who are particularly vulnerable are private renters. They are much more likely to be overindebted than homeowners - they are nearly twice as likely as those with a mortgage, and five times as likely as those who own outright, to have debts worth six months of their income (the proportions with this level of debt are 10%, 6%, 2% respectively) [6].

Perhaps not surprisingly, the self-employed were vulnerable to the economic impact of Covid-19. Government research found they were three times as likely to report reduced income and twice as likely to use savings to cover living costs compared with employees [7].

The same research found that younger people have also been more likely to face difficulties. The under 30s were consistently more likely to report a reduction in their income (15%) than the over 60s (5%). Younger people are also less financially resilient than older age groups – 47% of the under 30s said they could afford an unexpected expense compared with 71% of the over 60s [8].

As has been widely documented by Money and Mental Health Policy Institute and others, people with mental health conditions are more likely to be in financial difficulty [9]. They are one fifth more likely to have debts, twice as likely to be behind on a household bill, and two-thirds more likely to be behind on council tax [10]. Similarly, people with 'problem debt' are 24% more likely to have poor mental health [11]. Dealing with a mental health issue can make it more difficult to manage finances, while getting into financial difficulty can exacerbate mental health problems, so creating a vicious cycle.

THE STATE OF HOUSEHOLD FINANCES CONT... 07

CCJs as a real-time indicator of financial vulnerability

County Court Judgments (CCJs) are issued against consumers who are unable to repay debts so the number on the Register of Judgments, Orders and Fines (maintained by Registry Trust) at a given point is an important indicator of the state of the economy and household financial vulnerability. It also reflects creditor attitudes towards those in debt/ arrears and legal and regulatory protection given to those in financial difficulty.

The number of CCJs issued against consumers fell dramatically in 2020 due to furlough, regulatory measures, and creditor forbearance – see Emergency phase, above. But the number of CCCJs registered rose by 116% in Q3 2021 compared to Q3 2020, and are up 36% year on year [12] . This is not back to the pre-pandemic peaks, but we are seeing shades of the patterns post-2008 [13].

Approximately 1 in 13 UK adults (4.1 million people) have one or more of the 5.6 million outstanding County Court Judgment (CCJ) debts currently on the Register of Judgments, Orders and Fines [14]. This impacts their credit rating and can make it difficult for them to access credit, insurance, utilities, telecoms, housing, and employment, leaving them financially vulnerable.

The data on the Register also provides an indication of the extent to which consumers have been able to deal with outstanding debts. Currently, just 16% of CCJs are marked as 'satisfied' on the Register (settled in full with proof of payment sent to the courts by the defendant) and this proportion has been falling [15].

There are significant differences in the numbers and rates [16] of CCJs registered at Local Authority level. Local Authorities with high private rents correlate with high rates of CCJs amongst the population [17]. Similarly, local authority areas with higher rates of UC take-up saw higher rates of CCJs [18]. Registry Trust analysis of 10 years' worth of its data found that the likelihood of getting a CCJ is four times greater for people living in the most deprived Local Authorities in the country compared to those living in better off areas. The analysis found a strong positive correlation between higher rates of CCJs and higher levels of over-indebtedness and lower levels of disposable income [19].

Post the 2008 financial crisis, household experiences as measured by CCJ rates, were very different not just between regions but within regions, and between Local Authorities [20]. Will post Covid-19 see similar patterns?

08 THE STATE OF HOUSEHOLD FINANCES CONT...

Using data to target policy interventions

Of course, correlation is not the same as causation, but the major research reports discussed above, and Registry Trust's analysis of millions of its records, must give us a good idea of which groups of households and areas of the country are particularly financially vulnerable. It can help us target policy interventions as it shines a light on where support is most needed to protect households from further financial harm, and to help repair finances and build resilience against future financial shocks.

Worse to come?

It is also important to note that the above data does not factor in the full impact of the looming cost of living crisis on household 'balance sheets'. There are a number of factors coming together to create potentially serious problems for financially vulnerable households. Changes to the tax and benefits system and stagnating, or indeed falling, real wages (once adjusted for inflation) threaten to further squeeze household incomes. As outlined below, real wage stagnation is expected to continue until the middle of this decade.

The recent increase in energy prices has attracted significant attention with analysts estimating that typical household bills could rise by more than £700 to £2,000 a year [21]. And, of course, the increase in bills will affect households in different ways. LIHH already spend a higher proportion of their expenditure on energy bills than better off counterparts. They face a bigger increase in the share spent on energy bills than better off households when the energy price cap is increased in Spring 2022 [22].

So, looking at the current state of play and the prospects for living standards and real wages, it is realistic to assume that we will see a further deterioration in the position of financially vulnerable households – unless we see major government and regulatory interventions to protect them.

THE STATE OF THE CONSUMER CREDIT MARKET

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Access to affordable consumer credit will be an important part of the post-Covid-19 recovery. So, it is worth considering the current state of the consumer credit market, latest developments, and the factors that might affect access to affordable credit for financially vulnerable households.

The cost of 'mainstream' consumer credit, as measured by the cost of new borrowing on credit cards and overdrafts), has risen significantly. At the end of November 2021, typical credit card rates on new borrowing stood at 21.48% - this was highest level since 1999. To put this in context, the average cost over the previous 10 years was 18.6%, and over the previous five years 19.6%. Overdraft rates have risen even higher. Typical overdraft rates stood at 33.8% - compared to the 10 year average of 21.8%, and five year average at 24% [23].

High cost credit is used by over 3 million consumers [24]. But the market has been contracting since the clampdown on payday loans and tougher regulation. It was estimated that 1,400 consumer credit firms were either refused authorisation or withdrew their application since the Financial Conduct Authority (FCA) began regulating consumer credit in 2014 [25].

The need for affordable credit is greater than the numbers who currently use high cost credit. 11 million people need support in accessing cheaper or more sustainable forms credit (this includes three million stuck in persistent debt, and 4.5 million on stable but low incomes) [26]. Other research suggests there could be between 10 million and 14 million people who may find it difficult to access credit from mainstream sources – this amounts to one quarter of the total adult population [27].

17 million consumers have now used buy now, pay later (BNPL). The fastest growth appears to be amongst 40-50 year olds, rather than younger people [28]. Note that much of the use of BNPL will be payments – that is, consumers paying for purchases immediately rather than getting into debt. Nevertheless, it represents a significant growth. Salary advance schemes have come to market. The concern with the new debt products is not so much about high APRs or hidden fees but that the way they are marketed can encourage over-consumption of debt.

Other recent developments include 'low and grow' or 'credit builder' products, designed to help consumers build their credit score and enable them to access cheaper credit later. We do not have data on the size of this emerging sector or evidence on the extent to which these products are indeed helping vulnerable consumers transition to mainstream credit.

10 CONSUMER PROTECTION CHALLENGES

So, as we begin 2022, what challenges do we face in protecting financially vulnerable consumers from further detriment, helping them repair their finances, and build resilience against future economic shocks?

Concerns about access to debt advice

Clearly, access to debt advice will be important for those consumers who are overindebted. But concerns have been raised that changes to the way debt advice charities are funded could lead to reduction of 50-60% in face-to-face debt advice services [29].
It is worth noting that Registry Trust analysis shows a strong correlation between low levels of face-to-face debt advice and high CCJ rates [30].

Of course, face-to-face debt advice is not the only option. Much work is being put into developing online advice which is considerably cheaper to deliver. It is too early to say whether this will offset the impact of a reduction in face-to-face advice. We must hope that the current plans do not reduce the overall availability of good, independent debt advice.

The lack of a financial safety net

In an ideal world, households would have built up sufficient savings or have insurance to cushion against financial shocks, such as having to meet unexpected bills or to pay for consumer products that might make a difference to their lives (for example, buying a more energy efficient cooker/ fridge).

But, even before Covid-19 hit, millions of people had no/ little savings to fall back on – 11.5 million had less than £100 in savings [31]. So they went into the crisis in a very financially vulnerable position. It is perhaps no surprise then that the number of LIHH in arrears has tripled (see above).

It would also seem that those LIHH with savings coming in to the crisis experienced a worse hit than higher income households. Several research reports point to the Covid-19 economic shock affecting the savings of lower income households more than better off households [32]. Lack of insurance is also a major problem. 15.8 million adults have contents but no contents insurance. Again, specific groups are disproportionately affected - 10.5 million renters lack cover (5.1m social housing, 5.4 private rented sector) compared to 5.2m owner-occupiers. 81% of 'Generation Rent' aren't covered [33].

CONSUMER PROTECTION CHALLENGES CONT...

The year of the squeeze'

It will take some time before interventions to help people build a savings cushion or take out insurance against future financial shocks pay dividends. Until then, facilitating access to fair and affordable consumer credit will remain a critical part of protecting households and building a bridge to wider financial inclusion and resilience.

As outlined above, before the crisis, it was estimated that 11 million people need support in accessing cheaper or more sustainable forms credit. It would seem sensible to assume that the numbers who need access to affordable credit remain high. A number of factors will determine the level and terms of access to affordable credit for consumers – including economic conditions and disposable income levels, lenders' willingness to provide credit and market capacity, regulatory requirements, and how lenders make decisions including the role of technology.

The immediate and medium-term future for disposable incomes does not look good. According to analysts, 2022 is set to the 'year of the squeeze'. Real wages, on average, are expected to see no growth over the year. Taking into account tax rises and rising energy bills, unless we see government and regulatory interventions, households are facing a typical income hit of around £1,200 a year from April 2022 [34]. And as mentioned, the increases in energy bills are expected to hurt lower income households disproportionately more.

Looking at the medium term, the picture is also dispiriting. Real wage growth in the 2010s was weak – indeed, it was the weakest decade of growth since the Napoleonic Wars. But this stagnation is expected to continue until the middle of this decade. This means that, by then, we would have seen two decades of stagnating wages – the longest period in recorded economic history [35]. Lenders did increase availability of unsecured credit in 2021, after sharp contractions in 2020. But default rates are expected to increase, and credit quality to decline [36].

Lack of progress on alternatives to mainstream credit and innovation in the sector

Under the FCA, regulation of consumer credit is certainly much more robust. As outlined above, around 1,400 consumer credit firms have left the market due to the tougher authorisation and ongoing supervision regime. Furthermore, the FCA now requires lenders to undertake affordability assessments before making loans. This is the right approach, but it

CONSUMER PROTECTION CHALLENGES CONT...

implications for the ability of millions of lower income, 'higher risk' consumers to obtain access to credit from 'mainstream' lenders. But, what about alternatives to mainstream credit or innovation in the sector? Is this filling the gap?

Alternative, non-profit lenders including credit unions have not made significant inroads. The value of credit union loans outstanding at the end of Q2 2021 (the latest available data) was £1.62bn – slightly down on the £1.63bn at the end of 2020. The majority of the value (£917m) is accounted for by loans made in Northern Ireland (£586m) and Scotland (£331m). England, by far the largest population in the UK and where the greatest need for loans is, accounts for just £678m [37].

As mentioned above, we do not have evidence on the size of the 'low and grow' or 'credit builder' credit product sector or whether these are successful at helping consumers build their credit score and enable them to access cheaper credit later on. Nor do we know how many low income consumers are being helped by BNPL products.

Open Banking was heralded as enabling a move away from traditional credit scoring models and address the needs of consumers with thin credit files or those who are self-employed. Moreover, it has been suggested that Open Banking has the potential to reduce operating costs by allowing firms to make more accurate lending decisions which could then encourage more innovative credit providers to enter the market to offer alternative forms of credit. There has certainly a great deal of attention given to Open Banking but it is not all clear that it has made, or will make, a significant difference in terms of improving the numbers of LIHH who can access more affordable credit. Most of the customer activity relating to Open Banking focuses on general transactional banking rather than provision of consumer credit.

Across the mainstream consumer credit market, lending applications and decisions, and 'consumer journeys' are for the most part now digitalised and digitised – lending decisions are made using pre-defined algorithms and big data. This could improve administrative efficiency and perhaps lead to a reduction in the cost of providing loans. But there are concerns that the manipulation of behavioural biases can override consumer's impulse controls and cause them to borrow too much. Moreover, there are fears that these processes allow lenders to identify with even more granular precision those consumers deemed to be a higher risk/ low profitability so causing greater exclusion.

CONSUMER PROTECTION CHALLENGES CONT... 13

Long-term negative impact of short-term forbearance on credit files

Interventions by financial regulators and creditor forbearance without a doubt protected many consumers from the worst effects of the Covid-19 economic shock. FCA research found that, between March and October 2020, nearly one in five (19%) percent of adults with any credit or loan product (excluding overdrafts) used a payment deferral on a consumer credit product. Of this group, 70% felt they would have struggled more without the payment deferral. To avoid adversely affecting consumers' access to credit, FCA guidance required Covid-19 payment deferrals to be 'masked'. But, as it stands, lenders and credit reference agencies have been unable to provide a consistent approach to reporting short-term forbearance that has no long-term negative impact on credit files [38]. Will this have a legacy impact on the ability of consumers most affected by Covid-19 economic shocks to access affordable credit?

Low rate of CCJ 'satisfaction'

As explained above, Registry Trust estimates there are 4.1 million individuals with a CCJ – equivalent to one in 13 UK adults [39]. Currently, just 16% of CCJs are marked as satisfied (settled in full, with proof of payment) and this proportion has been falling [40]. CCJs stay on the Register for six years. The number of CCJs on the Register and the small proportion that have been satisfied may affect the ability of large numbers of consumers to obtain fair and affordable credit.

14 SUMMARY AND CONCLUSION

The position of financially vulnerable households at the beginning of 2022 looks bad – and the current data does not yet factor in the effects of the looming cost of living crisis, the impact of the Christmas period, or the potential further economic side-effects of the Omicron and other emerging Covid-19 variants. Unless we see government and regulatory interventions, lower income households are facing a serious hit to their finances.

Almost no progress has been made in promoting financial inclusion and building financial resilience amongst financially vulnerable households since the last great economic shock in 2008. Post Covid-19, will we be more successful in supporting households in their efforts to build financial resilience against future financial shocks?

Registry Trust has identified three separate, interconnected, strategic goals:

- Dealing with the existing financial problems facing vulnerable households, protecting them from further financial harm;
- Helping households repair their finances so they can get back to 'square one'; and
- Supporting households in their efforts to build financial resilience against future financial shocks.

To meet those goals, policymakers, regulators, the financial sector, and civil society organisations need to answer the following questions:

- How do we deal with legacy debt problems and maintain access to effective debt advice?
- Can we help households make ends meet and prevent further over-indebtedness by maximising their income and reducing unnecessary expenditure?
- Can we provide households with a financial 'safety net' to cushion the effects of unexpected financial shocks by helping households to save, access affordable insurance, or access fair and affordable short term credit?
- How do we support consumers in their efforts to adopt positive financial behaviours, to get 'financially fit'? Specifically, how do we repair credit profiles that may have been affected by the Covid-19 economic shocks?
- How do we protect vulnerable consumers from being treated unfairly by lenders and other creditors, whilst rewarding good practice?
- How do we promote wider financial inclusion by enabling mainstream financial services to become more inclusive and by supporting alternative provision?
- How do we identify specific vulnerable groups so that interventions can be targeted with greatest effect?
- Financial innovation (based on digitalisation of processes and digitisation of data) is expected to deliver benefits for many consumers. But there are concerns that this could drive further exclusion as lenders are able to profile consumers with even greater precision. How do we protect vulnerable consumers from adverse effects of digitalisation and digitisation?

CALLS TO ACTION

There are some fairly small steps relating to the Register of Judgments, Orders and Fines which Registry Trust maintains that could have a big impact on financially vulnerable households in 2022:

1.Require creditors to notify the courts when a CCJ debt has been repaid as part of treating customers fairly obligations

Once a debt has been paid, there is currently no obligation for the claimant in the case to notify the courts (for England & Wales) or Registry Trust (for the other jurisdictions). This can leave consumers, who believe that the debt has been dealt with, in a situation where the judgment can continue to affect their access to affordable credit, employment, or other aspects of their life. So, it is critical that information held on the public Register is a true record of a consumer's financial position. In the interests of fairness, information should reward the effort made by consumers who have been able to repay their debts.

The advice currently out there is often confusing and complex, particularly for people who are already in a distressing situation. This problem could be addressed in a number of ways. We are encouraging influential trusted intermediaries such as Money and Pensions Service (MaPS), consumer groups, and creditors to raise awareness amongst consumers of the need to ensure CCJs are marked as satisfied. Similarly, we are asking debt advice charities to include this information in their debt advice 'scripts' and remind consumers to inform the courts that payment has been made.

But we think the most effective way would be for the FCA and other regulators (such as OFGEM, OFWAT, and OFCOM) to require creditor firms within their remit to notify the courts when a debt has been repaid as part of treating customers fairly obligations. Firms put considerable effort into persuading consumers to buy their products and services. It is only reasonable that they should be expected to treat consumers fairly if and when things go wrong – in this case, when a consumer has got into financial difficulty.

Ensuring CCJs are marked as satisfied is a small step that could have a big impact on consumers' financial health and wellbeing. It could help consumers rebuild their finances and bring them back into the mainstream financial system - this will take on even greater significance as the economy recovers from the effects of the Covid-19.

16 CALLS TO ACTION CONT...

More complete information would also enhance true competition for a vulnerable group of consumers as the market may be more willing to offer them affordable credit that is fairer and better value. It could also help consumers to switch to better deals so saving them money.

2.Make information about partial settlement of CCJ debts available

There is a related issue with ‘partial settlements’ where consumers make a part payment on a CCJ debt – often as a result of entering a debt repayment plan. Within the current system there is no place for entering partial settlement information for settled judgments and therefore if a lesser amount is accepted as full and final payment, that amount will continue to stay on a defendant's records, including their credit file, as an outstanding debt. Registry Trust is currently working to include information on partial settlements on the Register of Judgments, Orders and Fines.

3.Publish claimant data on the Register of Judgments, Orders and Fines to promote corporate accountability as households struggle to rebuild their finances

As it stands, we can publish the name of the claimant for Scotland and Northern Ireland judgments but not for England and Wales – by far the largest jurisdiction in the UK. This is due to Registry Trust’s contract with the Ministry of Justice which specifies which data we can include on the Register of Judgments, Orders and Fines. The contract specifies that we can publish defendant data but not claimant data.

Registering the claimant name could have a number of benefits. It could be a useful ‘real time’ supervisory tool for the FCA and other regulators. It would allow supervisors to identify quickly which firms within their remit are most aggressive in using enforcement action and compare their stated treating customers fairly policies against their practices. It could also provide a helpful indicator of the quality of controls firms have in place to prevent irresponsible lending.
Claimant data could also be a helpful general corporate accountability tool for civil society groups. It could also be a useful input for determining the funding of debt advice based on the harm caused. Including the claimant name on the public Register of Judgments, Orders and Fines would help MaPS and stakeholders identify with more precision which activities, sectors, and firms are responsible for causing financial problems for consumers.

CALLS TO ACTION CONT...

Again, we think this real time data could be particularly useful as we recover from Covid-19 as it could help regulators monitor corporate behaviour now that the current forbearance and consumer protection measures have been wound down.

4.Use data more effectively to target interventions for the financially vulnerable

Finally, as part of our 'public data for the public good' mission, we would like to reinforce our plea that data should be used more effectively to target interventions. As outlined, the major research reports in the public domain and Registry Trust's analysis of its millions of records, must give us a good idea of which groups of households and areas of the country are particularly financially vulnerable.

Data collaboration can shine a light on where support is most needed to protect households from further financial harm, and to help repair finances and build resilience against future financial shocks. We look forward to working with interested parties in meeting these shared goals.

18 ABOUT REGISTRY TRUST

Registry Trust was established in 1985 to maintain the official statutory Register of Judgments, Orders, and Fines for England & Wales on behalf of the Ministry of Justice, and maintains similar Registers for Scotland, Northern Ireland, Republic of Ireland, Isle of Man, and Jersey by agreement with the relevant authorities.

We are responsible for handling and responding to all enquiries from consumers, courts, businesses, and government regarding the Register and we provide a trusted and impartial source of credit information to any who need it. We place no judgement or interpretation on the content of the Register; we simply ensure that the records published are as accurate and up to date as possible.

As a not-for-profit company which doesn't cost the government or tax-payer any money, our mission is to use and share this 'public data for public good' to:

Promote responsible lending and borrowing

Inform discussion on the economy and household finances and empower consumers

Enable good business decisions

OUR DATA

Our 'live' data on monetary judgments (including CCJs) supports millions of lending and credit decisions in the UK & Ireland every year, helping to keep the economy moving and identify economic trends. It even creates usable credit metrics through the absence of a judgment record.

Every day we receive a secure data feed from the courts, providing new or amended entries to the Register of Judgments, Orders, and Fines, which contains millions of records – England & Wales alone has 6m+. We process an average of 134,822 records per month – more than 6,199 records per working day.

Our operations team review, quality check, and process the data within hours of receiving it. They also manage the removal of records from the Register after five years for fines and six years for all other records. The data is then uploaded to our public-facing website, TrustOnline, and sent to our bulk data users.

Registry Trust Ltd

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[13] See total records processed graph on Registry Trust website homepage
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[15] See Registry Trust submission to the Financial Conduct Authority's consultation on a new Consumer Duty Registry Trust responds to FCA consultation on 'new Consumer Duty' (registry-trust.org.uk) , p5
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