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Centre for
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Summary Report

Affordable Alternatives to High Cost Credit in Northern Ireland

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Final Summary Report

Anna Ellison, Paul A Jones and Tony Dignan
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Executive summary

Policy background and aims

- In 2013 NICVA convened a "round table" of key policy makers and stakeholders to discuss growing concern about high cost credit and illegal lending. The round table concluded that there was a pressing need to establish an "ethical"[1], affordable credit service to act as an alternative to high cost credit.

- NICVA commissioned Policis and Liverpool John Moores University to explore the options for an alternative affordable credit model. The project was structured as a collaborative development with an advisory board of key stakeholders.

- The project was informed by qualitative interviews with stakeholders, credit union leaders in Northern Ireland and the CEOs of various affordable credit organisations in GB and secondary analysis of consumer data on high cost credit.

- The project was originally conceived as an alternative to payday lending but on the basis of the evidence on the profile of payday lending users and the desire of the stakeholders[2] for an affordable credit model to serve the most disadvantaged, was reframed as seeking to provide an alternative to home credit[3] and illegal lending.

Stakeholders' perspective

- A new "social lending" model (i.e. a not for profit lending operation) was seen by stakeholders as embedded in a broader effort on financial inclusion, encouraging savings and building financial capability and resilience

- It was felt important that an affordable credit model would have high responsible lending standards. Stakeholders also felt it was important that borrowers did not take on impulse loans and that an ethical lender should not offer either instant or very short term loans.

- The original conception was that a new social lending operation would need to be self-sustaining, on the basis that there was little appetite within Government for funding on any scale, albeit some short-term, small-scale seed capital might potentially be found. As the project progressed, stakeholders moved on to take the view that the interest rate required to enable an affordable credit model to be sustainable would be politically unacceptable. This implies a requirement for both initial and ongoing public funding. The evidence is clear that the requirements for sustainability and for an APR that is meaningfully lower than that of high cost credit offered by the private sector cannot be reconciled.

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[1]The research explored with stakeholders the meaning of the term "ethical" in relation to credit provision. This was understood by stakeholders to mean a provider with a primarily social purpose that did not set out to maximise profit and which sought to avoid practices (such as irresponsible lending or continually refinancing loans) which could be potentially damaging to consumers.

[2]Stakeholders included both policy makers in Government departments, credit union leaders, domain experts and representatives of community and voluntary organisations.

[3]The "home credit" model (also known as "doorstep lending"), rests on small sum loans (typically a few hundred pounds) which are advanced in customers' homes by an agent who subsequently collects payments weekly, also from customers' homes.

Key demand side issues[4]

- There are a number of features of the private sector home credit market that have implications for the development of a not-for-profit lending model.
- Among the most important of these, is that private sector home credit customers are less disadvantaged or excluded than the target market stakeholders envisage for the new social lender.
- Moreover, as a result of both adverse selection and the best home credit customers' affinity with existing agent relationships and their current provider, the home credit borrowers most likely to present to a new affordable credit lender would have a higher risk profile than for the home credit sector overall.
- If a social lender seeks to serve a wider range of risk than the private sector will tolerate, as stakeholders envisage, this will have both cost and funding implications.
- The shift away from instant loans and a resource-intensive and relatively complex underwriting process and financial inclusion support envisaged for the affordable credit model may be a poor fit with consumer preference – and indeed need – for rapid delivery of funds and their desire for a convenient, minimal underwriting and approval process.
- Home credit users' tendency to miss payments to accommodate cash flow pressures may prove challenging for a new social lender if these patterns are transferred to repayment of affordable credit loans.

The credit union perspective

- The target market envisaged by stakeholders is some way from the current credit union member profile. A 2013 survey in NI[5] indicated that credit unions serve just 4% of Housing Executive tenants and many serve relatively few financially excluded borrowers. Credit unions initiatives which have specifically targeted the financially excluded have thus far been fully underwritten by a loan guarantee scheme. A 2014 survey of credit union members[6] in Northern Ireland suggests that just 6% have used home credit, 4% a high street loan shop and 3% an online lender in the last twelve months.
- Any affordable credit proposition resting on credit unions lending directly to financially excluded consumers would thus require CUs to serve a different and much higher risk market than that of their current membership.
- The barriers to credit unions in Northern Ireland lending directly to the financially excluded are significant, chief among which are risk aversion and an unwillingness to consider raising the interest rate ceiling that constrains credit union prices.
- Other significant issues include a reluctance to provide lending without borrowers' first establishing a savings track record, responsible lending challenges in serving the indebted and a lack of organisational and technological capacity.
- Credit unions took the view that it would be possible to collaborate to create a nation-wide network to extend affordable credit to those currently too high risk for credit unions to serve. However, they would be prepared to do so only if the risk were fully funded by Government or other agencies.

It is important to note that demand side analysis is based on GB data, with analysis extrapolated to NI. It is a possibility that NI will not follow GB patterns.
Jones, 2013
2014 Queens University Belfast

- One such collaboration involving a community organisation, a social landlord, and a credit union in Northern Ireland[7] succeeded in both moving borrowers away from high cost credit and encouraging them to save. However, such small community based schemes are difficult to replicate and therefore need careful targeting.

- Given the difficulties around risk and credit pricing, the most realistic and practical way forward in involving the credit union sector in a new affordable credit operation may be through collaboration with a CDFI on a referral basis. The research team has however developed variants on an affordable credit model, assuming both that credit unions would and would not participate.

Learning from the experience of other social lenders

- The research team examined the experience of the GB credit unions delivering the Financial Inclusion Growth Fund (2006 – 2011) which were supported to reach out to the financially excluded.

- The team also examined in detail the experience of various high profile affordable credit initiatives elsewhere in the UK :

- two CDFI's, Scotcash based in Glasgow, and Moneyline, with a national network of 18 branches;

- a CDFI, Headrow Money Line in Leeds, which operates as a credit union sister company; and

- London Mutual, a credit union which has pioneered a not for profit online payday lending service.

- With the exception of London Mutual, these social lenders have focused on lending to the financially excluded and acting as an alternative to home credit lending.

- The various lenders saw their mission as financial inclusion in the broadest sense and offer a range of services designed to facilitate inclusion, saving and financial resilience. However, consumers are primarily attracted to the loans proposition and achieving growth and scale is more likely if lending is emphasised in consumer-facing communications.

- With the exception of the London Mutual online service, the various social lenders examined had chosen to focus on face-to-face delivery which they saw as better facilitating customer engagement with financial inclusion propositions.

- Serving a hard to reach and financially excluded target market with a delivery model that is face-to-face and which requires manual underwriting is inherently very high cost, which impacts both credit pricing and lender sustainability.

- Where lending capital must be sourced from the commercial sector, this will be at high rates, which will in turn impact the pricing of affordable credit.

- Social lenders of necessity charge high APRs (for example 106% for ScotCash and 160% for Moneyline, which sources capital from the private sector) but nonetheless have required significant subsidy. Growth Fund loans were subsidised an average of £17 per £100 lent while personal lending by CDFIs is subsidised by an average of £23 per £100 lent.

- The circa 100 GB credit unions participating in the Growth Fund struggled to achieve sustainability. Similarly, Scotcash continues to be loss making and dependent on external funding while Moneyline is only now coming close to sustainability after twelve years.

[7] *See the Financial Capability and Affordable Credit Pilot – Final Report, Consumer Council for Northern Ireland, 2016.*

- In discussing social lending as an alternative to high cost credit it is important to recognise that even the most successful social lending operations represent only a very small share of the market. While social lenders offer both a valuable financial inclusion service and cheaper credit to their customers, none have achieved the scale to act as a realistic alternative to high cost credit for most high cost credit borrowers.

An affordable credit model for Northern Ireland

- The advisory board asked the research team to take forward three alternative affordable credit concepts for a detailed exploration of the potential scale and reach and likely funding requirements of each of the following: A branch-based model on the lines of Scotcash or Moneyline; a national online service, based on pre-qualified referrals from credit unions and social landlords; and a community-based, volunteer-led service. In all cases it was required that the models be sustainable and would break even within a six year period.

Northern Ireland version of Moneyline / Scotcash

- The first iteration of the branch based model suggested that it would be feasible to establish a Northern Ireland version of Scotcash or Moneyline, possibly on a franchise basis and with support from Scotcash or Moneyline. However, as with the other social lending models, the APR would need to be high (173%) on the assumption of a break even after a six year period) if the operation were to be sustainable.

Table A. Overview face to face branch-based affordable credit model for Northern Ireland

On assumption break even after 6 years

Cost of credit	
APR	173%
Cost of credit per £100 lent	£49
Savings to consumer*	
per £100	£21
per average loan	£104
Cumulative over 6 years	£2.5m
Scale	
Loans p.a.	5,400
Market share after 6 years	6.80%
Funding requirement	
At 173% APR	£1.7m
Subsidy per £100 lent	£12.53
Per typical £500 loan	£62
At 100% APR	£3.4m
At 48% APR	£4.95m
At 36% APR	£5.4m
Business risk	
If bad debt 15%**	£2.1m
If bad debt 17%	£2.7m
If loan volumes 4500 p.a.	£2.1m

* relative to private sector home credit loan ** rather than 12% assumed in model, funding requirement will increase to the level indicated

- Given that the intended target market is inherently higher risk that that served by either Scotcash or Moneyline currently, there is a real danger that performance in Northern Ireland may be worse than the indicative model outputs suggest

- However, while such a model could offer potential costs savings to consumers, these savings (equivalent to £2.36 p.w.) may not be sufficient to tempt consumers to move away from established relationships with existing high cost credit suppliers, particularly if the application process is time consuming and funds are not delivered quickly, as would seem to be implied by the proposed personalised underwriting, financial inclusion approach to appraising customer needs and the policy of not delivering instant loans.

Online service with prequalified referrals from social partners

- The perceived key advantage of the online model is that it would facilitate a national affordable credit service.

- As with other high cost models, however, the first iteration of the model suggested a high APR, would be required if the model were to be sustainable. The cost savings to consumers are potentially slightly greater than would be the case for the branch based model.

- Semi-automated underwriting and remote service will require that borrowers are lower risk than for a branch-based model, while provision for bad debt will nonetheless need to be higher, this being the nature of online lending. The online referral-based model is unlikely therefore to serve the most vulnerable and excluded consumer.

- The main limiting factors in the success of the model will be the effectiveness of the outreach and engagement with partner organisations and the quality of referrals. If the risk profile of referrals is inappropriate, costs, and potentially bad debt, will rise, with concomitant implications for the funding requirement.

Table B. Overview national referral based online affordable credit model for Northern Ireland

On assumption break even after 6 years

Cost of credit		**Funding requirement**	
APR	153%	At 153% APR	£0.5m
Cost of credit per £100 lent	£45	Subsidy per £100 lent	£17.54
Savings to consumer*		Per typical £500 loan	£88
per £100	£23	At 100% APR	£0.75m
per average loan	£117	At 48% APR	£1.06m
Cumulative over 6 years	£0.58m	At 36% APR	£1.1m
Scale		**Business risk**	
Loans p.a.	1,240	If bad debt 17.5%**	£0.62m
Market share after 6 years	1.50%	Referrals reduced by half***	£0.38m

* relative to private sector home credit loan

** rather than 15% assumed in model, funding requirement will increase to the level indicated

*** model heavily dependent on quality of referrals, reduced referrals would produce 620 loans p.a.

Community based model

- The strength of the community based model was seen by the advisory board to be its potential to reach and serve a small number of highly disadvantaged individuals who might otherwise find it difficult to access credit and who may be exposed to illegal lenders.
- The profile of potential borrowers is unlikely to support effective and responsible lending on any kind of viable financial basis, however. As a result, lending would be small scale, being circa 175 loans p.a.
- The first iteration of the model showed that costs to the consumer would be very high if the model were to be sustainable and cost savings correspondingly modest.
- Against this background, it would seem that grant finance and debt counselling may be more appropriate responses to the needs of these most vulnerable borrowers.

Table C. Overview Community-led affordable credit model for Northern Ireland

On assumption break even after 6 years

Cost of credit	
APR	300%
Cost of credit per £100 lent	£55
Savings to consumer*	
per £100	£7
per average loan	£25
Cumulative over 6 years	£26,250
Scale	
Loans p.a.	175
Funding requirement	
At 300% APR	£83,000
Subsidy per £100 lent	£28.33
Per typical £350 loan	£95

* relative to private sector home credit loan

Taken together, the relative strengths and weaknesses of the three models across the key considerations stakeholders bought to the development of the affordable credit model are summarised in Table D following.

Table D. Overview of the strengths and weaknesses of the three model types in relation to an affordable credit model for Northern Ireland

Key considerations in development of an affordable credit model for NI	Community-based model	Branch-based, face to face model	Referral based national online service
Target market			
Vulnerable financially excluded borrowers	*****	***	*
Current users of high cost credit	*	***	***
Those struggling with mainstream models	*	**	***
Potential users of illegal lending	*****	**	*
Added value social benefits			
Financial inclusion / capability / resilience	*****	****	*
Cost savings / enhanced residual income	*	**	***
Limitations			
Reach	*	**	*****
Serve both communities	***	***	*****
Serve urban and rural areas	*	*	*****
Cost of credit			
High APR	*****	****	***
Scale			
Potentially scaleable	*	***	****
Sustainability	*	**	***
Funding requirement	*	*****	***
Business risk	*	***	***

Key: the numbers of stars denotes degree of fit with each factor being rated, with 1 star being a poor fit and 5 stars being a strong fit.

Further iterations of the model on the basis of a 100% APR and greater scale and greater or lesser engagement from the social housing and credit union sectors

After the initial iterations of the models had been considered by the advisory board, the board took the view that the APRs indicated by their initial requirement for sustainability would not be politically acceptable. There was also some concern that the impact of the affordable credit initiative would be limited in that the potential scale of the operation was seen as small relative to the size of the high cost credit sector. Beyond this, there was little consensus among stakeholders.

Some stakeholders concluded that providing the most deeply financially excluded and vulnerable population with affordable credit, as originally envisaged was not viable on responsible lending grounds nor financially sustainable. This group took the view that a credit-focused national online referral-based service was the way forward and the only viable option given the funding limitations, albeit that it was recognised that such a service would not serve the most disadvantaged.

Among the proponents of this route, some individuals were keen to understand whether the online model could be grown more rapidly or further scaled by more pro-active engagement from the social housing sector. There were also some reservations about whether, given the requirement from the credit union sector for full subsidy for any lending to the financially excluded and their opposition to high interest rates, the model could be viable in the eventuality that such funding was not available or credit unions were reluctant to participate in a scheme offering relatively high interest loans.

Others took the view that an affordable credit service for Northern Ireland must be multi-channel, offering a face to face service in order to reach out to the most disadvantaged. For these stakeholders, the core premise of an affordable credit model for Northern Ireland was that it should take as its focus a broader financial inclusion proposition embracing banking inclusion, building financial capability and increasing financial resilience through encouraging savings. For this group, provision of affordable credit was only one element of the wider proposition, available only to the sub-set of disadvantaged would-be borrowers who could be served within responsible lending guidelines. While it was recognised that such an operation would require significant ongoing funding, the sense was that an affordable credit model that did not focus on the most disadvantaged and a broad financial inclusion proposition would not gain political support.

Against this background the research team created further iterations of both the branch based and online models. In the former case, a second iteration of the model assumed more branches and more rapid growth than in the original model,

In the case of the online model further iterations were developed on assumptions of greater engagement and higher participation in the scheme by the social housing sector. These included scenarios in which the NIHE were and were not involved and differing levels of commitment and referrals. Scenarios were also developed assuming both greater credit union participation and no credit union involvement. The outcomes of these further iterations are summarised in the table following which show the potential loan volumes and consumer savings associated with each of the different scenarios.

Table E. Loan volumes and consumer savings relative to private sector home credit pricing Key dimensions of branch-based and online lending scenarios

	Financial inclusion led			Lending led			
	Branch-based			National online referral based			
After 6 years of operation	**Scenario 1. Base case: 3 branches**	**Scenario 2. Scaled up lending volumes**	**Scenario 3. Base case, credit union and housing association referrals**	**Scenario 4. NIHE referrals additionally alongside HAs and CUs**	**Scenario 5. Increased social landlords engagement alongside CUs**	**Scenario 6. No credit union referrals**	**Scenario 7. Increased credit union engagement**
% of CUs, HAs and NIHE area office engaging							
Credit union participation rate			20%	20%	20%		30%
Housing Association participation rate			52%	52%	75%	75%	75%
NIHE participation rate				23%	75%	75%	75%
APR	100%	100%	100%	100%	100%	100%	100%
Default rate	12%	12%	15%	15%	15%	15%	15%
Scale							
Loan volumes p.a.	5400	9000	1239	1447	2759	1732	3273
Cost of credit							
Per £100 lent	£33	£33	£33	£33	£33	£33	£33
Total repaid on £500 loan	£665	£665	£665	£665	£665	£665	£665
Average consumer savings per:							
£100 lent	£31	£31	£30	£30	£30	£30	£30
Cumulative consumer savings £m	£4.3	£5.5	£0.84	£0.98	£1.87	£1.17	£2.21

- The research team further contextualised these projections with the scale of real-world loan volumes and penetration of social housing tenants achieved by affordable credit operations elsewhere.

- The upper limits of affordable loan volumes generated by other affordable credit providers elsewhere, represent the equivalent of a maximum 2% penetration of the local social housing population, with achieved loans often significantly lower, even after several years of operation.

- Referral and participation rates from social landlords and credit unions have largely been lower than assumed in the more optimistic of the scenarios explored. The evidence from the experience of other affordable credit schemes would suggest therefore that scenarios 2, 5 and 7 would represent the absolute upper limits of what could be achievable in Northern Ireland while scenarios 1 and 3 and 4 would seem to represent the most likely real world outcomes, provided that commitment from the social housing sector and credit unions would be forthcoming.

- Clearly none of these models is sustainable at an assumed APR of 100% and a 12% (branch) 15% (online) default rate. The associated subsidy and funding requirements of each model and scenario are shown in Table F below.

- An online model on the basis of the most likely outcome (scenario 3) in line with the experience of other models would require funding of £0.75m while the most ambitious scenario resting on significant commitment and engagement from both the credit union and social housing sector could require as much as ££1.73m of funding over six years. The three-branch face to face models would require cumulative funding of £3.4m over a six year period while the scaled up, rapid growth branch model scenario would require funding of £4.9m over the period.

Table F. Funding requirements of branch-based and online lending scenarios at 100% APR

	Financial inclusion led			Lending led			
	Branch-based			National online referral based			
After 6 years of operation	**Scenario 1. Base case: 3 branches**	**Scenario 2. Scaled up lending volumes**	**Scenario 3. Base case, credit union and housing association referrals**	**Scenario 4. NIHE referrals additionally alongside HAs and CUs**	**Scenario 5. Increased social landlords engagement alongside CUs**	**Scenario 6. No credit union referrals**	**Scenario 7. Increased credit union engagement**
Funding requirement							
Subsidy per £100 lent based funding and operating costs	£25.18	£27.30	£26.74	£26.26	£24.81	£30.11	£23.38
Cumulative funding required £m	£3.4	£4.9	£0.75	£0.85	£1.54	£1.75	£1.73

Conclusions and recommendations for an affordable credit model for Northern Ireland

Conclusions

- There are no easy answers in arriving at an affordable credit model for Northern Ireland. It is important however to be realistic about what can be achieved.

- It is clear that an affordable credit model would need to charge much higher APRs than would be politically acceptable if it were be sustainable in even the medium term. Any model that operates a pricing policy that would be politically acceptable (deemed by the advisory board to be a maximum of 100% APR) will require significant funding and on an ongoing basis and would have little realistic prospect of achieving sustainability, even where supported by patient and low or no cost capital.

- It is also important to recognise that no affordable credit models elsewhere have achieved the scale to be viable as an alternative to high cost credit for most borrowers using high cost models, even where they have been the subject of very significant investment and capacity building by Government.

- Nonetheless, affordable credit models have offered worthwhile cost savings in comparison to high cost credit and have also acted as a lever for financial inclusion for significant numbers of borrowers, albeit that numbers have been small relative to the private sector. The lack of scale relative to the private sector is not necessarily an argument for doing nothing. Rather it is important to be realistic about the limits of what an affordable credit model could achieve in acting as an alternative to high cost lending.

- It would seem likely that any affordable credit model targeting existing home credit users would need to recognise that it would probably attract higher risk borrowers than those using private sector lenders overall. This will have implications for bad debt and collections management, in turn impacting on cash flow and funding requirements and the potential for sustainability.

- Clearly the more expensive a model is to deliver the greater will be the funding requirements, both at start up and ongoing. A full service face to face branch based service with a wide focus on financial inclusion and financial capability building and targeting more disadvantaged individuals will be cost and resource intensive and thus will require concomitantly greater funding. Moreover relatively few of the deeply financially excluded and most vulnerable would-be borrowers, envisaged by some stakeholders as the target market for an affordable credit service in Northern Ireland, will be viable as borrowers on a "responsible lending" basis. For this type of individuals the benefits of the model may be greater financial inclusion and increased resilience rather than cheaper credit. Branch based models will of course also not necessarily have national reach and, in a Northern Ireland context, may require a degree of duplication in that branches may need to be sited to serve specific communities.

- An online service will be lower cost and have greater potential for national reach. It will however depend on automated underwriting and credit scoring and electronic collections and will need to serve a less disadvantage target market as a result. In so doing however it will have the potential to offer cheaper credit to those currently using high cost private sector providers. If a partnership can be forged between a new social lender operating online and relying for applications on a referral stream from social landlords and credit unions this may prove a route to lower cost credit particularly for social tenants who are currently under-served by the credit unions. Such a model will be cheaper to deliver and thus require funding on a smaller scale than a face to face model. The advisory board rejected the idea of a consumer-facing online service, as being expensive to develop initially and complex to deliver, in favour of a referral-based service, which was felt better placed to target social tenants and those in need of affordable credit. This model will however be critically dependent on the commitment to the scheme of the social housing sector and credit unions, the effectiveness of partnership working and the quality of referrals.

- The advisory board originally took the view that an Affordable Credit model for Northern Ireland would need to be sustainable and that there was, at the time of the project inception, no appetite within Government for substantial funding of such an initiative. It may be that the policy context has since evolved and that the challenges originally envisaged in raising funding may now be more tractable.

- The various affordable credit options that have now been developed for consideration by the board require funding at differing levels and will deliver differing levels of financial inclusion and affordable credit benefits. In deciding how to take forward an Affordable Credit model for Northern Ireland, the advisory board has had to balance funding considerations, a range of financial inclusion considerations and sometimes competing agendas within the stakeholder community. The recommendations made by the advisory board represent their view of the optimal way forward for an Affordable Credit model for Northern Ireland, given the complexities and challenges inherent in development and the constraints of the reality of funding and sustainability issues.

Recommendations for an affordable credit model for Northern Ireland

Against this background, the advisory board took the view that an appropriate Affordable Credit model for Northern Ireland would need to offer credit at an APR of 100%, recognising that while this represented a high APR that would be difficult for some to countenance in a "not for profit" model, that this would nonetheless represent significant savings for the target market of existing high cost credit users who would otherwise pay a much higher cost for their much-needed credit.

The board also felt that, in a Northern Ireland context, an Affordable Credit model would need to incorporate elements of both the online and branch based model, with the community based model seen as an optional add-on, albeit one requiring investment of significant resource relative to the scale of lending that could be achieved. It was felt that a significant element of the target market would require face to face delivery, particularly if borrowers – and unsuccessful applicants for loans – were to benefit from the financial inclusion and financial capability-building element of the proposition. It was felt however that the more realistic option would be to take an evolutionary, incremental stance and aim for the three branch model along the lines of MoneyLine or Scotcash in the first instance.

The limitations of the branch-based model were also recognised by the advisory board, and in particular the inability of a branch-based model to deliver national reach. For this reason, the board felt that the branch based model should be complemented by a national online service, able to reach both urban and rural borrowers and both communities.

It was agreed that an online service would need to be referral-based. It was felt however, that it was not feasible to look to Credit Unions as principal agents for a referral scheme, on the basis that the credit union representatives on the board felt that there were a number of key barriers to credit union participation. These included a likely reluctance on the part of credit unions to make referrals to a loan service at 100% APR, a lack of shared infrastructure and a relatively low level of declines for loan applications which would therefore form an insufficiently substantial referral stream for the new service. It was felt that referrals would need rather to rely on the social housing sector, both housing associations and the Housing Executive, among whose tenants there is relatively little credit union penetration and a high incidence of high cost credit use compared to the wider population. The board recognised that the population served by an online model would be less disadvantaged than that served by the branch-based model.

The advisory board acknowledged that there are clearly some disadvantaged individuals who may seek credit or need funding to address cash flow crises or spread the cost of essential major purchases whom it would not be possible for an ethical affordable credit model to serve on a "responsible lending" basis. It was felt, however, that some provision needed to be made for such would-be borrowers, albeit that this

should be on a grant or guaranteed loan basis. The alternative of e some form of small-scale, community and outreach based provision, i, along the lines of the community model earlier discussed, was regarded as an option that could be adopted by specific communities or organisation willing to invest the funds and resource in lending to and building up the financial capability and financial resilience of a relatively small number of highly excluded individuals in those communities.

Taken together therefore the key dimensions of the recommended affordable credit model for Northern Ireland are as laid out in Table G following:

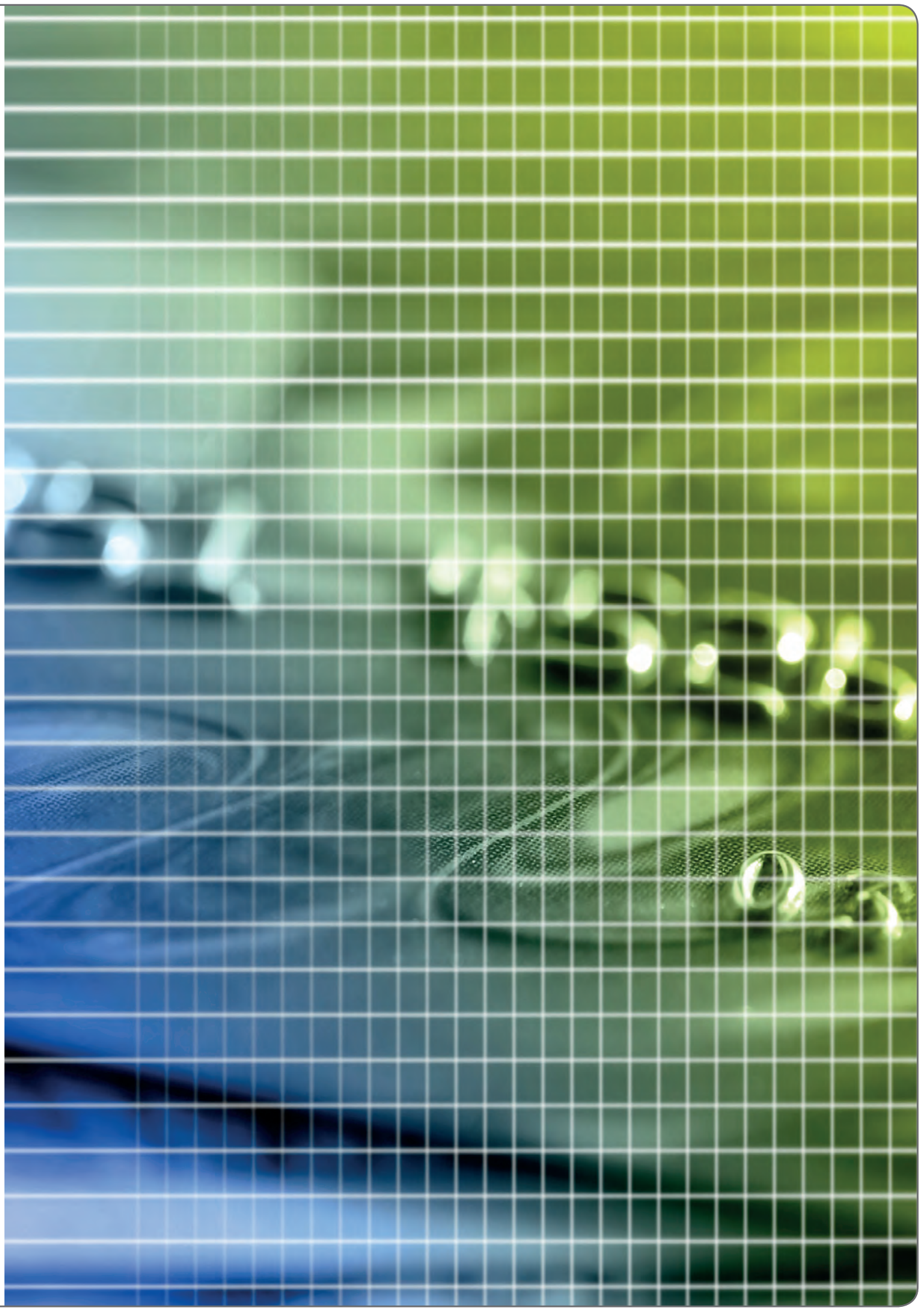
Table G. Summary key dimensions of the recommended affordable credit model for NI - cost of credit, loan volumes and consumer savings

Cost of credit	
APR	100%
Per £100 lent	£33
Total repaid on £500 loan	£665
Default rate	
Branch based	12%
National online service	15%
Loan volumes p.a.	
Branch	5400
Online	1732
Total branch and online	7132
Consumer savings	
Average per £100 lent	£31
Per average £500 loan	£155
Cumulative consumer savings £m over 6 years branch based and national online service	£5.47

Overall it is anticipated that the new Affordable Credit Model for Northern Ireland would, once established, make 7130 loans per year, This represents savings to consumers of an average of £31 per hundred and an average of £155 per loan. Cumulative savings to consumers over the six year period would be £5.47m.

The funding requirement for the model would be £5.15m representing a subsidy per £100 lent of a little over £25 for the branch model and a little over £30 for the online service, The outreach and community based grant funding scheme for those in need of emergency funds but without the means to repay a loan would require additional funding of £0.36m over the period.

Table H. Summary funding and subsidy requirements for the recommended affordable credit model for NI

Subsidy per £100 lent based funding and operating costs	
Branch based	£25.18
National online service	£30.11
Cumulative funding required branch based and national online service	£5.15
Additional funding that would be required for grant or loan -based community service £m	£0.36

NICVA will now take the recommended model forward and engage with stakeholders, policy makers and potential funders to make a new Affordable Credit model a reality for Northern Ireland.