

Dunraven Finance Limited
Trading as Buy As You View
Kingsway Buildings
Bridgend Industrial Estate
Bridgend
CF31 3RY
22/10/2014

APPG Secretariat
StepChange Debt Charity
Lynton House
7-12 Tavistock Square
London
WC1H 9LT

Dear Sir,

RE: Inquiry into the Rent to Own Market

In response to the recent request for written evidence for the All Party Parliamentary Group (APPG) on Debt and Personal Finance inquiry into the Rent to Own (RTO) market, please find enclosed our submission which I hope will help support the inquiry in its review.

We welcome the APPG's inquiry into the RTO market and its intentions to build a clearer picture of how it operates and serves its customers. As an ethical and responsible provider in this market, we are very keen to work collaboratively with the Group to ensure the future regulatory landscape works to the benefit of customers and industry good practice.

Buy As You View (BAYV) prides itself on our transparent, responsible and affordable operating model that focuses on fairness to the consumer and flexibility to adapt to their changing financial circumstances.

As a business that was cited in the APPG's Terms of Reference, we feel it has not yet been fully recognised by the Group that BAYV is markedly different in nature to the other two businesses - most notably in how we are classified as part of the Home Collected Credit (HCC) industry and operate a different business model that is more akin to mail order industries, given our pricing and operational model.

This submission is in no way intended to be exhaustive but instead is intended to provide a summary of the key information that we feel will assist the inquiry and build a clearer picture of how the market operates, in particular how BAYV operates and serves its customers.

If following this submission, should there be any further information or questions that the inquiry wishes to ask, we are more than willing to respond in writing to those requests.

The following submission will cover in summary the following areas:

- Summary of Submission
- About BAYV
- Responses to APPG's Terms of Reference Questions
- Recommendations
- Typical Customer journeys
- Appendix I & II

I hope you find this useful and I look forward to following the progress of the inquiry's work going forward.

Yours sincerely,

Graham Clarke
Chief Executive Officer

Submission from:

Buy As You View

**To the APPG on Debt and Personal Finance inquiry
into the Rent to Own market**

October 2014

Summary of submission

- Buy As You View (BAYV) is a direct to consumer business specialising in the sale of consumer electronics, furniture and related durable household products.
- We welcome the APPG's inquiry into the Rent to Own Market (RTO) market and its intentions to build a clearer picture of how it operates and serves its customers. As an ethical and responsible provider in this market, we are very keen to work collaboratively with the Group to ensure the future regulatory landscape works to the benefit of customers and industry good practice.
- As a business that was cited in the APPG's Terms of Reference, we feel it has not yet been fully recognised by the Group that BAYV is markedly different in nature to the other two businesses – in part how we are classified as part of the Home Collected Credit (HCC) industry and operate a different business model that is more akin to mail order industries.
- We deliver a transparent, responsible and affordable operating model that prides itself on its fairness to the consumer and flexibility to adapt to their changing financial circumstances and find a solution that suits everyone.
- We do not “bundle” together the hire purchase with warranties or other insurance cover, these products are optional. We do require consumers to have suitable insurance cover but it is completely acceptable for them to have or arrange their own cover.
- The evolution of the financial services marketplace in the UK has resulted in the exclusion of a significant part of the UK population, typically lower income households, from mainstream credit products which we believe make up almost 15m of the UK population.
- BAYV believe all people should have the opportunity to purchase basic consumer durable essentials. While consumers would ideally save to be able to buy these products, statistics show only a minority are likely to have enough available savings to replace these basic essential household products.
- With low earning households struggling to match the rise in the cost of living and welfare budgets being squeezed, we believe the provision of basic essential consumer durables on the business model adopted by BAYV is an appropriate, affordable and responsible model and compares well to the alternatives available to consumers.

- It is clear that these households do require the provision of credit to purchase these items, the only question is the appropriateness of the model used. BAYV believe that its ethical and responsible approach stands scrutiny on all objective measures.
- We believe that whilst APRs are a useful indicator of raising awareness of the cost of credit, more transparency is required to take account of other costs including cash prices, warranty prices, late payment fees, other charges and the length of the loan.
- We recommend the Group consider supporting more transparent measures, such as a true price comparison website and a total cost of credit disclosure, as well as encouraging the sector to improve the sharing of data.
- The latter would increase the ability to make improved lending decisions which in turn could benefit consumers with preferential rates and where possible improve their credit rating.
- We have included in this submission three recommendations for the inquiry to consider taking forward as it reviews the issue in the weeks ahead:
 1. **Introduce an independent price comparison site**, with mandatory fields for a true comparison of the different offers available.
 2. **Total cost of credit disclosure by businesses**, including variables often excluded from the APR calculation by certain companies (e.g. charges/warranties/insurance/fees etc.).
 3. **Encouraging more sharing of data within the sector**, so that businesses can make improved lending decisions, allow good paying consumers to benefit from preferential rates and where possible improve their credit rating.

About BAYV

- 1.1 Buy As You View or BAYV (Trading name for Dunraven Finance Limited) www.bayv.co.uk is a direct to consumer business specialising in the sale of consumer electronics, furniture and related durable household products.
- 1.2 Founded as “Just Rentals” in South Wales over 40 years ago, we currently serve over 75,000 current customers and employ over 700 full time employees.
- 1.3 We operate in 6 major geographical locations: South Wales; Scotland; North East; Yorkshire; Midlands and the North West.
- 1.4 We do not operate a “bricks & mortar” store operation instead the majority (80%) of the 3,000+ applications we receive every week come via our website, with 15% of applications via a contact centre and the remainder from existing customers’ recommendations.
- 1.5 The cost of the model inevitably has to be borne by the consumer, as part of our collections are direct from customer’s homes and this does have a significant cost to operate, as evidenced from the home collected credit industry typical APRs. Nevertheless, we believe that our APR (49.9% Representative is the lowest APR of any home collected credit business in the UK.
- 1.6 BAYV only provide major household durable consumer products and associated services. We do not provide credit on consumables (e.g. clothing or cash loans), and believe credit should only be provided for products that have a life beyond the term of the loan.
- 1.7 The company is committed to the fair treatment of its customers, as outlined in its customer charter www.bayv.co.uk/help/charter This level of customer satisfaction is evidenced in all of our internal audit programmes but can be further attested by the number of complaints (measured externally) with Trading Standards, Citizens Advice Bureau and the Financial Ombudsman service. For all three this year, there have been zero complaints upheld.
- 1.8 The management and shareholders of BAYV want to be part of an enterprise that makes reasonable returns but not excessive profits. On all objective measures in comparison to the retail sector BAYV is not making a return which could be regarded as excessive. Last Year BAYV made an Ebitda of £5.9m on a turnover of £76m (7.8%) these earnings are before any deductions for interest & funding costs.
- 1.9 The long term objective of the business is to develop a sustainable and replicable business model that can provide access to consumer household durable items and associated credit services, that is both the industry leader and mirrors products and services available to mainstream consumers.
- 1.10 BAYV is classified by the Financial Conduct Authority (FCA) as part of the Home Collected Credit industry (HCC) rather than the hire purchase category, this point was raised in May of this year with the FCA but given a large proportion of our collections occur in the home the FCA felt it was more appropriate to classify BAYV in the HCC rather than Hire Purchase.

1.11 Since 2007 the business has been on a transformational journey in developing a **transparent, responsible and affordable** operating model which aims to offer suitable major household items that meet our customer's needs and requirements on affordable payment terms that allows for flexibility should the customer encounter any difficulties over the period of the loan or if their circumstances change. Our model can be briefly summarised as follows:

Transparent

- All charges are included in our APR upfront - including the cost of arranging the loan, the interest charge for the money lent and the cost of providing a service where customers paying by cash (Home collected) Paypoint or online/Debit Card do not face any additional late fees or other charges except Direct Debit where there is a small charge of £3.45 to recover costs when a DD is unpaid. This is despite the obvious additional costs the business itself faces as a result of any late payments.
- Our catalogue displays the Representative APR and has a breakdown of payments for every product featured, including the total amount payable and maximum duration of the loan. All product codes are provided so that consumers can compare base product prices.
- We **do not** bundle warranties or insurance together with hire purchase or charge interest on delivery, insurance or repair services. All ancillary products are optional and our service proposition is modelled on the Dixon Stores Group warranty (which has a 57% take up) and our Insurance (which has a take up of 68%).
- Excluding Direct Debit arrangements (where we apply a modest bank admin charge £3,45 to recover cost charged to BAYV), we do not charge late fees or default charges as we believe this simply adds to problems certain customers face.
- We extend the period in which the customer has the right to withdraw from the agreement to 30 days (legislation only requires 14 days).
- Each of our customers is equipped with a Smart-Meter similar to those provided by the utility companies to enable customers to make payments. We provide multiple payment methods including; home collection, weekly/monthly direct debit, PayPoint and online/debit card.
- While some retailers charge a transaction fee for alternate payment methods (e.g. PayPoint) BAYV in contrast apply an interest rebate to customers who pay by Direct Debit or Pay Point.
- We do not use continuous payment authorities (CPA's) and we will never re-present a missed direct debit payment more than twice.
- Whereas other retailers often charge a transaction fee for certain payment methods (e.g. PayPoint), we apply an interest rebate/discount for these sorts of payments as well as additional preferential rates for existing customers. For example, a new customer would receive a 2.5% discount for payment by Direct Debit and an existing customer would receive a 3.5% discount.

Responsible

- BAYV only provide major household durable consumer products and associated services. We do not provide credit on consumables (e.g. clothing or cash loans), and believe credit should only be provided for products that have a life beyond the term of the loan.
For example a washing machine on a 3 year loan would normally last a minimum of 6 years.
- All of our product range is of a high quality sourced from large reputable manufacturers; the furniture in our range is manufactured locally in South Wales and is of high quality compared to many of the discount furniture retailers.
- We respect consumer's rights of privacy and the use of data and as a result we do not operate any affiliate marketing programs, outbound sales operations, nor do we make unsolicited marketing calls, texts or emails.
- Our Value-line refurbished and Essentials product ranges give our customers freedom to choose items of high quality but at a lower price depending on their financial circumstances. 40% of all new sales come from these two key product lines.
- 99% of communication (e.g. Mobile Smart Phones) and Gaming (e.g. Xbox) sales go to existing customers. Our lending guidelines see Gaming items as non-essential and therefore very few are sold but reserved for existing customers who have demonstrated ability to pay and good payment histories.
- Unlike other finance providers, if death occurs then we write off the remaining debt and pass title to either the estate or next of kin.
- We also permit customers to return their products at any time without financial penalty before the 50% payment rule (50% rule allows the seller to implement charges if the contract is ended before 50% of contract is paid).
- No employees are incentivised in respect of service cover or insurance products.

Affordable

- We have a robust four stage affordability checking process with both online, offline and in home checks by independent non-commission-earning employees that sees only **26%** of all applications approved.
- We also cap all initial advances, so that repayments do not exceed **20%** of net disposable income (i.e. after all housing, credit, general and ancillary costs see details in appendix 1).
- To ensure affordability we often down sell the customer to lower cost products on average **15%** of all applications passed (of the 26%) are down-sold to cheaper products.

- New customers pay on average just **£8** per week or **£35** per month. The average payment for our existing customers is **£16** per week or **£69** per month.
- The interest per £100 per annum is £27.50 for new business and £24.50 for sales to existing customers. As a result of our competitive pricing, robust underwriting and affordability checks, this is significantly lower than the levels levied by other businesses servicing this sector.
- We provide 6 main forbearance tools to help customers who fall into financial difficulty (including deferment and early write off).
- Ultimately, we prefer to find a suitable payment plan and have a number of options, such as payment breaks or payment bridge programmes, to help support our customers in times of need.

Response to Specific Questions

What currently works well in the sector and what does not work so well?

2.1 The use of Mail Order, rental/rent to own and home collected credit companies can largely be derived from the evolution of the financial services marketplace in the UK which has resulted in the exclusion of a significant part of the UK population from access to finance, typically lower income households which we estimate amounts to approximately 15 million people.

2.2 BAYV believe all people should have the opportunity to purchase basic consumer durable products. While consumers would ideally save to be able to buy these products, statistics show only a minority are likely to have enough available savings to replace these basic essential household products.

2.3 According to the recently published report by the Institute for Fiscal Studies, official statistics show that **14.6 million** people (23.2%) were at or below the 60% median income level in 2013 (measured after housing costs).

2.4 Moreover, figures from the Department for Work and Pensions show that:

- **13%** of Households with average incomes cannot afford to replace or repair electrical goods.
- **22%** of Households with average incomes cannot afford to replace worn out furniture.

However this rises dramatically for households in the lowest **20%** income group of the population where

- **38%** cannot afford to replace or repair electrical goods.
- **45%** cannot afford to replace worn out furniture.

2.5 With low earning households struggling to match the rise in the cost of living and welfare budget being squeezed, we believe the provision of basic essential consumer durables which BAYV provide is a more responsible, affordable and appropriate model to many of the alternatives provided to consumers.

What Works Well In the Sector

- 3.1 The sector provides access to good, branded household products to customers who are not served by mainstream credit providers.
- 3.2 Despite the significant need for such products, statistics indicate that substantial access to basic products has been made over the last 15 years with one in six households on low incomes lacking a Fridge freezer or a washing machine compared to one in three a decade ago. (see Graph 1 in the Appendix).
- 3.3 Customers can access products in an affordable way through weekly payments without paying large deposits and cash up front.
- 3.4 For responsible businesses like BAYV, all credit will only be granted on products that have a usable life beyond the final repayment of the loan, delivering real value for money for the consumer. For example, a washing machine on a 3 year loan would normally last a minimum of 6 years.

What Doesn't Work Well

- 4.1 The number of features of the models in, Mail Order, Rental/RTO, Retail Store Cards and indeed retail in general makes it difficult for consumers to gauge the true price and compare it with other businesses. The costs advertised by some firms will often not be clear in relations to:
- Retail Prices
 - Model Variation
 - Insurance
 - Default Charges
 - Finance Charges / APRs
 - Warranties
 - Fees
 - Revolving Credit

These clearly can lead to difficulties in comparison of the total cost **(See Recommendation 1)**

- 4.2 There is a lack of data sharing/availability within the sector. Better data sharing would lower risk and improve credit decisions which would ultimately lead to lower pricing for good customers.
(See Recommendation 3)

What do customers like/dislike about products and services offered?

5.1 In 2012, BAYV engaged OC&C to conduct an independent research programme. Both qualitative and quantitative customer interview panels were used. The programme identified a number of attributes associated with the proposition that were important to the customer. They were:

- Ease of making payments
- Size of weekly/monthly instalments
- Size of initial deposit
- Duration of the total payment period
- Total amount payable
- Speed of access to product
- Different payment methods

- Friendliness and fairness of the company

5.2 Our research also asked customers about their opinions on alternative credit types, which showed there were a number of aspects the customers disliked.

- **Credit Cards.** *Actively avoided because the temptation was too much - it didn't feel like real money.*
- **Bank Overdraft.** *Access is an issue, but customers did not trust themselves with repayment schedules.*
- **Home Collected Credit (Cash Only).** *Didn't like readily available cash. Preferred to use this for emergencies and Christmas.*
- **Credit Unions.** *Good but require time to save and have an urgent need for most of these essentials*
- **Payday Lending.** *Strong dislike to this as the APRs is high and it is viewed as taking advantage.*
- **Pawnbroking.** *Can view this as desperation to get credit.*
- **Own savings.** *Do not have the savings discipline required or sufficient cash surplus on a regular basis.*

What evidence is there that customer's value the "bundling" of goods with Insurance and repair services? Are these packages appropriate? Are these services priced competitively?

6.1 We believe that "bundling" may not, in all circumstances, be in the best interests of all customers and unlike the RTO companies cited in this inquiry, at BAYV we do not bundle any services or insurance. Instead we have an almost identical approach to both mainstream retail and mail order firms to the content and structure of our insurance/service offerings. All ancillary products are optional 57% of customers have our "All Sorted" warranty product and 68% have our insurance product.

6.2 Warranty and insurance products are not financed and operate on a pay as you go (PAYG) service which can be cancelled at any time. No commission or incentives are attached to these products, and all calls are recorded and audited. Clear advice of the customer's statutory rights is provided in both our literature and on the company's website.

What are the most popular or highest selling goods?

7.1 Table 1 in the Appendix shows this current year (6 months) and the previous full year sales, volume, value and mix between both new customers (New) and existing (SS) along with totals. The top selling lines come from our Value-line refurbished and Essentials product ranges (40%).

7.2 Top selling products in terms of rank drive almost 70% of all volume:

1. Television
2. Washing
3. PC & Accessories
4. Upholstery
5. Bedding

What are the most typical payment time scales and methods?

8.1 The payment methods and timescales are as follows:

Payment Methods

54%	Cash
38%	Direct Debit
5%	PayPoint
3%	Debit /Other

Payment Timescales

6%	up to 0-24 Months
26%	up to 25 -33 Months
62%	up to 34 -36 Months
6%	up to 36 -48 months

What is the socio-economic profile of customers?

9.1 Our customer base is mainly made up of B, C1, C2, D & E according to Mosaic demographic profiling.

- **8.4% B** - Middle Class, Intermediate managerial, administrative or professional.
- **20.7% C1** - Lower Middle Class, small business owners, junior/middle managers, supervisors, bank clerks.
- **20.2% C2** - Skilled Working Class, skilled manual workers, agricultural workers, carpenters, plumbers, painters.
- **43.8% D** and **6.8% E** - Working Class, unemployed and dependents, semi and unskilled manual workers, pensioners, state dependent, trainees, apprentices.

9.2 With regards to employment status, the profile of our new customer credit applications for 2014 is as follows:

- Full time: 32.37%
- Part time: 17.84%
- Benefit Recipients (JSA/DLA etc.): 47.96%
- Other (Self Employed): 1.83%

9.3 With regards to key customer profile

- 99% Have a bank account
- 94% Rent Private/Council property
- 80% Have Internet/Broadband
- 78% Are Female
- 72% Have at least 1 dependant
- 57% Are single/divorced

How well does competition work in market?

10.1 We believe that one of the biggest obstacles in the market is a lack of accurate information provided to the customer on the true cost of repayments which also prevents consumers being able to compare prices accurately. However, we believe that with the increasing access to the internet this risk is diminishing.

10.2 Nonetheless we are fully supportive of a structured approach that would lead to “true, total cost payable” that could easily be determined by consumers. **(See Recommendation 1)**

Pricing and Value

Are pricing structures for goods and services clear?

11.1 Our catalogue in accordance with current legislation and best practise displays the Representative APR and has a breakdown of payments for every product featured including:

- Model Number (Where applicable)
- Cash price
- Maximum Duration of the Loan (Customers can pay for any product over any shorter period they wish)
- Total Amount Payable
- Weekly Payment
- APR
- Representative example

11.2 However as previously mentioned there are a number of components across all business models that can lead to confusion or difficulty in comparing total costs for consumers. We are fully supportive of a structured approach that would lead to “true, total cost payable” that could easily be determined by consumers. **(See Recommendation 1)**

How do prices compare with retail online outlets?

12.1 New customers with BAYV pay on average just **£8** per week or **£35** per month. The average weekly payment for our existing customers is **£16** per week or **£69** per month. As a result of our competitive pricing, robust underwriting and affordability checks, this is significantly lower than the levels levied by other businesses servicing this sector. For more information on the average weekly payment for BAYV's customers, see Table 2 in the Appendix.

12.2 Our retail prices are typically **10-15%** dearer than the major retail mail order business (whom we see as our direct competitors) which is largely due their significant size and therefore purchasing power. For example, Shop Directs last audited accounts indicate they spent over **£1.1 billion** on purchases, compared to our **£15 million** spend.

12.3 However, in many cases we believe when comparing total amounts we are in fact cheaper on many products.

12.4 BAYV includes all its charges upfront in its APR, including: the cost of arranging the loan; the interest charge for the money lent; the charge for the weekly collections at the customer's home; and the cost of providing a guarantee that customers will not face extra charges – even if they miss repayments and are late in repaying their loan.

12.5 No late payment fees or charges are applied for late cash, Paypoint and online payments (Only DD has a modest administration charge applied but this is on average £3.45 per bounced DD & we never re-present any DD more than 2 times).

12.6 In contrast, Littlewoods, as an example, lists several charges within its terms and conditions found on their website including:

- Terms Transfer – We will charge the equivalent to the first 4 weekly payments due on the new plan
- Repayment Plan set up and reversal – We will charge up to £12
- If you make a payment via Paypoint or the Post Office - £1
- You fail to make at least the minimum payment by the payment due date - £12
- For any letters, telephone calls or other (other than home visits) debt collection activity - £12
- Any cheque, direct debit or other item for payment into your account that is unpaid - £15

12.7 We believe that we have the lowest APR of any home collected credit business in the UK. And on average taking into account fees we believe the all in cost of using BAYV compares similarly to buying from mail order companies despite the additional cost involved in our home collected model. More information on competitors and their charges can be found in the Appendix

Are non-credit customers offered the same packages?

13.1 Yes

Is it appropriate to charge interest on the cost of delivery, insurance and repair cover?

14. We do not bundle or charge interest on delivery, insurance or repair services. Rather we have an almost identical approach as both mainstream retail and mail order to the content and structure of our insurance/service offerings.

Lending Practices

Are circumstances when customers might lose goods clear?

15.1 For BAYV, the circumstances when a customer might lose the goods are made very clear throughout the application process.

15.2 As required, the consequences of missing payments are clearly stated on the pre-contract credit information and in the credit agreements. When entering into new agreements, as part of the assessment process, an assessor will explain the key point of the agreements including the circumstances in which the goods may be repossessed, and the customer's rights in relation to protected goods.

15.3 BAYV has recently introduced an electronic Agreement Guide Presenter on the handheld computers used by its employees in the customer's home. The agreement is displayed on screen in bite size chunks, showing each key component. There is a screen dedicated to the section on the consequences of missing payments. Several sections must be signed to confirm that all the relevant information has been provided. We would be happy to share example screenshots of these handheld computers if it would be of interest to the inquiry.

15.4 The customer's agreement will be sent to them in the post. This is accompanied by an "all you need to know about your agreement" leaflet. This provides information on the key points of the agreement and includes information setting out the consequences of missing payments and default.

What actions do firms take to identify and help customers at risk of financial difficulty?

16.1 As a business we take our assessment of a potential and existing customer's ability to meet the weekly repayments for any product sold to them very seriously. BAYV process over 3,000 applications a week which sees only **26%** of all applications approved. We also cap all initial advances, so that repayments do not exceed 20% of net disposable income (i.e. after all housing, credit, general and ancillary costs etc. see appendix 1).

16.2 We have a robust four stage affordability checking process with both online, offline and in home checks by independent employees whose pay is not commission-based. The four stages are:

1. Initial system Scorecard Screening
2. Phone call for additional data collection and validation
3. Home Visit by an Independent Credit Assessor for further validation
4. Final Review and sign off by management

16.3 Customers have a choice of paying by Direct Debit, PayPoint or online which are charged at a lower rate. Home collected cash is charged at a higher rate to reflect the additional cost to collect. If the application is for something that the customer couldn't afford or wasn't in line with company's responsible

lending criteria, the assessor would look to “down sell”. On average 120 (15%) of the 800 approved sales per week are down sold to lower priced goods.

16.4 Customers also get a visit from account managers every 8 weeks or earlier if required, this allows them to discuss the account and establish if there are any problems. If it is identified that problems have arisen, appropriate action can be taken.

16.5 We also signpost customers to independent third party advice agencies, such as StepChange and the Citizens Advice Bureau, and details can be found on the website as well as listed in the catalogue. Customer letters also contain details of where customers can go to get free independent advice.

How often do customers have multiple agreements and when might this not be appropriate?

17.1 Due to the significant variations in the operating models across the sector, including the capture and use of data, there are a number of restrictions on the ability to validate precisely how often consumers have multiple agreements.

17.2 BAYV takes its responsibility to lend responsibly very seriously, we have strict policies ensuring that we do not enter into agreements that we believe where we believe the consumer will be unable to meet the repayments or where the customer may become over indebted to us.

17.3 We only allow up to 20% of net disposable income in our affordability calculations. We make no default charges. Average weekly repayments are considerably lower than is the case for customers of businesses we are compared against. **(See Recommendation 3)**

Treatment of Customers in Arrears

How many customers fall behind on payments?

18.1 For BAYV, the total number of customers who fall behind on payments consistently averages below 10%. Graph 2 in the Appendix shows the year-on-year performance of all new customers defaulting (ranging from 10-11% to 5-6%). Graph 3 shows year-on-year performance of all existing customers defaulting (ranging from as low as 1.5%-3.5%).

How are customers who fall behind on payments treated?

19.1 BAYV is committed to the fair treatment of its customers, as outlined in its customer charter (www.bayv.co.uk/help/charter) which has been in place since 2012. The charter was informed by three years of work we undertook with organisations like Thrive, Church Action on Poverty (CAP) & the Centre for Responsible Credit (CfRC) initially to review how BAYV could work with its customers to improve its own offering. You can read more about this work at: <http://www.responsible-credit.org.uk/projects/developing-a-code-of-practice-for-rent-to-own-lenders>.

19.2 Despite our responsible lending guidelines, from time to time customers do have financial challenges and we have an effective and robust system in place to help support them. Put simply, our aim is to make

affordable arrangements with customers which regardless of the situation will not result in the customer paying more than originally agreed at the start of the agreement.

19.3 We do not charge late fees or default charges (for home collected credit, Cash, Paypoint, Payzone, Cheque or Debit card payments) as we believe this simply adds to problems certain customers may face.

19.4 We do apply a modest bank administration charge for a missed direct debit (DD) but this is an average of £3.45 per bounced DD (DD that is bounced is not re-presented more than 2 times).

19.5 Customers who wish to switch between DD, Cash, Paypoint or Debit card incur no extra charges regardless of the number of time they change their payment method. Again, many competitor businesses charge late, default fees or variation of payment methods which can significantly increase the total cost.

19.6 At BAYV, the first option for when customers fall into financial trouble would be looking at a repayment plan to help get customers back on track. We then have a wide selection of forbearance tools in place to assist customers who fall into arrears:

1. Payment plan up to 8 weeks
2. Deferment (Payment break extended on to end on contract with no additional charges or interest simply longer to pay same amount)
3. Fresh Start Re-Finance or FSR (As above extension on time to pay but with a reduction in weekly/monthly payment)
4. Commercial exchange (downgrade to a less expensive product and payments pass on to new contact)
5. Early buy out/reduction policy
6. Early Write Off

19.7 It is important to note that along with no fees (apart from the DD admin charge) or penalty charges, no additional interest is added either.

19.8 As part of our submission to the inquiry, we have included two examples of a typical customer journey through our system which demonstrates how they are well treated throughout our transparent, responsible and affordable operating model.

Are debt collections in the sector appropriate?

20.1 Although we can't comment on the sector as a whole, we are members of the Credit Services Association (CSA) - the UK trade association for the debt collection and debt purchase industry which we would endorse as a good example of best practice when considering debt collections.

20.2 The CSA and its members are keen to ensure the highest standards are maintained in the debt collection industry, and regularly hold compliance meetings and conferences to provide updates to its members on what is expected of them; their code of practice promotes the fair treatment of customers when collecting debt. BAYV itself is fully committed to the code of practice which can be found here:

http://www.csa-uk.com/assets/documents/compliance-and-guidance/code_of_practice.pdf.

What proportion of goods are seized and resold?

21.1 At BAYV, we permit customers to return their products at any time without financial penalty, despite legislation allowing the seller to implement charges if a consumer returns their products before 50% of payments have been made. We make no charges at all for any customer requiring this option - we believe we are the only business in the sector to offer this free of charge.

21.2 All returned products - including cancellations in the first 30 days, returns and terminations - are 16% of total sales, 12% of this stock is written off as unfit to sell. Therefore, in total, 14% sales are returned and resold.

21.3 77% of all cancellations, returns and terminations occur before the one third rule (Protected status) and over 90% before the 50% rule (Allowing the customer to be charged up to 50% of the cost of goods for which we do not apply any charge).

All returns are agreed with the customer in advance and we have a formal “collection by consent” process completed and audited on a weekly basis.

Compliance and Scope for further action

How effectively are firms and trade associations monitoring compliance with charters and codes of practice?

22.1 Whilst we cannot comment on other firms, BAYV has a robust internal governance structure in place to monitor compliance. The company is able to audit employee’s performance in regards to how it treats its customers. Adherence to the FCA’s “Treat Customers Fairly” (TCF) principle is part of these audits.

22.2 In addition to line management checks the internal audit department conducts a number of reviews on a weekly basis consisting of:

- Mystery Shopper Audit
- Underwriting Audits
- Courtesy Call Audit
- Forbearance Tools Audit
- Returns/Cancelations Audit
- Complaints Audit

22.3 The compliance meeting takes place once a month to review performance (see above audits) and compliance with regulatory obligations.

What actions could firms and trade bodies take to improve the customer experience? What actions could the regulator take to improve practice in the sector?

23.1 Please see Recommendations 1, 2, & 3 in answer to this question.

Recommendations

24.1 We welcome the APPG's inquiry and BAYV would be pleased to work with the group to help develop their recommendations for the sector as a whole.

24.2 For example, while APRs are a useful indicator of raising awareness of the cost of credit, more transparency is required to take account of other costs including cash prices, warranty prices, late payment fees and charges, other charges and the length of the loan.

As such, we have included the following recommendations for the inquiry to consider as it reviews other evidence:

Recommendation 1: Price Comparison Site (with mandatory fields for true comparison)

24.3 Customers want comparable products, with the main product features, cash price, length of loan APR and total cost, which we believe must include the cost of default/fees and other charges on a proportionate basis.

24.4 We believe that most major electrical items and furniture items can be compared. It may require an independent assessor to determine the actual comparisons but common sense dictates this must be possible.

24.5 Clearly this has to be approached sensibly as poor quality goods could become the norm in the sector, whereas we believe that mainstream reliable good quality products are the most appropriate for this sector. This does not mean high end luxury products merely that the products should have a life beyond the loan being repaid.

Recommendation 2: Total Cost of Credit

24.6 We see both recommendation 1 and 2 linked and would fully support the ability of consumers to be able to compare pricing across the spectrum of businesses in the sector. However, we believe that due to the number of variables that can often be excluded from the APR calculation that this would need to be based on a total cost of credit.

Information around all other costs such as:

- Finance Charges/APRs
- Length of loan
- Warranties
- Fees & Default Chargers
- Revolving Credit
- Insurances
- Product with Model Number

24.7 As products may have minor variations making model numbers less effective the ability to compare may require a common sense “standard product specification rule” determined by an independent industry expert rather than simply model numbers. Unless the industry or regulator could agree on standard specification difference this may be difficult to achieve without such independent judgements being made.

Recommendation 3: Data sharing within the sector

24.8 We have since 2010 attempted to facilitate discussions in order to improve the sharing of data in an appropriate format that would increase the ability to make improved lending decisions, allow good paying consumers to benefit from preferential rates and where possible improve their credit rating.

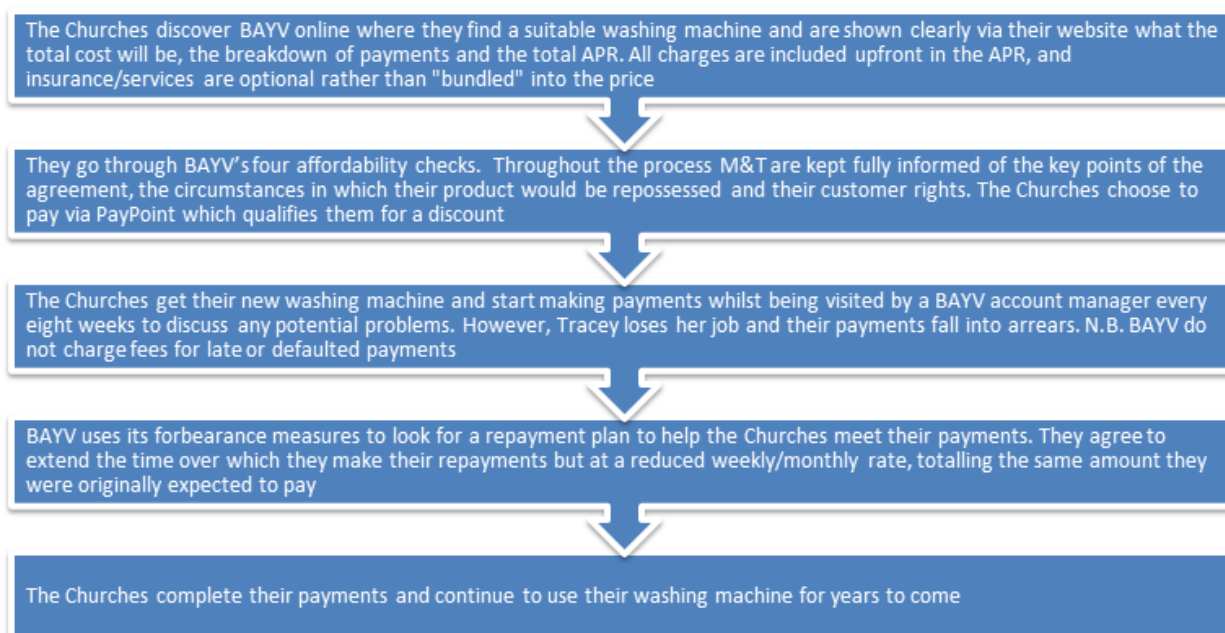
24.9 To date the progress in this area has been extremely slow, but we would encourage the inquiry to lend its weight to moving this agenda item further along.

Customer journeys

To give the inquiry a clearer idea of how we operate and help our customers, please find below two scenarios of typical customer journeys with BAYV where the consumers experience difficulty or significant changes in circumstances.

EXAMPLE 1

- Mark and Tracey Church are married with two children.
- Tracey is a full-time administrative assistant earning just above the National Minimum Wage (NMW) and Mark is a part-time social worker who is also on the NMW.
- The Church family do not have any savings and are in desperate need of a new washing machine as their old one has broken down.



EXAMPLE 2

- Michelle Adams is single and receiving out-of-work benefits having recently lost her job.
- Her old computer is out of use and she needs a new one (e.g. to apply for jobs etc.) but can't afford to buy one outright.
- She is an existing BAYV customer.

Michelle visits the BAYV website and finds a computer she wants and is shown clearly how much it costs, including breakdown of payments etc. As an existing BAYV customer, she is given a preferential rate, including a greater discount for his chosen payment method. All charges are included upfront in the APR, and insurance/services are optional rather than "bundled" into the price

BAYV's four affordability checks determine that the computer is out of Michelles price range – e.g. the product exceeds BAYV's 20% of disposable income cap

BAYV offers to "down sell" Michelle a computer from its value/refurbished range at a more affordable price, which she accepts. N.B. On average, 120 (15%) of the 800 sales BAYV approves per week are down sold to lower priced goods

Michelle begins her payments and is visited every eight weeks by a BAYV account manager to discuss any potential problems

Part way through her repayments, Michelle finds a new job and is given a company computer, so she returns his BAYV computer without any financial penalties

*BAYV's affordability checks comprise of: scorecard screening; phone call for further checks and validation; home visit by an Independent Credit Assessor; and Final Review and sign off by management.

Appendix I

TABLE 1

BAYV's major product groups that are sold and the volume, value and mix for this year and the previous 12 months. A "secondary" sale is a subsequent product sold to an existing customer.

	Quantity			Quantity			Average Value		Sales Mix					
	FY14			YTD FY15			FY14	FY15	Total		New	SS	New	SS
	New	Secondary	Total	New	Secondary	Total			FY 14	FY15				
TELEVISION	13570	7509	21079	6739	3659	10398	£ 678	£ 649	28%	29%	64%	36%	65%	35%
WASHING	4797	7059	11856	2449	2837	5286	£ 349	£ 359	16%	15%	40%	60%	46%	54%
PCS & ACCESSORIES	3600	10859	14459	1468	3531	4999	£ 490	£ 557	19%	14%	25%	75%	29%	71%
UPHOLSTERY	4760	3744	8504	2463	1541	4004	£ 793	£ 805	11%	11%	56%	44%	62%	38%
BED + H'BOARDS	1968	3494	4754	1260	1999	3259	£ 759	£ 639	6%	9%	41%	73%	39%	61%
REFRIGERATION	1939	3498	5437	1220	1803	3023	£ 445	£ 448	7%	9%	36%	64%	40%	60%
COOKING	1829	2759	4588	1050	1282	2332	£ 428	£ 417	6%	7%	40%	60%	45%	55%
COMMUNICATIONS & GAMING	38	2193	2231	10	1214	1224	£ 639	£ 623	3%	3%	2%	98%	1%	99%
VACUUM CLEANERS	246	1122	1368	164	688	852	£ 376	£ 371	2%	2%	18%	82%	19%	81%

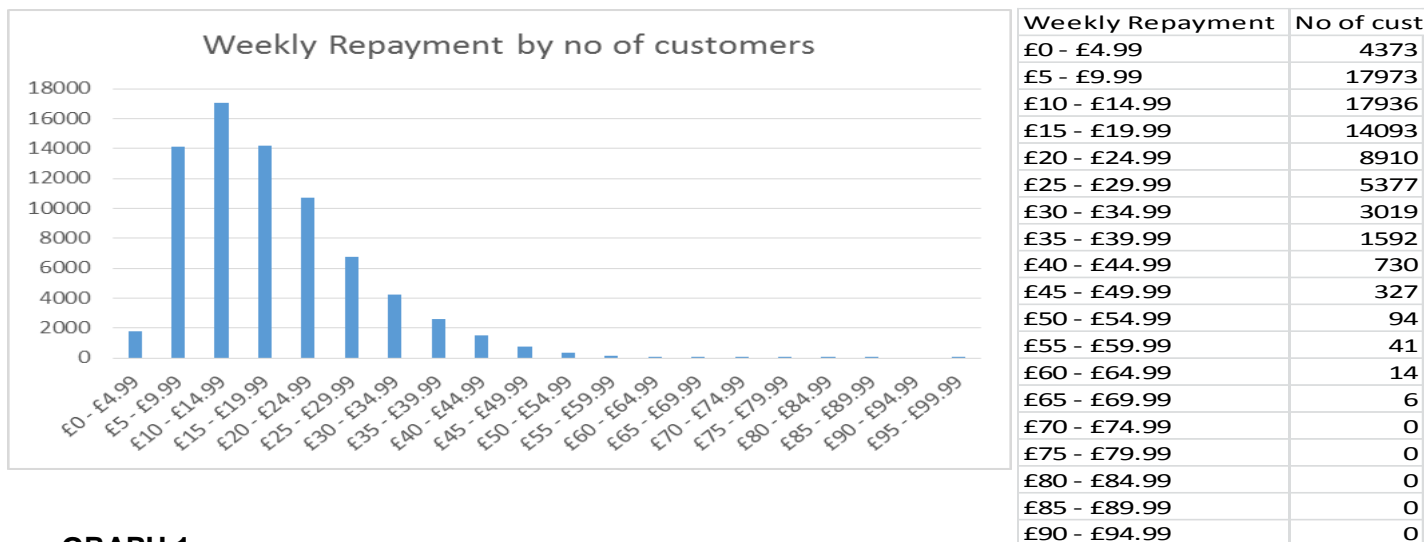
TABLE 2

A small sample of our higher volume products with either an identical comparison or closest comparison model to Littlewoods, BrightHouse & PerfectHome

PRODUCT	MODEL	DESCRIPTION	Littlewoods Pricing				BrightHouse Pricing				Perfect Homes				BAYV				TAP Vs LW	TAP Vs BH	Tap Vs PH
			Cash	Term	Weekly	TTAP	Cash	Term	Weekly	TTAP	Cash	Term	Weekly	TTAP	Cash	Term	Weekly	TTAP			
TELEVISION	FINLUX 42FLHK242HCD	42" LED 3D SMART SUPER NARROW BEZEL	£ 873.24	156	£ 9.00	£1,404.00	£ 1,097.27	156	£ 13.50	£2,106.00					£ 849.99	156	£ 9.45	£1,474.20	£ 70.20	-£ 631.80	
	LG LG48UB850	49" 4K SMART, 3D	£ 2,549.00	156	£ 25.05	£3,907.80								£1,399.99	156	£ 15.57	£2,428.92	£1,478.88			
	49 4k smart	4k 3d smart											£ 1,598.00	156	£ 18.99	£2,962.44	£1,399.99	156	£ 15.57	£2,428.92	-£ 533.52
MOBILE PHONES	SAMSUNG S4 MINI	GALAXY	£ 479.00	156	£ 4.94	£ 770.64	£ 462.80	104	£ 8.00	£ 832.00				£ 499.99	104	£ 7.16	£ 744.64	£ 26.00	-£ 87.36		
COOKING	BDC5422AW / AS	ELECTRIC								£ 1,042.99	156	£ 12.40	£1,934.40	£ 499.99	156	£ 5.56	£ 867.36			-£1,067.04	
	FS8E50W	SINGLE CAVITY COOKER	£ 295.00	156	£ 3.05	£ 475.80				£ 503.99	156	£ 5.99	£ 934.44	£ 329.99	156	£ 3.67	£ 572.52	£ 96.72		-£ 361.92	
WASHING / DRYING	DCT110W	CONDENSER TUMBLE DRYER	£ 279.00	156	£ 2.89	£ 450.84	£ 406.50	156	£ 5.00	£ 780.00	£ 475.99	156	£ 5.65	£ 881.40	£ 299.99	156	£ 3.34	£ 521.04	£ 70.20	-£ 258.96	-£ 360.36
	WMV26W	WASHING MACHINE					£ 487.68	156	£ 6.00	£ 936.00	£ 441.99	156	£ 5.25	£ 819.00	£ 329.99	156	£ 3.67	£ 572.52		-£ 363.48	-£ 246.48
KITCHEN PACK	KITCHEN ESSENTIALS WASHER/FF/TUMBLE/COOKER/KETTLE/MICRO/ TBA		£ 1,214.04	MULTI	£ 16.58	£1,792.44							£ 987.99	156	£ 10.99	£1,714.44		-£ 78.00		£1,714.44	
REFRIGERATION	LS010	LARDER FRIDGE	£ 257.00	156	£ 2.65	£ 413.40	£ 365.76	156	£ 4.50	£ 702.00				£ 268.99	156	£ 2.99	£ 466.44		£ 53.04	-£ 235.56	
	CSC1365WE	FRIDGE/FREEZER					£ 406.40	156	£ 5.00	£ 780.00	£ 420.00	156	£ 4.99	£ 778.44	£ 339.99	156	£ 3.78	£ 589.68		-£ 190.32	-£ 188.76
FURNITURE	SARAH WITH TABLE+4/SIDEBOARD/COFFEE TABLE/TV CAB	CORNER SOFA	£ 1,695.00	56/260	£ 13.27	£2,681.50								£1,499.99	156	£ 16.68	£2,602.08		-£ 79.42		
LEATHER SOFA	ELLA WITH TABLE+4/SIDEBOARD/COFFEE TABLE/TV CAB	CORNER SOFA	£ 1,695.00	56/260	£ 13.27	£2,681.50					1681.99	156	19.99	3118.44	£1,499.99	156	£ 16.68	£2,602.08		-£ 79.42	-£ 516.36
BED	ELASTACOLL WITH HEADBOARD	4'6 DIVAN 2DRW & FREE HEADBOARD	£ 469.00	156	£ 4.83	£ 753.48	£ 853.43	156	£ 10.50	£1,638.00				£ 358.99	156	£ 3.99	£ 622.44		-£ 131.04	-£ 1,015.56	

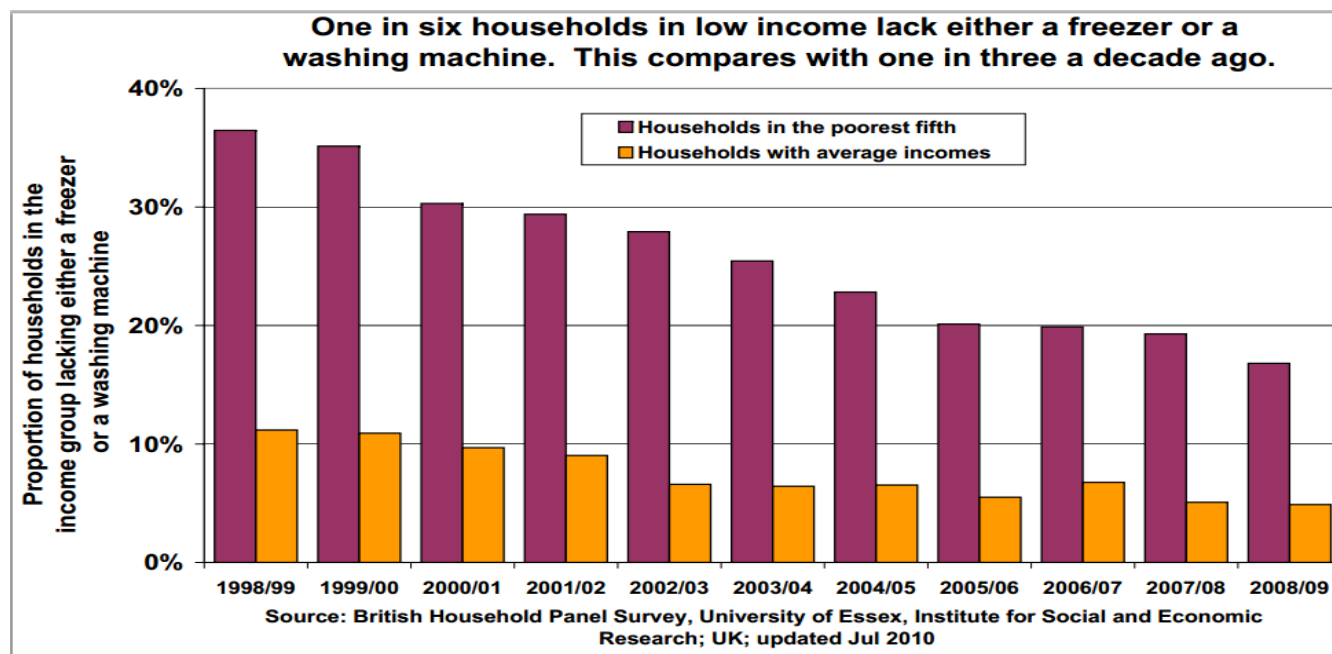
TABLE 3

Average weekly repayment by the number of customers for BAYV



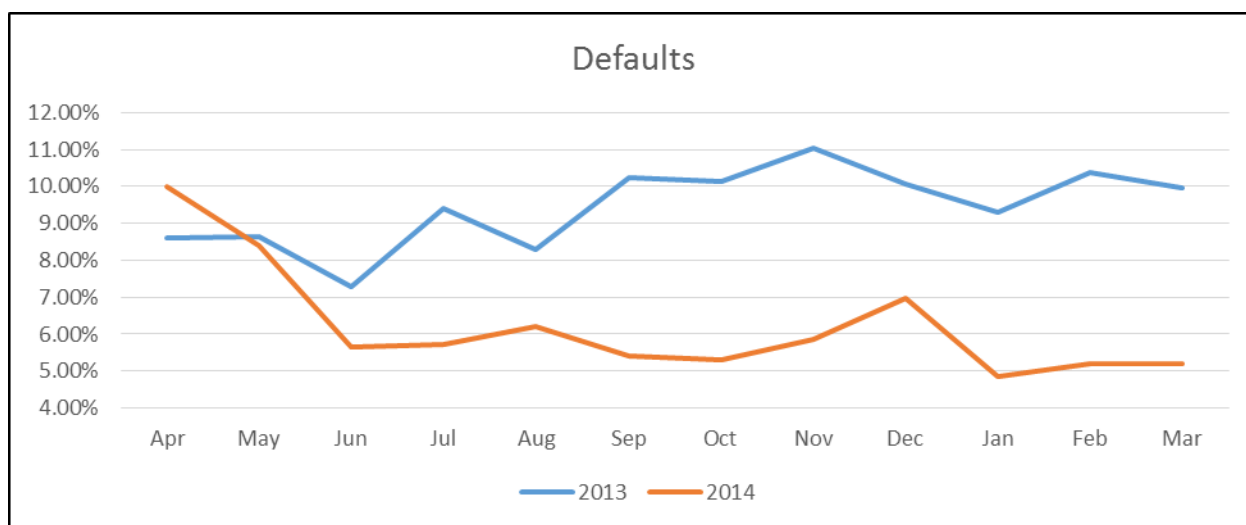
GRAPH 1

Research from the University of Essex showing the increase in access to a freezer or washing machine by households on low incomes over the last decade



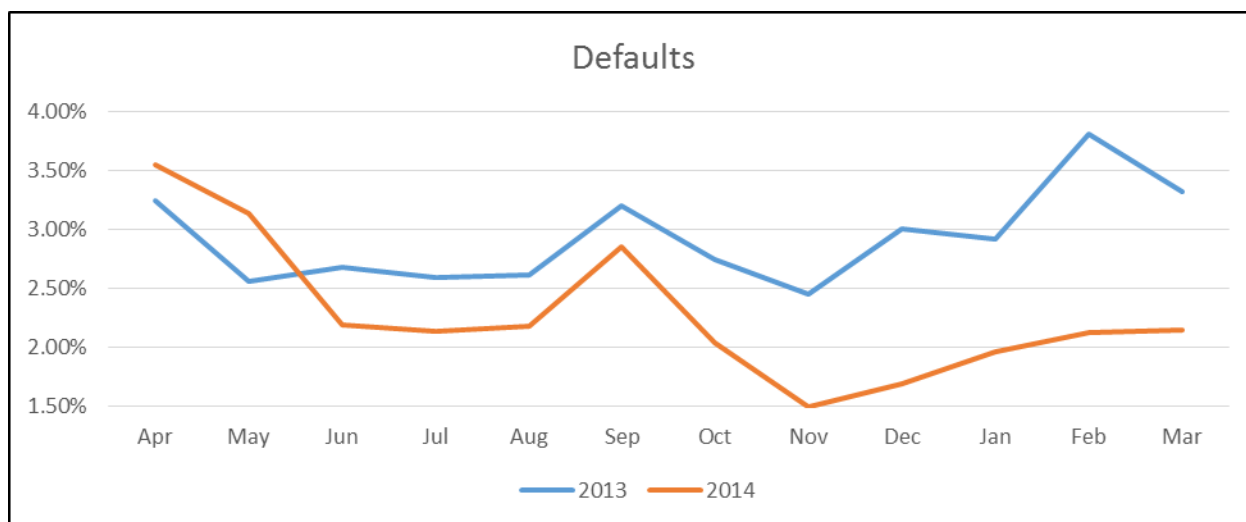
GRAPH 2

Year-on year default rates for BAYV's new customers



GRAPH 3

Year-on year default rates for BAYV's existing customers



Appendix II: Background on the sector and major players

Mail Order, Home Collected Credit (HCC), Rent to Own/Hire Purchase or the rental of household goods is not a new concept for the UK. For the inquiry's interest, BAYV has included some information below on the three sectors and the major players within each.

Mail Order/Home shopping

Mail Order is currently dominated by two major businesses in the UK; N. Brown Group and Shop Direct Group:

N.Brown Group (JD Williams1859)

www.nbrown.co.uk FTSE 250 (BWNG)

A key part of their proposition is the provision of a weekly payment facility for the purchase of a limited selection of consumer durables with the vast majority of the group focusing on clothing and fashion (Consumables) in the 45+ age group. They serve a similar demographic to BAYV.

- Brands such as JD Williams /Ambrose Wilson /Premier Man
- 3 million customers
- Typical APR typically **45%**
- £784.7m turnover (2013)
- Operating profit £102m (2013)

Shop Direct Group (Littlewoods 1927)

www.shopdirect.com

Focused on weekly payments there is a more balanced mix of both consumable and durable products. Larger consumer durables are typically taken over 2-4 year loan periods (**however they do also allow up to 7 years on the minimum payment revolving credit account**) with target consumers typically in the 18-45 age group with a similar demographic as BAYV.

- Brands such as Littlewoods / ISME / Very
- 5 million customers
- Typical APR typically **39.9%**
- £1.7 billion turnover (2013)
- Operating profit £TBC (2013)

Home Collected Credit Market

There is a significant amount of publically available data and information available on this sector particularly following the 2004/5 review. There are circa 500 Business registered with the Consumer Credit Association CCA servicing over 3 million consumers. The sector is dominated by 3 major players:

- **Provident Personal Credit (Established 1880)**
www.providentpersonalcredit.com/
- **Shopacheck/Morse's**
www.shopacheck.co.uk
- **S&U (Loans at Home 4 U)**
www.loansathome4u.co.uk

Following the Competition Commissions enquiry the sector was required to participate in a comparison site:
<http://www.lenderscompared.org.uk/>

Given that BAYV does not provide cash loans and focuses only on durable essential items, we have not provided any significant data in this report on the cash lenders. However, it is worth noting the following example, a £1,000 loan spread over more than 2 years sees the APRs are well in excess of 100%. For example a £1,000 loan with Provident Personal Credit over 110 weeks would mean:

£20:00 Weekly, £2,200 TAP, 137.8% APR

Even allowing for the incremental margin on the retail product, to give a true like for like comparison, it is easy to see that BAYV is significantly cheaper for both weekly payment and total cost along with a guarantee that the loan will only be used for essential product purchases.

We believe it would be c £500 cheaper for a customer to buy goods worth £1000 using our facilities than taking a Provident loan and buying them directly. In many cases a Provident loan is the only alternative cash loan available to our customer.

Rental/Rent To Own

Rental in the UK was initially dominated by two major businesses from the late 1930's through to the end of the millennium; **Radio Rentals** (Thorn EMI) **1938** and **Granada Rentals 1935**. Both offered household goods for rent to customers who could not afford to purchase them outright. At their height, it was reported that these two businesses alone served over 5 million customers from 1,700 stores across the UK. Radio Rentals still operate today after a merger with Granada in 2000 to form Box Clever.

A further additional 4 million were served by other medium businesses and a number of independents. The provision of household products through weekly/monthly payment programs meant that low to middle income families had access to high quality, reliable and essential items for their homes.

There are a number of other medium sized rental/rent to own business and independents operating today, including:

- Box Clever www.boxclever.co.uk
- Forbes Rentals (Established in 1926) www.forbes-rentals.co.uk
- Dial a TV (Established 1991) www.dialatv.co.uk
- HomeBuy (www.homebuygroup.com) originated from the Granada Group
- Family Vision www.familyvision.ltd.uk
- Martin Dawes www.martindawes.com/rental
- R&M Rentals www.rmtv.co.uk
- View Direct www.azrental.co.uk
- Snellings (Established 1950) www.snellings.co.uk/rental
- Rent 2 Buy www.rent2buytv.co.uk

In addition to BAYV, the APPG inquiry's Terms of Reference cites two other businesses:

BrightHouse

Established 1994 (www.brighthouse.co.uk) also originated from the Thorn EMI Group

PerfectHome

Established 1999 (www.perfecthome.co.uk) originated from the Granada Group