



## All Party Parliamentary Group Debt and Personal Finance

### **Inquiry into the Rent to Own market - Call for Evidence and Terms of Reference**

The All Party Parliamentary Group (APPG) on Debt and Personal Finance is undertaking an inquiry into the Rent to Own (RTO) market. The APPG is keen to engage with relevant stakeholders to build a clearer picture of how the market operates and how it serves its customers.

As part of its inquiry the APPG would like to hear from the businesses themselves and their representative bodies, consumer groups and charities, past and present customers and other interested parties.

#### **Background**

RTO stores have become an increasingly common sight on our high streets in recent years, particularly in less affluent areas. They specialise in furniture and electronic goods, with dominant purchases being sofas and TV sets. The business model is broadly hire purchase, whereby customers do not own the goods obtained until the last payment is made.

The market is dominated by three retailers: *BrightHouse* is the biggest, with over 270 stores nationwide, followed by *PerfectHome*, which has 67. *Buy as you View* is the oldest, having been founded in 1972, and the smallest. It operates mainly in South Wales, the Midlands and the North of England and, unlike the others, mostly trades online. All three have engaged recently on significant expansion plans.

There is no publicly available data concerning the size of the RTO sector in the UK. However, we estimate that the largest three firms have a combined customer base of at least 350,000 households. The majority of customers appear to be working families on low incomes.

It is clear that the facility to pay by weekly instalments provides the main attraction to RTO customers; payments are spread over a long period, usually three years, which helps to make payments manageable for those on a restricted budget.

However, consumer groups have pointed out that the overall costs for the customer are very high. This is partly because the price of the products themselves can be high, but also because customers can be obliged to take on a 'bundle' of services at the time of the initial credit agreement, including delivery and insurance cover. Some consumer groups have questioned whether this amounts to good value for money for the customer, suggesting there should be better protection from such contracts.

The Inquiry will look at a number of issues around how the RTO market is working. It will look at the factors behind the expansion of the industry in recent years and what benefits this may have brought. It will consider whether RTO businesses operate fairly and will ask whether more needs to be done, from a regulatory point of view, to ensure that customers get a good deal.

## Terms of reference

We welcome evidence on any aspect of the Rent to Own (RTO) market, but we are particularly interested in feedback to **questions listed on the following page**.

## How to respond

- The **deadline** for submitting a written submission to the APPG is **Friday 24 October**.
- All submissions must contain a name and contact details. If possible, they should comprise a single document, begin with a short summary in bullet point form, have numbered paragraphs, and be in Word or Rich Text format (not PDF).
- There is no maximum word count and we are accepting evidence that has previously been published.
- Unless we receive a specific request not to, **submissions will be published in full**.
- **Written evidence should be emailed to [APPG@Stepchange.org](mailto:APPG@Stepchange.org)**.
- Alternatively, hard copies can be sent to: APPG Secretariat, StepChange Debt Charity London Office, 6th Floor, Lynton House, 7-12 Tavistock Square, London WC1H 9LT.

## Oral evidence sessions

The APPG will be holding a number of oral evidence sessions in late October and early November. *Please indicate in your written submission whether you or a representative of your organisation would be willing to be called as a witness.*

## Final report

The APPG plans to publish a final inquiry report with recommendations before the Christmas recess.

## Timeline summary

|                               |                     |
|-------------------------------|---------------------|
| Call for Evidence             | 8 September 2014    |
| Deadline for Written Evidence | 24 October 2014     |
| Oral Evidence                 | Early November 2014 |
| Publication of Report         | Mid December 2014   |

The work of the Group would not be possible without the support of its affiliate members including:

Abbey Charitable Trust | ABCUL | adviceUK | AgeUK | Basic Skills Agency | British Bankers' Association | Building Societies Association | Church Action on Poverty | Citizens Advice | Citizens Advice Scotland | Consumer Futures | Council of Mortgage Lenders | Credit Services Association | Debt Advice Foundation | Experian | Finance & Leasing Association | Financial Conduct Authority | Financial Ombudsman Service | Financial Services Consumer Panel | HSBC | IFS School of Finance Lending Standards Board | Lloyds | Money Advice Service | Money Advice Trust | MoneySavingExpert.com | Nationwide Building Society | netCUDA | NIACE Payments Council | Pensions Advisory Service | Personal Finance Research Centre | pfeq Provident Financial | Resolution Foundation | RWE npower | Scottish Churches Parliamentary Office | StepChange Debt Charity | The Co-operative Group | The Money Charity | Toynbee Hall | UK Cards | Which?

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## **QUESTIONS YOU MAY WISH TO CONSIDER**

### **General**

- What currently works well in the RTO sector and what does not work so well?
- What do customers like/dislike about the products and services offered?
- What evidence is there that customers value the 'bundling' of goods with insurance/repair services? Are these packages appropriate? Are these services priced competitively?
- What are the most popular or highest selling goods?
- What are the most typical payment time-scales and methods?
- What is the socio-economic profile of customers?
- How well does competition work in the RTO market?

### **Pricing and value**

- Are pricing structures for goods and related services clear?
- How do prices compare with other retail and online outlets?
- Are non-credit customers offered the same packages?
- Is it appropriate to charge interest on the costs of delivery, insurance and repair cover?

### **Lending practices**

- Are the circumstances when customers might lose goods clear?
- Are firms doing enough to identify and help customers at risk of financial difficulty?
- How often do customers have multiple agreements with RTO firms and when might this not be appropriate?

### **Treatment of customers in arrears**

- How many customers fall behind on payments?
- How are customers who fall behind on payments treated?
- Are debt collection practices in the sector appropriate?
- What proportion of goods are seized and resold?

### **Compliance and scope for further action**

- How effectively are firms and trade associations monitoring compliance with charters and codes of practice?
- What actions could RTO firms and trade bodies take to improve how the sector works?
- What actions could the regulator take to improve how the RTO sector works?

## **DO YOU HAVE ANY OTHER COMMENTS ABOUT RTO?**