

# Financial Inclusion Report highlights the UK's financial exclusion crisis with 1 in 5 Brits feeling locked out of the system

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Today, London-based ethical lender Plend released its first Financial Inclusion Report, created in collaboration with Nationwide Building Society and the Nationwide Incubator, Responsible Finance and StepChange, to highlight the UK's financial exclusion crisis and those most at risk in society.

Research, conducted by Opinium from over 4,500 respondents shows that 1 in 5 Brits say they feel locked out of the financial system, nearly 11 million people. Access to affordable credit is vital for an individual's financial stability and resilience but the report findings exposes that some sections of the UK population are repeatedly being badly let down by the financial services industry; 38% of people from a black ethnic group and 32% from all ethnic groups combined feel that they can't access financial services.

Without fair financial products available to those in vulnerable positions it means that those who need support the most, especially during the current cost of living crisis, are faced with paying significantly more for financial services and are ultimately excluded from affordable options. This creates a poverty premium meaning that things become more expensive for people who need help the most and they can become dependent on unreliable financial support.

The research also revealed that Covid has exacerbated the problem of financial exclusion; more than a quarter (28%) of all Brits say they are now in a worse financial position as a result of the pandemic.

The report from Plend, authored by financial campaigner and Plend advisor, Alice Tapper, explores the UK credit landscape and current trends. 62% of respondents are using a form of credit: the average amount borrowed via a loan was £8,200, with men borrowing significantly larger amounts (£9,952.32) than women (£6,346.57).

Markedly, loans are the form of credit that people struggle with the most to pay off, with 50% (4.7 million people across the general population) stating that they had found it a struggle, compared to 37% of Buy Now Pay Later (BNPL) users and 38% of people with credit cards. Those from an ethnic minority group also fared poorly against the national average with 69% struggling with repayments.

Interest rates for loans were on average 16.3% according to the respondents, this rose to 21.6% for the under 34s, but shockingly nearly 20% don't know the interest rate they are currently paying on their loans.

The report data also found that nearly half (47%) of those with a high cost loan simply pay back the minimum payments each month with 10% unable to manage even the minimum payments.

Compounding issues of financial exclusion is the limited comprehension of the credit scoring system in the UK, the report found that just 41% of adults know their credit score and 60% reported not knowing how credit scores are calculated.

The flaws in the UK credit referencing system have long been recognised and traditional credit scoring methods often give an incomplete and outdated picture of an individual's financial life, holding back over 20.3 million people in the UK from affordable financial services\*.

There is mounting evidence that Open Banking\*\* technology offers a more accurate picture of an individual's financial position and thus is an important tool in efforts towards a more financially inclusive society.

Rob Pasco, CEO and Co-founder of Plend, said: "It's outrageous to find that financial discrimination and exclusion is on the rise, which has a detrimental effect across society as whole and widens the poverty gap. Having a thin or invisible credit file is just one of the reasons many people are financially excluded from accessing affordable credit products and basic financial services - the lending industry has failed to address this problem at time when the need has never been greater due to the cost of living crisis"

The report also has the support of StepChange, the UK's leading debt charity:

Richard Lane, Director of External Affairs at StepChange, said: "The credit information system is not keeping millions of people away from harmful unsustainable credit, can discourage people from accessing support and may be encouraging people to borrow more (including high cost credit) that can make debt problems more harmful in the end."

Andrew Jackson, Chief Credit Officer, Nationwide Building Society, said: ""Lifestyles today typically demand quick and easy access to products and services, and this applies just as much to credit products as it does to anything else. The rising cost of living is squeezing households and driving down affordability for credit. It's the responsibility of lenders to get the balance right, meeting the needs of consumers in a sustainable way."

Plend has created a more financially inclusive way to lend built from their proprietary open banking technology, the PLEND Score®, that looks beyond traditional credit histories in order to give an accurate picture of a person's financial position. Plend is the UK's first Pending B Corp consumer lender and is authorised and regulated by the Financial Conduct Authority (FCA).

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