

Brighthouse: an example from the in-store credit market ⁷⁵

Consumers unable to access mainstream credit and looking for a retailer that offers a weekly payment option could be attracted to retailer Brighthouse's website or one of its high-street stores. Brighthouse's network has grown from 177 stores in 2009 to more than 280 today.⁷⁶

Yet Brighthouse customers may be paying a significant 'poverty premium': not only did Brighthouse hike its interest rate from 29.9% to 64.7% in October 2013⁷⁷, but customers face inflated core prices.

Take, as an example, a black Samsung freezer, advertised on the Brighthouse website in December 2013 as costing an affordable-sounding £11 a week. Scroll down and you find that the cash price is £894. The same freezer from John Lewis costs £578, including a two-year warranty, or £644 with a five-year John Lewis service plan covering accidental damage. Even with the additional cost of the John Lewis extended warranty, you're paying 39% more at Brighthouse. And that's before interest is added at 64.7% APR, giving a total repayable over three years of £1,716, almost three times the John Lewis cash price.

Brighthouse includes protection against fire, theft and accidental damage in its price. However, you can't opt out of this insurance, even if you have alternative cover elsewhere such as under your home insurance. The Brighthouse cover also offers to repair your item if necessary, even though you'll usually be covered free under the Sale of Goods Act for faulty items.

Sometimes the higher price at Brighthouse is disguised by bundled extras. For example, Brighthouse sells a '£9 a week' 16GB white

Samsung Galaxy tablet for a cash price of £580, or £936 with interest at 69.9% APR. The same tablet is available from John Lewis at £229, including a two-year warranty. The additional £351 only gets you a cover for your tablet, 24 unspecified downloadable apps, Norton Mobile Security and Brighthouse's insurance cover.

It's not just on price where Brighthouse falls down - its website could confuse users or lead them to buy more expensive items than they can afford. The 'What can I buy' tool allows users to choose a product category and then set an amount they can afford to repay each week. However, there are a number of problems with the results:

- If a customer states they can afford between, say, £20 and £30 a week, the results exclude any items costing below £20, even where this may offer better value
- The results are ranked by the weekly cost, but the period over which payments are due varies by product, meaning the final price of different products in the same list can be wildly different, making comparisons difficult
- Weekly cost is shown prominently. However, you can only see the total cost and repayment period by clicking through to individual items and then scrolling down to near the bottom of the page.

Much has been made of practices in the payday sector over the past few years. The examples, above, including in-store credit like that offered by Brighthouse, underline the need to focus on the wider credit market

⁷⁵ Research\Brighthouse\Brighthouse copy and screengrabs.docx ⁷⁶ Research\Brighthouse\Brighthouse copy and screengrabs.docx ⁷⁷ <http://www.lovemoney.com/news/money-saving-tips-bargains-and-freebies/shopping/22852/brighthouse-doubles-apr-weekly-payment-store>