Lenvi

Borrowers on the brink

A UK research report examining consumer attitudes to borrowing in 2024

Contents

Executive Summary

Guiding borrowers back from the brink

By Richard Carter, Chief Executive Officer, Lenvi

This is the tenth year that we've created an annual report investigating consumer attitudes to borrowing. But in all that time, never has the data marched so decisively towards one clear conclusion: we all need to step up to help borrowers make the right financial decisions.

As we see throughout this report, vulnerable borrowers are in great need of support. By 'vulnerability', we're not just talking about small marginalised groups: sudden financial blows, like a big increase in monthly mortgage or rental payments, mean anyone can become financially vulnerable at any given time.

Being better informed about finance can't always shield everyone from such shocks. But it can better prepare people, helping them take control of their money and giving them the understanding to improve their money habits, for example to get the best possible mortgage deal, or to ensure they have a financial cushion.

For lenders, being transparent and providing clear information to help people make the right decisions can also help improve trust in their brand. This is more important than ever, as our research shows that brand is truly king. Lender brand reputation was almost on a par with low interest rates as the top factor for most people when choosing a loan provider (see page 8). For younger people, brand reputation is the most important factor, with 47% of 18-24 year olds choosing brand as the most important factor when borrowing money, compared with just 20% prioritising low interest rates.

This marks a big change over the past decade. Back in 2013 - when this annual report was first published - almost half (45%) said they would borrow from any lender as long as they were happy with the interest rate, with brand loyalty rarely factoring into decision making.

39%

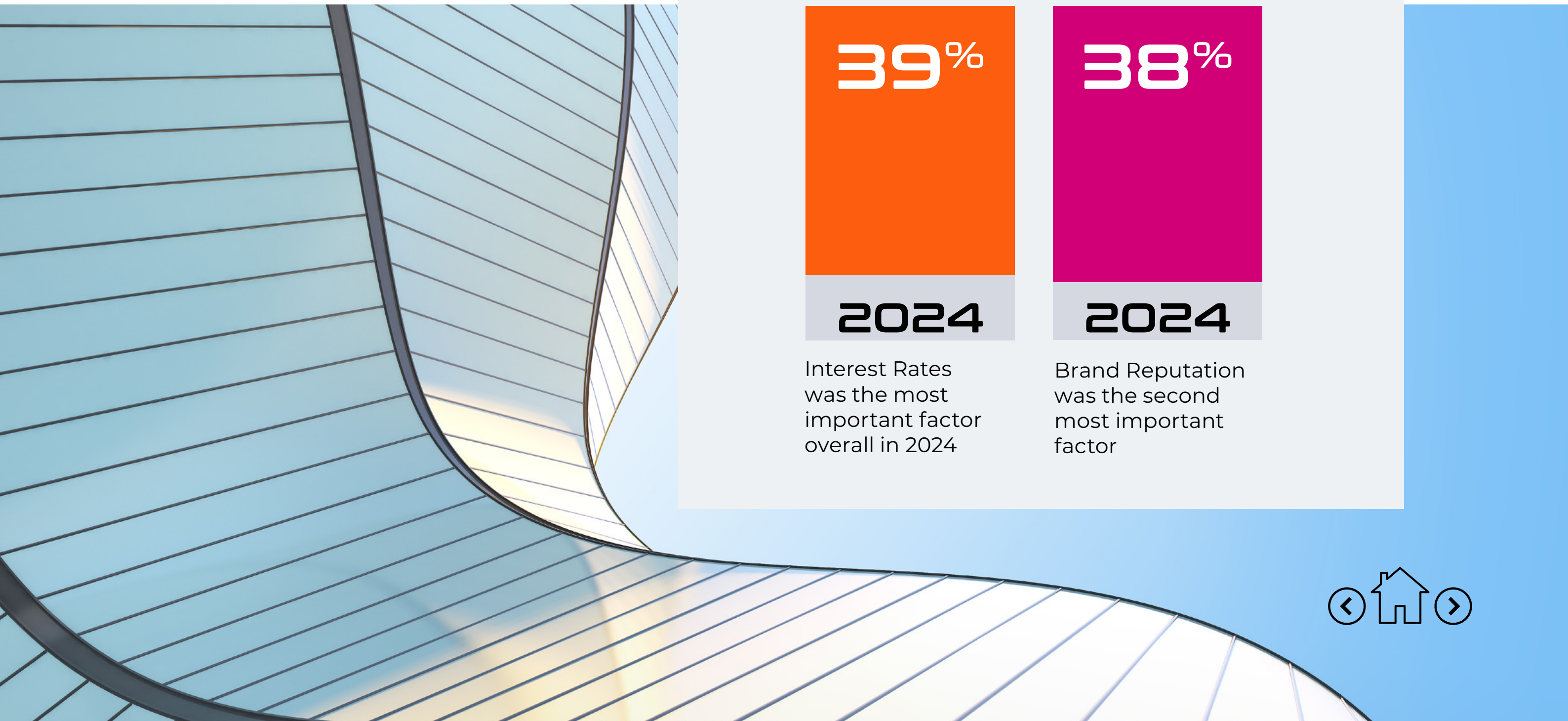
2024

Interest Rates was the most important factor overall in 2024

38%

2024

Brand Reputation was the second most important factor



Why is brand so important now, even with rates so high? It's a flight to safety. Borrowers want to feel confident that they are entering into a financial relationship with an institution that is trustworthy and credible. They tend to associate a strong brand with financial stability.

But, unlike an interest rate, a brand is about perception and is heavily influenced by advertising, marketing and social media - increasingly, including financial influencers such as Martin Lewis.

A strong brand does not guarantee that a particular lender's offerings are the best fit for an individual's financial needs or circumstances. Relying too much on a brand's reputation may lead borrowers to overlook important factors such as terms and conditions, interest rates and fees. And in doing so, they could land themselves in a lot of financial trouble.

In other words, it's crucial for borrowers to be well enough informed, rather than relying too much on a brand's reputation to make informed financial decisions. And it's beholden on all of us in the industry to help ensure consumers have the information they need, while working to help make credit available and fairer for all people.

This is a mission we doubled down on since launching as Lenvi last year, with big ambitions to deliver more powerful, relevant and responsible lending solutions for customers.

And the data we gathered for this report reminds us that the right lending solutions - combined with a consistent approach to educating consumers, particularly the vulnerable - has never been more important.

Introduction

Opening the door for borrowers

By Will Ellis, Chief Revenue Officer, Lenvi

It's always fascinating to take the temperature of borrowers up and down the country, as we do with our research each year. Our data paints a very real picture of the decisions people make, big and small. From the borrower who uses credit to fund a night on the town (see page 6) to the home-owners anxiously preparing themselves for much higher monthly repayments when their fixed rate deal comes to an end.

One statistic really jumped out at me: borrowers see being able to speak to someone at the lender (21%) as a greater priority than being able to do everything online (15%).

This may seem surprising in an age of increasing digital dominance. But there is plenty of wider consumer research to suggest that people still most value human engagement with companies. This feeling may be especially heightened at a time when the cost-of-living crisis is making people's financial affairs so challenging; it's understandable that people want to get on the phone to talk about their unique circumstances.

It's a reminder that technology cannot fully replace the value of human interaction. Lenders need to excel at both.

Perhaps most surprising, when we dig deeper into our research findings, we find it's not the older generation that most want to speak to a real human - it's the youngest, the 18 to 24 year olds.

Although they are known as a digitally-savvy generation, we also know this generation expects personalised experiences. They want to be treated as unique individuals. The lending industry has long attempted to achieve this, through the pursuit of personalisation. But the findings suggest that until the industry can fully meet this challenge, human contact remains in high demand.

Our findings are a warning shot to lenders that are leaving poor human customer service behind in the sole pursuit of technological efficiency: Gen Z is known to leave brands if customer service isn't up to scratch.

This doesn't detract from the importance of technological innovation and investing in digital customer service. In fact, it reinforces it. As satisfaction with technology, such as chatbots, increases in the future - and as advances in AI enable chatbots to deal with increasingly complex issues - there may be less need for a real human to step in so often. Human contact will still remain important, particularly for vulnerable borrowers, but improving technology will take more of the strain.

The key for lenders is to avoid falling into a trap where poor technology becomes a substitute for human interaction (and a poor investment too).

The key is to strike the right balance between these two elements - providing interaction with real people and quality automation. Done properly, this will help deliver personalised, flexible customer service.

Methodology

Of the 2,400 people questioned in this year's survey, 51% were women and 49% were men.

Less than 1% declined to indicate their gender and/or identified in an alternative manner.

Broken down by age, 27% of participants were 18-34; 34% were 35-54 and 39% were 55 and over.

The survey is nationally representative.

The research was undertaken in the UK in January 2024 by ResearchBods.

Why borrow?

People borrow money to pay for many different things, some of which might be considered more 'traditional' reasons to borrow money than others: from a car (18% of people surveyed), home appliances (15%) and home renovations (13%), to a holiday (13%) or technology such as mobile phones and computers (13%). This excludes mortgages, which are considered on page 14.

The research shows how many people in the UK are living hand to mouth amid the cost of living crisis. High inflation and elevated energy prices in particular have meant that many people have turned to borrowing money simply to pay the bills (14%). This reliance on debt to literally keep the lights on or provide some warmth rises to nearly a quarter (24%) of 18-24 year olds.

Being in the early years of your working life, on a low income which might vary from month to month as the cost-of-living rises, is a very challenging situation to be in. Faced with this, it is vital that young people in this position have the tools to help them manage their finances.

The research also showed that 12% of people are borrowing just to put food on the table. This is at a time when one in seven people in the UK are going hungry because they can't afford spiralling food costs, according to [2023 research from food bank charity Trussell Trust].

Reasons for borrowing money in order of popularity:

Rank	Reason	%
1	Car	18%
2	Home appliances	15%
3	Bills	14%
4	Home renovations / holidays / technology	13%
5	Food	12%
6	Gift	11%
7	Training	10%
8	Clothes	9%
9	Medical / Entertainment / Pets / Rainy day	8%
10	Baby items / Child related activities / Wedding	7%
11	Fines / Beauty treatment / Legal fees / Cosmetics	6%
12	Luxury handbag / Bike / Driving lessons	5%

Sound financial management or indulgence?

But when can borrowing be considered sound financial management, and when does it become profligate or unsuitable? Is it OK to borrow in order to buy a pair of desirable new trainers or a night out on the town?

The research uncovered significant differences between what people think is or isn't acceptable to borrow money for. For example, there was much more acceptance around borrowing for a car (70%), home appliances (69%) and home renovations (69%) than for perceived luxuries, such as a luxury handbag (24%), subscriptions gym / entertainment (29%) or festivals / night out (30%).

It is not just borrowing to pay for perceived luxuries that are met by disapproval by many people. More than half (54%) don't think it's acceptable to borrow money to pay for food; this rises to 77% of over 65s. This may reflect a more general aversion to debt among older generations: separate research has shown consistently that the propensity to use consumer credit decreases with increasing age.

Our research shows that motivations for borrowing vary. More than a quarter (29%) of people say they borrowed because they couldn't afford to make the outright purchase and urgently needed to. And over a quarter of people (26%) have borrowed money to make month-to-month costs more manageable.

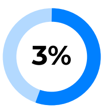
But more than one fifth of those aged 18-34 (21%) that borrowed rather than paying upfront did so in order to boost their credit rating. This is a calculated move from the younger generation. It may reflect the use of online guides and influencers which advise people to avoid having a non-existent or thin credit file - as well as the availability of products designed to build credit scores. The proportion of people claiming this motivation for borrowing was much lower in different age groups: it fell to just 5% of people aged over 55.

Others are content to borrow to fund the lifestyle they want: 18-24s are most likely to do this, at 19% of those surveyed.

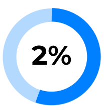
Other reasons to borrow money included: paying for a private diagnosis for neurodivergence (3%); IVF treatment (2%); gender reassignment surgery (2%); cosmetic surgery (2%); and spray tans (2%). While these may seem like small percentages, this nationally representative sample of 2,400 people in the UK is equivalent to between 1.2 million and 1.8 million people. It's likely these people borrowed on BNPL rather than longer term loans.

1.3 - 2 MILLION

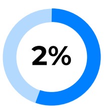
This represents between 1.3 million and 2 million people in the UK



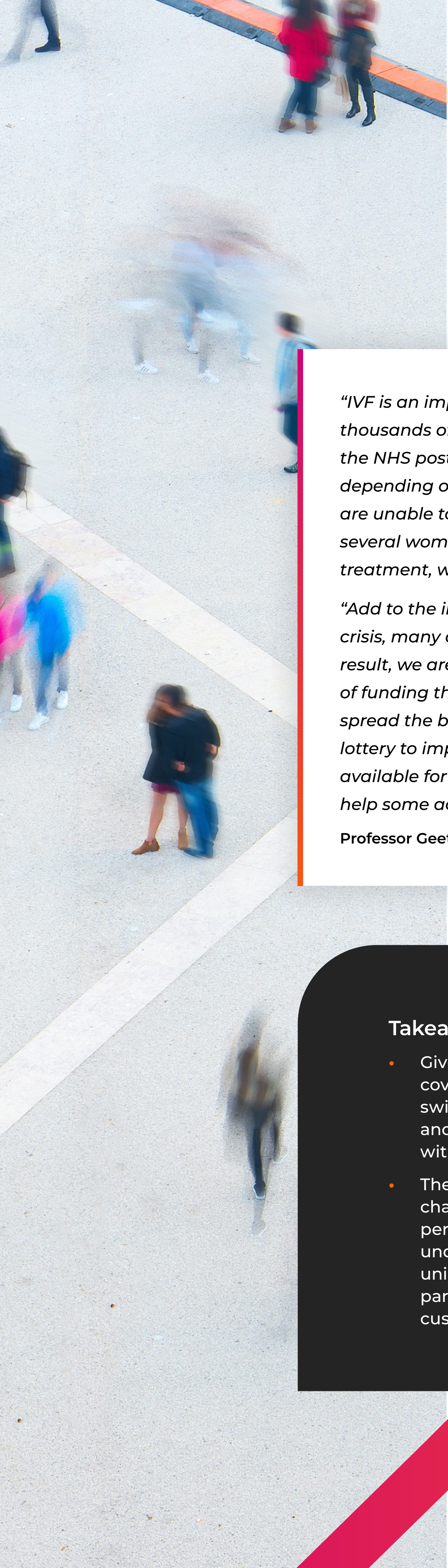
Neurodivergent diagnosis



IVF treatment and Gender Reassignment Surgery



Injectables and spray tans



Why are people borrowing money to fund medical procedures, such as IVF? We asked Professor Geeta Nargund, Medical Director of abc IVF. She said:

> *"IVF is an important medical treatment which has allowed many thousands of people the opportunity to start a family. However, due to the NHS postcode lottery, which means funding for treatment can vary depending on the region a woman or couple lives in, many find they are unable to access funding for the treatment they need. As a result, several women and couples are having to resort to self-funding private treatment, which can come at a significant cost.*
>
> *"Add to the increasing pressures facing couples with the cost-of-living crisis, many couples can find themselves priced out of treatment. As a result, we are increasingly seeing patients consider alternative means of funding their treatment – including seeking bank loans to help spread the burden. While it is essential we tackle the NHS postcode lottery to improve accessibility of IVF, ensuring funding options are available for those who need additional financial support can also help some access the treatment they need."*
>
> **Professor Geeta Nargund, Medical Director of abc IVF**

Takeaways for lenders:

- Given so many people are turning to borrowing just to cover basic living expenses, there's a pressing need for swift action: lenders must provide robust financial tools and education to protect and empower those grappling with these hardships.
- The way people borrow and perceive borrowing is changing and consumers expect companies to deliver personalised interactions. So, it is crucial that lenders understand this to tailor services and support to the unique needs and goals of borrowers. Doing so is paramount for driving performance and ensuring better customer outcomes.

Brand Vs interest rates (and other reasons to choose a lender)

Borrowers tend to have two main priorities in mind when choosing a lender: low interest rates (39%), followed closely by brand reputation (38%).

With Bank of England interest rates still at their highest level in 15 years, at 5.25% (at the time of writing), it is little wonder that our research shows many borrowers' top concern is how much money they will have to pay back in interest each month.

But brand isn't far behind. And for younger people - particularly Gen Z - brand becomes more relevant than interest rates: among 18-24 year olds, 47% said brand was the critical factor when borrowing money, compared to just 20% for low interest rates.

This doesn't necessarily mean long-established brands: Gen Z typically seek out brands that are transparent and authentic, and drive social change through inclusivity, sustainability and fair treatment of employees. They may also opt for brands that offer education and tools to help them with significant financial decisions that they feel ill-equipped to make. Bear in mind too that brands that might seem 'new' to older people may in fact be considered 'established' by Gen Zers who have known them throughout their entire (short) adult life.

39%

2024

Interest Rates

38%

2024

Brand Reputation

Looking more broadly, other priorities for borrowers choosing a lender relate to communications and accessibility: borrowers see being able to speak to someone at the lender (21%) as a bigger priority than being able to do everything online (15%).

This tallies with wider consumer research showing that people still most value human engagement with companies. This feeling may be especially heightened at a time when the cost-of-living crisis is making people's financial affairs so challenging.

There is a clear role for both effective technology and human interaction. UK Finance has published separate research showing that consumers want to see technology for straightforward and transactional queries and prefer human interaction for more complex issues.

There is a need for lenders to deliver a consistently quality customer experience across all channels.

- Takeaways for lenders:
- Lenders that balance the opportunity afforded by your brand with the right interest rates will triumph with borrowers.
- Adapt your marketing strategies to resonate with younger audiences, emphasising trustworthiness and credibility - alongside showing genuine, authentic support of social goals - in addition to competitive rates.
- While online service channels are essential, the human touch remains significant in borrower satisfaction, and lenders should prioritise accessible customer service that understands the nuances of customer needs and preferences.

How borrowing habits are changing

The rise of BNPL and embedded finance

Ease of use and convenience, instant approval, and interest-free or low-interest financing are all among reasons for the rise of buy now, pay later (BNPL).

The use of BNPL is part of a wider move towards increased seamlessness, simplicity and integration of finance deals, or 'embedded finance'. It's a trend that seems to be particularly resonating with younger borrowers: our research showed 70% for 18-24 year olds, and even 56% of 25-44 year olds, have used BNPL. But this falls to 17% of people aged 65 or over. See page 17 for information on how vulnerable groups are using BNPL too.

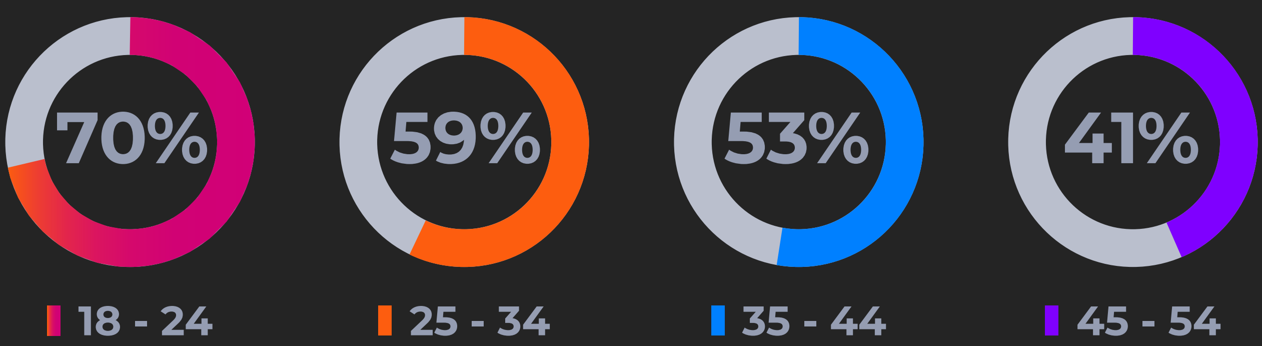
BNPL has some clear advantages - principally the convenience and ease of being able to get instant finance. Some people use BNPL and benefit from the ability to spread payments - even if they can afford to pay in one go.

Yet many people are using BNPL without understanding what they're getting into. A report from Citizens Advice, published in 2021, showed 39% of people who had used BNPL in the last year used it without realising; 40% thought BNPL wasn't "proper" borrowing; and 42% didn't fully understand what they were signing up for. Meanwhile, separate research from Equifax, published in 2023, showed half (49%) of UK adults are unaware that BNPL is currently unregulated by the Financial Conduct Authority (FCA).

This could be dangerous, as BNPL lending does not require any affordability checks, unlike other credit options. Borrowers - many who will already be facing tough financial situations - may be at risk of accumulating unmanageable levels of debt and even face bailiff action.

This highlights the growing need for buy now pay later to be regulated to avoid financial harm while improving accessibility and financial education for vulnerable individuals.

Percentages of age groups paying with BNPL:



"The cost of living crisis we currently find ourselves in, has lead to a lot of innovation from lenders to navigate the payment shock that will have been felt by many. This innovation has seen lenders go longer on mortgage terms to 40 years, some lenders increasing their interest only proposition, other lenders entering the joint borrower sole proprietor space, to name but a few. Lenders such as Virgin, have launched 5yr fixed rates with a two year tie, Halifax and Virgin have also proposed new products called Own New Rate Reducer significantly reducing the rate paid by borrowers on new builds by utilising the developers incentive budgets on mortgage rate reductions. Skipton also launched a 100% mortgage with certain caveats last year also.

The above represents a plethora of schemes that many of the public are unaware of, and highlights the value of a mortgage broker who now commands just shy of 90% of the entire mortgage submissions to lenders in the market place.

Furthermore brokers have truly proved their worth over the last year by ensuring they monitor their clients rates even after offer, sometimes changing products 6-7 times to ensure their clients draw down and complete on the best rate available, a service not offered directly by banks.

With an ever evolving market it is no wonder 17% plan to look on line, and 83% will go to a broker. It is also understandable that only 15% of Gen Z understand their mortgage as so much has changed and evolved of late it will have generated confusion.

The role of a broker has never been more pivotal and crucial, and the cost of living crisis has enhanced the broker/borrower relationship hugely as brokers try to navigate their clients through a payment shock that many would never have witnessed before. I believe the role of a broker has never been more prevalent than it is right now.

In these times, knowledge is the key to navigating these turbulent waters, and that is best provided by the broker community rather than best by tables."

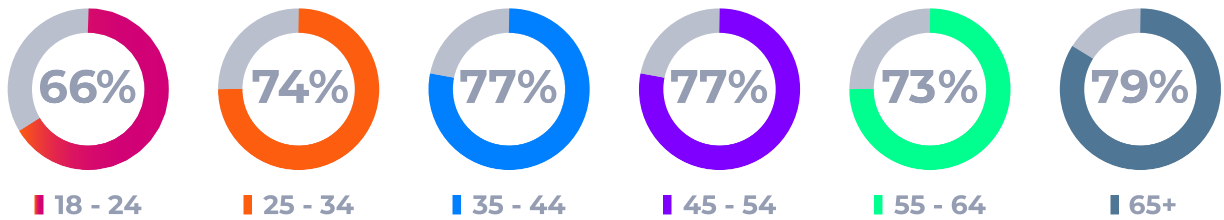
Lea Karasavvas, SMP Board

For plastic, less enthusiastic

Such is the ease of BNPL that it is often more popular than a credit card as a way of postponing paying for something, our research shows. Again, this varies by age, with 66% of 18-24 year olds having used a credit card, rising to 78% for the over 65s.

However, often plastic and embedded finance go hand-in-hand as borrowers may even use their credit card to pay off their BNPL debt. More than two in five BNPL customers borrowed money to make repayments, according to 2022 research from Citizens Advice, which showed that credit cards were the most popular means to do so.

Percentages of age groups paying with Credit Card



Takeaways for lenders:

- BNPL providers must reassess their communication strategies to ensure customers grasp the potential consequences of accumulating unmanageable debt.
- It's imperative for providers to scrutinise their customer journeys to reduce the risk of consumers considering BNPL as their default primary payment option.
- Consider offering a credit 'opt out' for BNPL, as Klarna did last year, in a bid to help consumers 'pre-decide' not to use credit while saving for a specific life event or sticking to a budget.
- Firms should prepare for regulation. At this stage, they could consider their financial resilience, modelling for a scenario when they are regulated, and seek support on the new regulatory requirements to ensure compliance if and when they become regulated.

Environmental concerns take a back seat

How important is a lender's approach to sustainability and protecting the environment? The answer, according to our research, is: not as much as it used to be.

Two in five borrowers (39%) say that a lender's green credentials are important when it comes to taking out a mortgage or other loan. This is significantly less than 2022's report, where almost half (45%) cited environmental credentials as important.

At times of financial hardship, environmental concerns may become a lesser priority for many people. Research published by Ipsos in September 2023 showed half of Britons (52%) were too worried about the cost of living to think about the impact of climate change.

However, our research did show that half (49%) of people would be pleased to see green lending innovations, such as lower loan rates tied to household energy efficiency. This tallies with the growing supply of green mortgages being offered by lenders, either based on the home's energy performance certificate (EPC) or to reward energy efficiency improvements. Such an offering exemplifies how lenders with differentiated products can appeal to different customer segments; an approach that is imperative as systemic changes in the market occur in the coming years.

This has implications for environmental, social, and corporate governance (ESG) too. In the future, funds will prioritise lending for 'green' products, such as electric vehicles rather than polluting diesel vehicles.

> *"We know that high upfront costs is the number one barrier to green home improvements, we therefore need green lending innovations to help break down this barrier. Some innovative ownership models such as Solar Subscriptions and Leases have emerged in Europe and the US and we're now starting to see these introduced to the UK. However, these have not been without their problems and further innovation is needed to improve the outcome for the customer. We're also starting to see homegrown innovation within this space. Later this year, Canefin, a UK based consumer lender, is looking to launch the first Carbon-Linked Loan, which offers borrowers a discount on their loan APR using proceeds from the sale of carbon credits associated with the loan."*
>
> **Alison Jessup, CEO of specialist lender Canefin**

Takeaways for lenders:

- At a time of such financial difficulty, green credentials often factor less into borrowing decisions. But they still matter, and will become increasingly important. So, clearly communicate your commitment to environmental sustainability and green initiatives.
- Investigate loan products that are tied to environmentally friendly initiatives, such as home energy efficiency improvements or eco-friendly construction: it's possible to rapidly launch innovative products on a flexible platform and maximise your customer reach.

Mortgages: preparing for a fixed rate cliff edge

It has been estimated that around 1.6 million existing fixed-rate mortgage deals will expire in 2024, meaning homeowners face the prospect of remortgaging to a higher interest rate and many will have to find hundreds of pounds extra each month.

With that harsh financial reality, our research showed 59% of people are concerned about finding an affordable rate when their current deal comes to an end. That figure is consistently higher in those under 44 years old.

Many of those people will be questioning how they are going to manage financially. What will they cut back on? How can they cover a mortgage cost that on the average semi-detached house has gone up over 61% in recent years? More than ever before, customers will need support from their lenders and experienced customer service

34%

34% of men claiming to completely understand their mortgage.

24%

Compared with 24% of women who don't.

agents that understand the ongoing cost-of-living challenges.

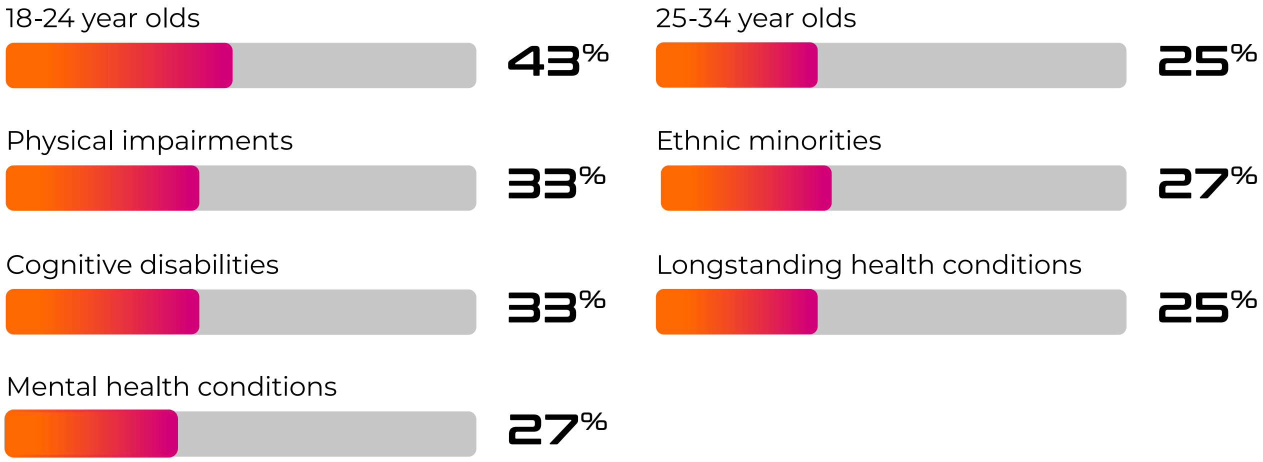
When it comes to seeking their next mortgage, the proportion of people who plan to look online for a new lender when their current deal comes to an end is just 17%. This might seem surprising, but research has shown consumers have growing concerns about the security of their personal information when comparing mortgage quotes online.

Certain groups are more likely to find it difficult to find a financial product that matches their financial situation. This includes: nearly half (43%) of 18-24 year olds surveyed, one third of people with physical impairments (34% of those surveyed) or cognitive disabilities (33% of those surveyed), and over a quarter (27%) of ethnic minorities surveyed.

Again, as with other types of lending, the research showed that many people don't fully understand mortgages. This varies substantially by homeowner age: only 15% of Gen Z survey respondents admit to completely understanding their mortgage, compared with 44% of 55-64 year olds. This declines further, to just 18% for people who have a cognitive disability; we know that they are among vulnerable people who are at particular risk of having poor financial management skills, and need extra support.

There is a large gender difference here too, with 34% of men claiming to completely understand their mortgage, compared with 24% of women.

Categories of people who are more likely to feel excluded from the mortgage market



The role of Open Banking and AI

One of the ways to better support consumers is through Open Banking: to unlock better, more personalised financial solutions and help people make informed financial choices.

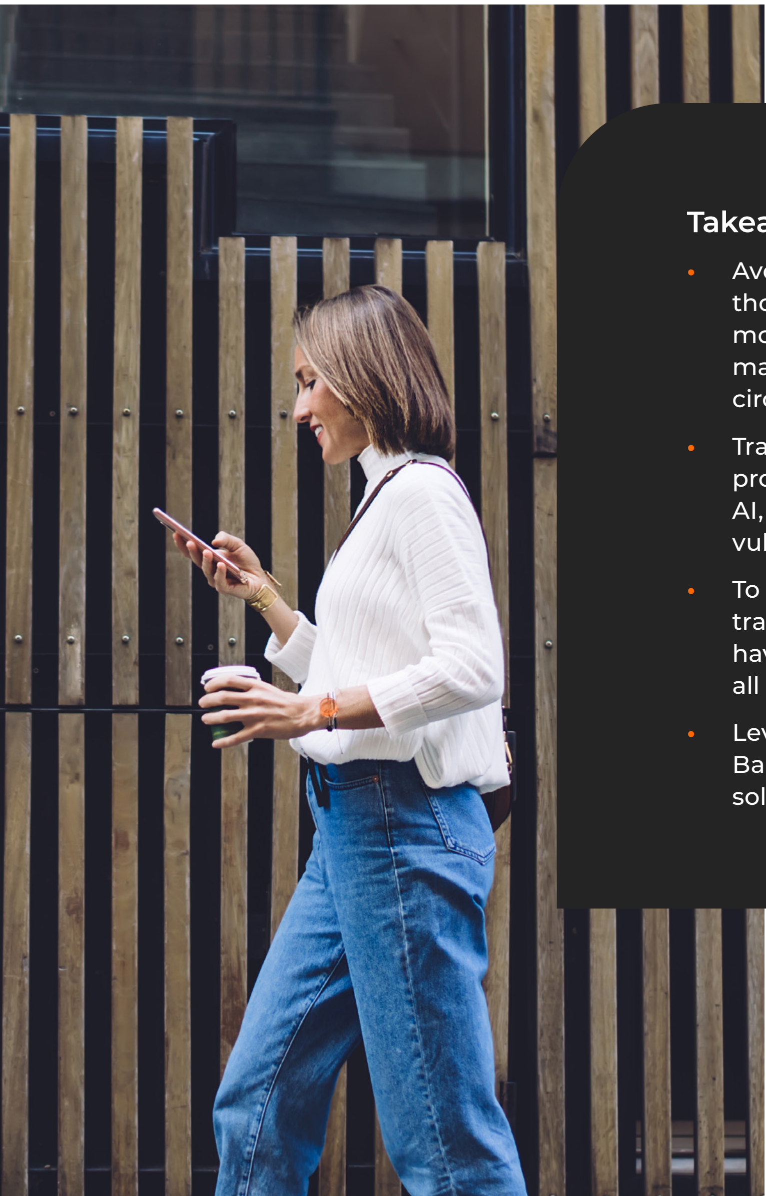
Adoption of Open Banking is growing, with more than 1 in 9 (11%) British consumers being active users in 2023, up from around 7% in December 2021, according to data from Open Banking Limited.

Our research suggests this proportion could increase. We found 65% of people might consider giving a lender temporary access to their transaction history if it could lead to a more personalised rate. This is up from 60% in our 2020 report. Lenders deploying Open Banking technology can make customer interactions more seamless, spending less time gathering data and more time understanding how to support customers.

In addition, another technology is on the ascendance that could work together with Open Banking to benefit lenders and borrowers: AI.

Using Open Banking APIs, AI-powered algorithms can analyse a borrower's transactions and spending behaviour to provide personalised recommendations on financial planning and management. Other applications include the real-time detection and analysis of potentially fraudulent transactions.

Acceptance of Open Banking is only likely to grow if borrowers are able to see such clear benefits from sharing their data.



Takeaways for lenders:

- Avoid a 'one-size-fits-all' approach for those at risk or unable to make their full mortgage payment: different solutions may be appropriate for different customer circumstances.
- Traditional lenders can learn from fintechs to provide more personalised service, leveraging AI, data analytics and technology to support vulnerable customers
- To tackle concerns about data sharing, be transparent about third-party providers that will have access to consumer data. And ensure they all have robust security measures in place.
- Leverage AI to maximise the use of Open Banking data, and provide personalised solutions.

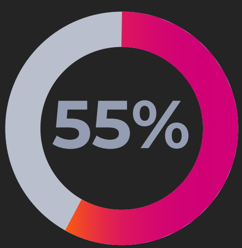
Borrowing trends among vulnerable groups

Thanks to the FCA's new Consumer Duty requirements, there is more of a spotlight than even on supporting customers, particularly those who are considered vulnerable.

Our research showed people from some vulnerable groups, such as those with mental health conditions (54%) and cognitive disabilities (51%); as well as minority groups, such as LGBTQ+ (56%) and ethnic minorities (50%) are most likely to have borrowed money in the last 12 months. This compared with 42% for the entire survey base.

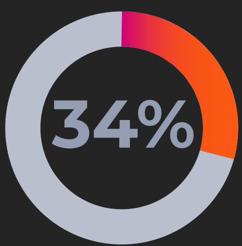
This is sometimes likely linked to 'survival borrowing' – compounded by the cost of living crisis – as poverty and financial hardship is more prevalent among these groups. For example, according to Experian, 62% of LGBTQ+ people have experienced financial problems because of their gender identity or sexual orientation, while ethnic minorities are half as likely to have savings than white households.

Vulnerable groups tend to often use BNPL to borrow money more often than average: our research shows that more than half of those who have a mental health condition (55%) or cognitive disability (52%) have used BNPL. This compares with 33% of people with no mental health condition and 36% of those with no cognitive disability.



Over half of those who have a mental health condition (55%) have used BNPL

Six in 10 (60%) of ethnic minorities use BNPL to borrow money.



In comparison to just 34% people who do not

Just one in three (35%) of white people use BNPL to borrow money.

Sebrina McCullough, director of external relations at Money Wellness, an organisation providing free debt help, told us that BNPL

> *"poses a particular risk to people with mental health problems, who are often more prone to impulsivity and memory loss. Keeping on top of payments is a struggle, especially if they're juggling several at once".*

Sebrina added: "We've supported customers who felt they were being chased relentlessly for BNPL debt, which can also worsen mental health conditions."

BNPL is also more prominent among ethnic minorities, with six in 10 (60%) ethnic minorities having used it to borrow money compared to just one in three (35%) white people. Research suggests that people from ethnic minorities are more likely to seek help from financial providers, but BNPL allows these groups to bypass systems and processes that have historically been exclusionary.

Sebrina said:

> *"We are concerned that without regulation – that now won't be happening before the election - and proper protection more and more people will find themselves spiralling into a cycle of debt."*

Are we properly supporting vulnerable people?

The challenge for us all – fintechs and lenders, government and support organisations – is to ensure we support vulnerable people as they borrow so they're at no greater risk of financial harm.

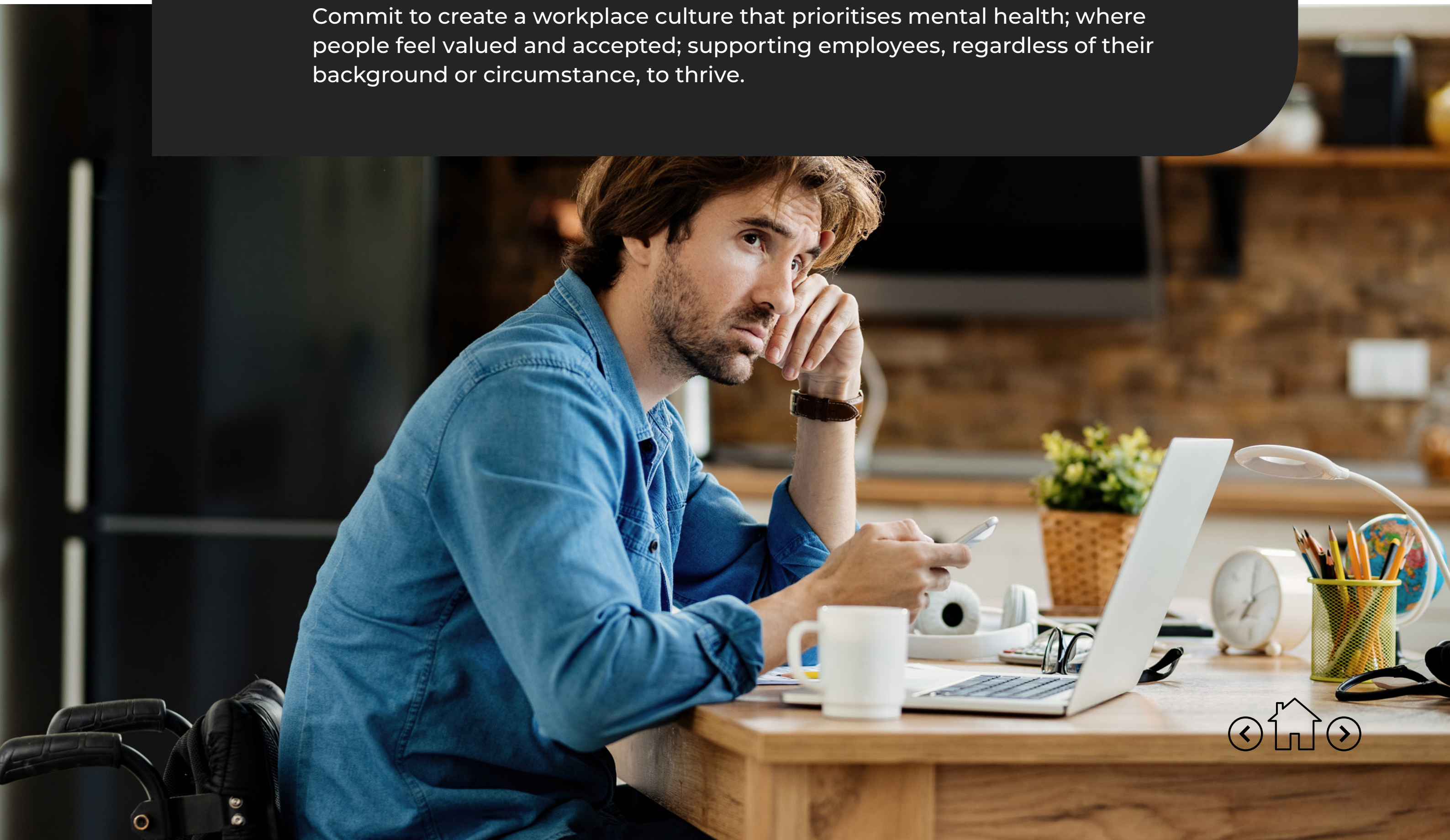
A key part of the FCA's Consumer Duty regulations is a requirement for firms to focus on the diverse needs of their customers at every stage of the customer journey.

But as well as lenders, there is an important role for fintechs too; to help make financial interactions easier for people to understand and fairer for all.

Also, fintechs and lenders should work hard to use technology employing as many data sources as possible for people with thin credit files to be able to access finance.

Takeaways for lenders:

- Proactively contact vulnerable customers and direct them to support on your website or to third-party debt organisations.
- Consider working with third-party organisations representing vulnerable groups, as well as fintechs to adopt new technologies, and ensure you are supporting vulnerable people.
- Sign up to the Mortgage Industry Mental Health Charter (MIMHC), a framework to promote good mental health practices, reduce stigma around mental health and offer resources and support.
- Change starts from within organisations: to better support vulnerable and minority groups, ensure you are achieving this within your own team. Commit to create a workplace culture that prioritises mental health; where people feel valued and accepted; supporting employees, regardless of their background or circumstance, to thrive.



Then, now and tomorrow

This report paints a picture of changing borrowing habits, often accelerated by technology - particularly the rise in embedded lending, such as BNPL - and the hardships brought about by the cost of living crisis which has been raging since 2021.

If we rewind to 2013, when Lenvi created the first of its annual consumer borrowing reports, alongside foreseeing the rise in mobile banking - at a time when Apple was launching its iPhone 5s - much of the focus in our report was on payday lending.

But this form of borrowing became increasingly embroiled in controversy and sparked a regulatory crackdown.

Meanwhile, BNPL has gone from a niche product back in 2013 to become the payment method of choice for many people. Could BNPL go the same way as payday loans if the UK regulator cracks down on the industry?

The Financial Conduct Authority (FCA) has put in place new requirements for firms to more clearly inform users of the risks of BNPL. But we're still waiting for the government to deliver on its promise of greater regulation for BNPL.

But even if BNPL is tamed, embedded finance is likely to thrive in other guises, with finance options being offered by more and more non-banks.

This pursuit of increasingly frictionless finance has benefits, but needs to keep consumers' needs at its core: this means looking at ways to make it clearer for consumers what financial transaction they are entering, and its implications for their finances.

All transactions should come with enough information so that consumers understand how and when they are spending their money and what the implications might be if they can't afford it, or don't keep up with payments.

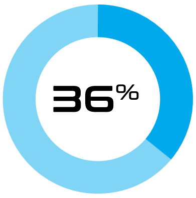
But that goes for the wider lending industry too: in the future we expect lenders to bear more of a responsibility for educating and informing customers, many of whom are increasingly under financial strain and vulnerable.

Technology such as AI and Open Banking will be a huge help here. But contact with real people will remain a keystone of proper customer service and support too.

From counselling borrowers to four-legged finance

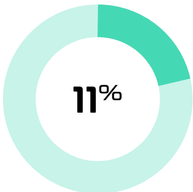
A decade of reporting on borrower trends has shown how the lending industry must constantly evolve and adapt to changing consumer needs and technological change.

Our latest research shows demand, to varying degrees, for a wide range of specialist innovations and features in the near future:



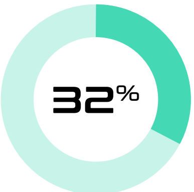
Counselling support

A lender would partner with a charity to provide free counselling support to vulnerable customers



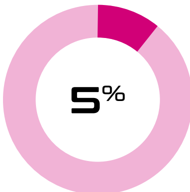
Trans-lending

Lending designed to support people as they transition through gender reassignment surgery, from diagnosis, hormonal therapy and surgery



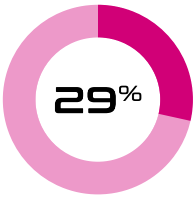
Medi-lending

Lending designed specifically to support people through medical diagnosis and treatments



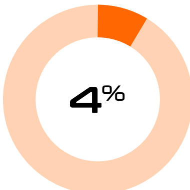
Influ-lending

Lending designed to support influencers as they try to establish a following



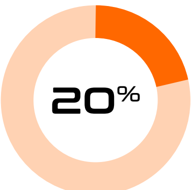
Parent payment plans

Lending specifically designed to support parents at key stages throughout their child's life, e.g. birth through to first car through to university



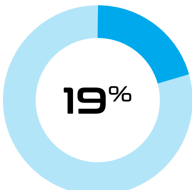
Botox borrowing

Lending designed to support people through cosmetic maintenance



Pre-loan meditation

Borrowers would take a minute of meditation before being allowed to take on a loan. This would be intended to help prevent impulse credit/ purchase decisions



Four-legged finance

Lending designed to support dog and cat owners throughout the course of their pet's life, from purchase through to veterinary bills etc

Clearly not all of these innovations will come to life. But what many of them do show is an openness to find new ways to support vulnerable borrowers, as well as increasingly offering personalised solutions - which are almost certain to go hand-in-hand with technologies such as Open Banking and AI.

Takeaways for lenders:

- Lenders should explore partnerships with charities to provide free counselling support for borrowers, demonstrating a commitment to addressing customers' wellbeing.
- The demand for parent payment plans (29%) suggests crafting lending solutions for milestones like childbirth, education, and the first car could address families' unique financial needs.
- More broadly, creating a flexible platform where lenders can launch and accommodate multiple innovative products will maximise their customer reach and help them to adapt to the market changes which are inevitable in the coming years.

About Lenvi

Founded in 2023, Lenvi is a fintech specialising in B2B consumer and commercial lending software and solutions. It combines global expertise, market insight and end-to-end services to provide loan management software, risk management software, mortgage and loan servicing, standby servicing, and Know Your Customer (KYC). Lenvi is part of Equiniti and was formed from EQ Credit Services, EQ Riskfactor and EQ KYC Solutions.

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