APPG Debt and Personal Finance – Rent to Own Inquiry – Transcript of oral evidence session

Tuesday, 9 December 2014

(2.00 pm)

Interview with panel 1 (Representatives from Thrive)

YVONNE FOVARGUE: Would you like to introduce yourselves and perhaps somebody could give us a couple of minutes on what your organisation was set up to do?

TRACEY HERRINGTON: I will start of first of all. We are a small organisation, we used to be part of the Church Action on Poverty and now we are independent of them. We do a lot of campaign work and supporting the community to effect some changes to make life a little bit easier for people who are quite financially and socially excluded.

That is us in a nutshell.

Kath is going to talk a little bit about the background that brought us in to this type of work.

KATH CARTER: I am Kath Carter and I became involved with Thrive through their work on Oxfam's Sustainable Livelihoods. They knocked on my door because of the address that I live in, which is on a council estate on Stockton-on-Tees, and they interview you from where you are at that moment in time. It took about a hour and a half and I admitted in that conversation that I did have the television through Buy As You View, which is where you put the pound in the slot meter. It was high interest.

Now, I was in business before but I needed the television at the time and I had no other means than to go and get it on credit. I couldn't go to the bank so that I was -- I was told well if you go to Buy As You View you will get a television.

YVONNE FOVARGUE: Thanks Kath, can we just move to Corrina while we do the introductions?

CORRINA EASTWOOD: Corrina Eastwood, I have just recently started work with Thrive and I am currently working on a sanctions project.

YVONNE FOVARGUE: Okay. Thank you.

Can I just ask, what prompted you to look into this rent to own model at Thrive? What made you look into this model in the first place? What were your concerns?

TRACEY HERRINGTON: The concerns came from data that we were collecting through the project. Kath has just mentioned the Oxfam sustainable livelihood approach to work with.

So we were out there, doing some outreach work within the community and a lot of the people that we were working with, gathering their stories and the data, told us that the majority relied upon rent to own sector to buy goods, and to buy goods to meet a specific need. It wasn't always luxury goods, it was predominantly white goods, you know, anything needed for them to get by within the house.

So we gathered this data and with that data what we found is a lot of people didn't actually understand what APR is, they didn't understand the terms and conditions of the contracts, they were quite - no disrespect - they were quite ignorant of what they had actually bought into. So from that, this is when negotiations opened up into thinking can we do something? Come up with some kind of charter, working with the rent to own sector, to also then effect some change and to make life a little bit easier for people in there. From that, a daft charter was drafted up and some of our concerns were taken into consideration, and quite rightly so in a quite positive manner. We had some good wins, I would say, in that respect.

Since then, obviously, things have changed. That is the original reason we got into that particular piece of work.

YVONNE FOVARGUE: All right. Robin?

ROBIN WALKER: Can I ask, what kind of information have you gathered in terms of treatment of the people who get behind with payments in these type of businesses?

TRACEY HERRINGTON: At this time or previously?

ROBIN WALKER: Well, during the course of your work. What is the picture that has emerged from your perspective?

TRACEY HERRINGTON: In the very early days when people got behind on their payments there was no real evidence to suggest that there was an actual detailed discussion or a little look into can this person afford it, do they have the means to be able to pay it back? So what they were given was just a general late payment fee and it was at a particular price at that time. Since then, we have been doing some further research, because obviously the charter is there, and there has been some responsible lending guidelines. What they are saying is that they will do a full affordability assessment, do the relevant credit checks. But what is happening is that people tend to get a text to say, "this is the last day you get for your payment, if you do not pay by this day then you will get the late payment charge".

I can only talk about, obviously, the people that we have spoken to regarding this, because that is what we are interested in looking at, to see will they really enter into a debate about can we reduce our payments, can we pay it over longer? At the moment we are struggling to find that data at this time.

ROBIN WALKER: In terms of the affordability issues, you mentioned that that is something which is obviously being looked at the moment, when someone is falling behind and is missing payments. Do you see much evidence that that is being looked at the moment when people are actually taking out the product in the first place?

TRACEY HERRINGTON: No. We did a couple of mystery shoppers - again, we can only talk small scale evidence here but the small scale evidence is that people have gone out, they will do a check as in this is how much money we have coming in and this is what is paid out, we tend to look at a bank statement or something like that as well for evidence on that, but not really have the in-depth discussion about, you know, this is really what we are paying out, this is exactly how much we have got coming in, and so then is there really enough disposable income left to enter then into this agreement and will that be sustainable. That little bit of information is not there.

JONATHAN EDWARDS: On a very basic level, why do you think people go to rent to own companies to procure items such as TVs and --

TRACEY HERRINGTON: Because it is the way it is sold and it is a weekly payment.

KATH CARTER: And they have got no other choice.

TRACEY HERRINGTON: Yes. There are two reasons there: one, there is no other option for credit elsewhere, because of maybe limited income or poor credit history. The second one is it is £4 a week, it is £11 a week. Based on our benefit system or certain wages, that is how people, unfortunately, have to plan how they spend their finances.

YVONNE FOVARGUE: Do you think people are aware of the full of cost of the goods? Is that made clear?

TRACEY HERRINGTON: No. I think it is said, this is -- especially now with the changes, on the websites it does tell you if you buy it at £11 a week it will cost this much, so the simple maths of that they understand. But it is not really viewed as the long term cost, it is the weekly payment which appears on the surface as more affordable.

KATH CARTER: It is written on the end of the contract. When I was interviewed I did have the contract and when I sat and looked at it and realised just exactly how much I was paying for a television I felt really stupid. But at the end of the day, at that time in my life, I had no other option.

There are a lot of people who don't -- they are not au fait with money really and they are sold something -- and as I say it is the weekly payment that gets the goods, it is not the total at the end. They can see the goal with the weekly payment.

YVONNE FOVARGUE: Yes. Paul?

PAUL BLOMFIELD: Is your basic case that -- you are saying that people are unaware but, actually, some of the people are my constituents, who are operating on the tightest budgets, are actually some of the most astute and most aware. Is it the transparency around the costs and the fact that, as you say, Kath, people aren't really clear what they are committing themselves to in the long term?

TRACEY HERRINGTON: They understand that it is so much money. This £500 watch is going to cost £1,100 or whatever -- I am just making that figure up. They understand that concept, quite right. They understand that it will cost them £11 a week or whatever. They don't understand -- or not everybody I meet -- the full APR, and they certainly don't understand now that -- before there was a discussion around the insurance attached to products and it was an additional cost at that time. So if it was £4 and then an extra £1.50, they understood that concept, but now it is all wrapped up. It is now compulsory to have the insurance and the five star package, or the perfect care package, and

I think that might not be fully understand by people, because they cannot buy it without all of that associated cost wrapped up in the package.

What it says is it is at no extra cost it is a one payment, and I think that is where some of the difficulties may lie, if that makes sense.

JONATHAN EDWARDS: Can you give us an indication, for the record, how much a rent to own purchase model would cost consumers compared to the value of the product?

TRACEY HERRINGTON: Yes. What I did this morning, last thing, is looked at, say, a washing machine, 10 whatever, a particular spec of washing machine. To buy it cash at BrightHouse it cost £800 odd. The same model -- because you have got that five star package wrapped in it. The same type of model elsewhere, say Argos or something like that, ranges from £399 to £500 odd. Then, if you are paying it weekly, the full cost of that comes over to £1,100 and something. So that is the differences in the costs.

What people are obviously not -- they are more concerned with, "I need a washing machine", as opposed to, "this is how much it is going to cost me over that amount of time".

YVONNE FOVARGUE: You mentioned the five star package. Have you had any experience of this package? Is it a five star package? Do they come out same day and do more than you would get normally?

TRACEY HERRINGTON: What we have done is put it out on facebook and gathered some stories, but it is hard to tell when the stories are from. Some of the explanations may be from prior to the five star package and things like this. But the service is not as clear as it is stated on the website. Basically, people have not got the goods back at a particular time, are still waiting a little bit longer.

My concern is -- and we haven't investigated this enough but it is worth looking at -- the five star package is paying for the delivery cost, plus the instant repairs, plus a few other things, but then where does that fit in with where the goods normally have a warranty in any case? We would raise that issue as well.

YVONNE FOVARGUE: Yes.

ROBIN WALKER: How much visibility and information is there about all the -- you have mentioned warranties, insurance, things which are being packaged in. How much visibility do you feel people have when they are taking out these products on the cost of those?

TRACEY HERRINGTON: It has not brought down the costs, it is just wrapped up. So when you visit the website or when you go into the store, when you have the discussion, it will say, "with the five star package, which is da-da-da-da", exactly that.

You can look further, I suppose, for a little bit of information but it is not as clear. There is obviously no option to say actually I can get cheaper insurance for that or cheaper whatever. There is no choice there. The choice is taken away from you.

Even, say for example, you wanted to just buy the product outright -- which you wouldn't from PerfectHome or BrightHouse because to buy the product outright you have to buy it with the five star package.

PAUL BLOMFIELD: Can I turn to another aspect of this in relation to commitments that people enter into which are unaffordable and your experience of people who aren't able to keep up the payments and how they are treated by the companies?

TRACEY HERRINGTON: We couldn't find any evidence where -- within their own charters they say things like, "we will have this open discussion, we will look to look at other options of repayment", and things like that. But from our cases, we couldn't find anyone who had had that dialogue with the stores. I am not saying it doesn't happen, I am just saying I couldn't find any of our clientele or beneficiaries that had actually done that. Whether that was a lack of confidence from them to take forward that discussion in a more meaningful way, I am not sure, but what we were getting was, "your payment is due today, you have got another day on it or whatever and if not you will be given the late payment charge".

Which was, again, a concern for us, the late payment charge then went up as well from the original agreement, which as a few pounds, to over £5. The answer back was to say that this was because it is what we need to cover our costs. Whereas I would -- I am not sure how open and transparent that is, because at the end of the day the profits are quite high.

Can I just add one more thing here, it may be a little aside or different -- when we first entered into these discussions, we talked about we appreciate that there are risks to certain people who are buying these goods, about repayment, and we understand the business model and profit and things like that. At the same time, there appears to be no incentives for someone to be a good customer. So if you were regularly showing that you were paying and making payments really well because you can't get the credit elsewhere, there was no incentive then to reduce their APR or have a less repayment option, something like that. That was something that we were quite big on.

We understand that there was risks there, but there were still good customers who were not benefiting from this.

YVONNE FOVARGUE: You have mentioned the texts a couple of times that people get when they are due to be late with their payment. Do people welcome those texts as a remainder or do they find them threatening?

TRACEY HERRINGTON: They find them intrusive. They also get texts as well to say, "you have been a good customer, we notice you are coming to the end of this, do you know you can get da-da-da", and then it is that other selling, which when you are under pressure and something is going in your house, it sometimes is difficult to say no. You don't really have the confidence. I know one lady who got her husband to answer the phone in the end, because she couldn't deal with that pressure of the selling off them.

ROBIN WALKER: There is also a sort of referencing process where friends and family can get brought into the process as referees, isn't there, can you talk a little bit about that and how that affects people's attitudes to --

TRACEY HERRINGTON: I am not sure that still goes on with all of them now. It did in the earlier days and that was, for some people it was quite embarrassing as well and they didn't really want to bring their friends -- this was an agreement they wanted to enter into with a particular company because they had no other options and didn't really want to give ten names or five names of friends and family who then -- and it does happen, or at that time it did happen, if you didn't pay then other people were getting called to say, "do you know so and so and so and so". That is a little bit of personal information you don't maybe want to share with the rest of the people.

YVONNE FOVARGUE: You mentioned your commitment that you had with them and they gave you a commitment to do various things. Has it been kept to?

TRACEY HERRINGTON: As I have said before, the five star agreement came in, the raising the APR came in, which wasn't supposed to, the rise in the late payments came in. So not all of it was well respected.

I think because a lot of attention then was put on to Wonga as well. This is a personal opinion, maybe the eye was taken off the ball there.

YVONNE FOVARGUE: It is fair to say that the voluntary agreement hasn't worked?

KATH CARTER: No. It has with one company but the other companies, no. Because I questioned this, I believe they call it the CCTA, it was taken to that body where they would do the charter. But Wonga appeared and it was put on the back burner because they thought Wonga was more important.

YVONNE FOVARGUE: Okay.

ROBIN WALKER: When you say it has worked with one company, which company and what did it do?

KATH CARTER: Buy As You View. They have got a system, or they did have a system whereby after -- you know, if you proved you were a good customer you could get a lower interest rate.

ROBIN WALKER: Okay.

YVONNE FOVARGUE: So, finally, wrapping it up in the last five minutes, what would you want to see happen now to make these firms operate more fairly? What would you like to see?

TRACEY HERRINGTON: We would like their discussions to be open and meaningful regarding any difficulties people face. So the late payment charge either came down or was gone basically. We also would like proper affordability checks to be made and people -- we would like them to look at -- the main thing is this five star cover and this perfect care, if I have got the wording right, cover and how it has been wrapped in into the selling of the product; it not being optional and people having the ability to choose their own insurances regarding the products that they have. We understand and appreciate that you are only renting the product until you have paid for it, that is a fair point, but we would like that looked into.

I think that was it. They were the main things.

YVONNE FOVARGUE: So you would like to see more transparency?

TRACEY HERRINGTON: Yes.

YVONNE FOVARGUE: And the bundling not being compulsory, and clarity about the late payment fees and issues with that.

TRACEY HERRINGTON: Yes.

YVONNE FOVARGUE: Is there anything else that you think would assist?

KATH CARTER: Just, really, they could help the customers more.

YVONNE FOVARGUE: Right. By?

KATH CARTER: Well, you have got these families going in -- and we are on about the affordability -- so I look at it this way: you have got a member of staff, have they got the training to go into a discussion with them as to how they can afford these? It just seems to me that if you are a customer you can have anything you want, because if -- say I bought a television and it is coming to the end of term, they would be on at me to buy something else. Do they do another affordability check? They don't. It is just added on.

ROBIN WALKER: Is that also the case with multiple products? So if you had lots of different products with them, would they be less likely to lend to you in the future and encourage you to take on more, or more likely to, do you think?

TRACEY HERRINGTON: They encourage you more and more, especially if you are a good payer or if you regularly repay your payments. Yes.

YVONNE FOVARGUE: Just finally, just a quick one that I have thought about now, when you go into, particularly the ones that sell in store, do you find that you are steered to -- you know, you go in and you know what product you want, do you find you are steered to the ones that are cheaper or more expensive?

KATH CARTER: I think that depends on the personality of the staff but at the end of the day, let's face it, it is a business, all they want is a sale.

YVONNE FOVARGUE: Okay. Thank you very much for coming, it has been really useful to have your input. Thanks for all your work in the sector. Thanks very much indeed.

Right, we will be moving on to panel 2, which has got Damon Gibbons for the Centre for Responsible Credit and we have got Angela Clements from FairForYou, which is not for profit with roots in the credit union sector, and we have also in this one got the FCA as well.

I am proposing to give approximately ten minutes each to the Centre for Responsible Credit and FairForYou and then, perhaps, 20 minutes to the FCA, because I think we have got quite a few questions for them as well.

Is there anything you want to say to start with, Damon, perhaps if we could start with you?

Interview with panel 2 (representatives from the Centre for Responsible Credit, FairForYou and the FCA)

DAMON GIBBONS: Thanks very much.

Yes, just to say by way of our involvement in the project that Thrive have outlined, so we were commissioned through Church Action on Poverty to work with customers of the rent to own sector and bring them together in discussion with the industry and with the Office of Fair Trading and the consumer agencies, Citizens Advice and so forth, to hammer out, as far as possible, some commitments around the issues of concern that you have just really heard about. Which we did do. Although that was not a smooth path in terms of progress, we did feel at the end of it that we had some very firm commitments around the range of issues of concern which they agreed to codify, albeit not in a trade association code of practice -- we were looking to the CCTA, as you have heard, and indeed the FLA.

Despite the fact we couldn't get that, the individual companies, BrightHouse, PerfectHome, Buy As You View, did say that they would codify them within customer charters. You can speak to them later about the degree to which each of them have done that but it is apparent, certainly with BrightHouse, that there has been a significant reversal in terms of the extent to which the customer charter that they have now got on their corporate website actually addresses the issues of concern in the first place. But also, as we have heard, the unwinding of the position around options around insurances as well.

What I would just say is that a lot of the discussion focuses on the transparency; the insurances aspect and the sales process and so forth. Actually, to my mind, the demand for a lot of those products is driven by the high price of the goods. So the fact that somebody is going to spend three years to buy a washing machine, because of the high cash mark up and then the interest as well, means that they are probably more likely to be attracted by things like a payment holiday and paying for a payment insurance holiday. Well, one drives the other. You know, if you are going to try to expect somebody on a low income to pay over three years then they are probably going to anticipate they will struggle with that at some point. Therefore, you then flog them insurance on the back of it which is supposed to help them deal with that.

The real problem is that it shouldn't take three years to buy a washing machine. If it was at a reasonable cash price to start with and at a reasonable rate of interest it would probably only take you a year, even though you are on a very low income. Angela, I am sure, will talk a bit more about the pricing of credit and what is possible around that.

So, concerns about for example how long you will have the thing, whether you will be able to return it, whether you will be able to then have a payment holiday and carry on paying it later, whether or not it is likely to break, is based on the fact that you are paying a very high price in the first instance. We shouldn't see the two things as distinct really.

YVONNE FOVARGUE: Thank you.

I will start off. You have heard what Thrive have asked for, really, to make companies fairer, is there anything that -- would you agree with that?

DAMON GIBBONS: Yes. I have certainly no problem with the things Thrive are suggesting. I think one of the issues for us -- and there was a commitment given, just on the issue of price, again, there was a clear commitment given by BrightHouse and PerfectHome, and indeed Buy As You View - that they would ensure that their cash prices were competitive with the high street. Now, I am not too sure we can say that that is the case, particularly from what you have just heard from Tracey's latest exploration of cash price. So that has been reneged upon quite clearly as far as we are concerned.

YVONNE FOVARGUE: They definitely said competitive with the high street? Because what they are now saying is competitive with their own industry.

DAMON GIBBONS: Well, it was the subject of some discussion, as I am sure you can imagine, within the group at the time. We felt that certainly BrightHouse, had committed to be competitive with the high street. There were then off the record discussions with BrightHouse representatives whereby they said they were looking at a pool of high street retailers that they would regularly compare their prices with. They wouldn't tell us which specific retailers they were talking about but we got the impression that it was more than just PerfectHome for example, the nearest competitor.

You know, we did press for more transparency on that issue but they weren't prepared to give us that, so that is perhaps a question for them really.

YVONNE FOVARGUE: Thank you.

PAUL BLOMFIELD: It is interesting, looking at the BrightHouse charter. It talks about prices competitive against comparable high street retailers, so it is casting the net fairly narrowly, and PerfectHome saying product pricing is competitive against other companies in the sector, which I guess means --

DAMON GIBBONS: I suppose the question is why not? Why can't they be competitive with a broader range of retailers in terms of their cash price?

PAUL BLOMFIELD: Can I just ask you, Damon, you said you felt you made some progress?

DAMON GIBBONS: Yes.

PAUL BLOMFIELD: Can you share with us the areas where you thought you made progress?

DAMON GIBBONS: Yes. There were commitments, for example, which were given around the transparency of agreements and in terms of the annual statements that people would get. At the outset there were concerns from Thrive and from people in Stockton-on-Tees that they weren't able to tell from their annual statements which items they were paying for. It was all sort of jumbled together, so you didn't know how long you had been paying for the television as opposed to the washing machine and things like that.

There were also some issues with Buy As You View with regards to modification of agreements. So if you had taken an agreement out, for example. for a television and then went in a year and a half later and got an agreement for a washing machine, it was possible that it would be put on to the same agreement and effectively extend the term of it, so you could end up paying a very long time for your television as a result of that because they had modified the original agreement. That was something specific to, I think, Buy As You View at that time and I think they have responded to that.

The cash goods, I have said. There were also issues around repairing obligations. We thought that we had secured a commitment so that there would be clearer customer service standards. You know, if something goes wrong with the machine when could you expect to have that replaced. What the timeframe for that would be, when a repair would be carried out and so forth. And also if people were left without goods because of repairing issues that they wouldn't be expected to pay for those weeks when they had no product.

So, yes, we thought -- there was also an issue around the range of payment options. One of the big issues that we found had been that people were expected to go into store, to BrightHouse and PerfectHome, and to pay by a certain deadline of, you know, whatever that was, half past five or 4 o'clock on whatever day. If they didn't make that deadline,- they were not accepting partial payments- they had to pay it in full and you would be charged a default fee as well on top of that. So we were looking for them to let people pay by different payment mechanisms: through direct debit, through other means, and reflect the genuine costs of each payment option so that people benefited from that.

Finally, a lot of work was done around data sharing as well and looking at the potential for data sharing to benefit borrowers, particularly those in the sector that had got relatively good payment records, so that they received, effectively, a loyalty discount on the interest that they paid, which is what Kath has just referred to. We did think that there were commitments to introduce that across the sector but they haven't really been progressed.

JONATHAN EDWARDS: The firms talk about how flexible they are when customers fall behind on their payments. Do you think it should be a matter for them to judge in terms of how they exercise forbearance or does there need to be some sort of intervention by the regulator?

DAMON GIBBONS: Well, it is moot point as to how far they do exercise forbearance, I think. I know Angela might have something to say about default and all of that sort of thing.

I think the other side of it is that, effectively, people are paying for their own forbearance policy. So if it is things like a payment holiday, that is because they are paying for an insurance which covers that. That is not really, technically, forbearance. It would seem to imply that the lender ought to waive some costs associated with it in order to help the borrower through hard times. That is, I don't think, what we have got here. We have got very high default fees and we have got insurance that covers people for things like a payment holiday or the freezing of the account. I don't think that is what I would term forbearance at all.

JONATHAN EDWARDS: Can you give an indication on the default fees? What sort of levels are we talking about?

DAMON GIBBONS: Angela certainly will have the details on that. As I understood it is a £5.50 for every default on every item. So that can get to be pretty expensive.

As I say, there is an issue about the acceptance of part payments.

And it does have a bearing on the data sharing issue as well, I would just say. If companies don't accept a part payment but actually term it a default and then share that data on the basis that somebody has failed to pay that week, then, actually, they are really pushing people into the position of having worse credit records than would otherwise be the case potentially.

ROBIN WALKER: Can you just explain a little bit more the mechanism by which you think data sharing could actually help customers to see lower prices? I can understand, obviously, an individual firm might reward someone who has been a good payer but how did you feel data sharing could contribute across the industry?

DAMON GIBBONS: I am a sceptic with regards to some of the arguments around data sharing but there are basically two or three main ones. The first is that you share data in order to help people build up their credit record and they can borrow from other lenders at cheaper prices later; other more mainstream let's say.

I have to say, I don't believe that that is a good argument, for a number of reasons. The first is that, actually, other types of lender are very dissimilar, so we are talking here about secured goods. It doesn't necessarily mean that an unsecured lender will view a good payment record with BrightHouse or somebody else, therefore, as being genuinely indicative of how they would pay if it were a credit card or another form of lending. So I don't think that the two are comparable.

Equally, there are problems with the way in which weekly repayments are reported through the credit referencing system. That was mainly due to the agreement that was struck with home credit lenders after the Competition Commission inquiry in 2005 and 2006, which aggregates weekly repayments into a single monthly report. Because home credit providers could not guarantee that their agents would call to collect every week, they felt that it was unfair therefore to actually report somebody as being in default unless they missed all four of the weekly repayments. As a result of that, it is entirely possible to miss seven weekly repayments and for it still to be reported as you are not in arrears. You would have to miss seven before you would actually be reported as in arrears or having missed a payment through that system.

That is not good and I think that the lenders would recognise that that information is imperfect and doesn't allow them to separate good out from bad in the way that they would want to do it.

I think the only benefit for it would be for lenders in this sector, if they were sharing information in a way which got past some of those mechanical problems, you would anticipate that they could identify, certainly for themselves and therefore others could as well, good payers and worse payers, and that they would try to keep the better payers and there would be some form of price competition for those better payers.

Now, that is not guaranteed and it does depend on the extent to which price competition really exists in the market. What you could get is that they use data sharing to identify good payers from bad but then pocket the efficiencies of that. There is not necessarily any evidence that it would drive new entrants coming into the market to drive prices down, for example.

ROBIN WALKER: When there have been enquiries into other areas relating to debt, there has often been evidence that things have very little to do with price competition and a lot to do with convenience. The business model here is one of, really, convenience rather than necessarily cut throat price competition. Presumably the transparency is important in that respect and this issue -- I mean it says in the BrightHouse lending charter:

"Ensure that our prices are fully transparent, providing clear information on the full cost of ownership, including optional insurances and warranties."

DAMON GIBBONS: Yes, which are not optional.

ROBIN WALKER: That doesn't seem to be very visible. It is something that -- they talk about the cost of the product with a five star service and it is not broken out what the cost of the warranty is.

DAMON GIBBONS: That is right. Indeed, the five star service packages together a number of different, effectively, insurance products, whether it is an extended warranty or a payment holiday and various other things. There is no separation of what each of those is worth or costs and how it contributes towards the overall price.

As I say, none of it is optional now, so you couldn't then go out and say I will get home contents insurance and we will cross that bit of the package off, I don't need that, or I will go out and get an extended warranty for £9.99 a month that will cover a grand's worth of equipment, which you can get, so we will cross that out. So what am I paying for here? I am paying this for a payment holiday if I get into trouble, I can take a year off and then resume my agreement. One might question what the value of that is, actually. If, for example, somebody has already paid £500 for a washing machine, you know, perhaps forbearance would be to just allow them to do that with no cost actually.

YVONNE FOVARGUE: Thanks, Damon. I think we will have to move to Angela, I am sorry. We may come back.

Angela, you have done focus groups with the existing customers about their experience, can you summarise some of the feedback that they gave you?

ANGELA CLEMENTS: Certainly. The groups that we had were all female, under the age of 40 and they had got children in the household, so I am literally just -- this is just from what they have told us, so some of it I have looked into and verified and other bits is really as we had explained to us.

We thought that they would have enjoyed the shopping experience, that was something that we were particularly keen on understanding. The feedback that we got was that, actually, they felt quite pressured within the shops. There were quite a few examples of people saying that they had gone in with a view of buying a more utility item or a lower priced item and being pushed towards more expensive. The one thing that we did look -- I appreciate you have already got a couple of BrightHouse brochures -- one of the things in particular that does strike you when you go away and look at it afterwards is that actually, for example, on a washing machine or on a fridge page, there are very few at the lower end cost. So, actually, that does bear out what some of the ladies were telling us, that they had gone in for one item and then they are pushed towards another. I have to say, that was from several people.

They felt that the sales staff were highly incentivised. They felt harassed: they felt harassed when they would go in and pay, they felt harassed by text and phone calls afterwards. If they were good payers they felt that they were pushed -- there was a created need. My background is lending, all I do is lending, so I was kind of concerned to find that there is a created need sometimes towards items that perhaps weren't essentials.

I have to say, there is no transparency of the total cost and, actually, that is something -- again, I have sat and looked through the brochures, one of the things Damon had suggested on the front of our little brochure as we were trying to test that, we talked about having, you know, "no rental, it is yours", because we are not looking at quite the same sort of lending model. Nobody in the rooms actually got that they were renting. Actually, when you read this brochure, it doesn't tell you anywhere it is rented. It talks about weekly payments but I have read it cover to cover and I am struggling to find out where it tells you that you have only rented.

You are right, I can't say that there is a clarity of total cost. Certainly the ladies that we spoke to, and we had four different groups, I thought they were very savvy. They may not have been very financially literate but very savvy, very switched on, and they were used to managing their money very closely. And they were being confused, particularly having gone into the shop with one idea of what they wanted and they were very confused that, by the time they came out, what they had signed on for.

They know when they sign up, for example, one of the things they told us is you know absolutely that you are going to struggle to pay £9 every week. They have told us there is no flexibility in the penal charges, that you do pay the £5.50 each time on every item if you are late after the deadline. Until quite recently, you had to go into the shop to pay. Now I think there is a CPA offer as well.

One of the issues around that though is that you have to pay the late fees before you can then pay next week's fees. So, actually, it is a really penal structure. As a lender, again, my question is, well, don't you actually want your customers to repay you, if you know what I mean? The more penal you create that situation, you know, as I say, it is a worry.

I don't know about the five references. We were told by several people that they were references for other people and that they had other people, and they were hugely embarrassed and ashamed.

But one of the things they particularly talked about was what happened when the items get taken back. Because this isn't exactly -- because they are rented and this isn't a bailiff situation, they don't seem to have the same rules that now apply to bailiffs. So we have got lots of ladies talking -- and bearing in mind the customer base tend to be female, not exclusively, that there isn't a male in the household, but very often with children. We have got a number of stories that actually I found very shocking personally, as a female in that situation, where they are getting men coming around the house quite late at night to take items back in front of the children. It is a really humiliating thing to start with but, actually, the time of day -- there should be a cut off. There should be the same rules of bailiffs have, there is no doubt in my mind, certainly, to protect the customer.

One of the things that, as I say, particularly I would ask for -- and I am going to go straight into what I would ask for because I am conscious of time -- I think there needs to be a cooling off period. These guys somehow sit between retail and lending. Actually, I totally understand that when someone goes in and wants a washing machine, there doesn't need to be a 14 day to deliver it, that is no help to anybody. But when you are selling up, as their model is, and you are selling up items and packaging them, there needs to be a walk away. Whether that is even just a day, but a period where they can say, "actually, do you know, I didn't mean to do that", because we have had so many people say it was a moment of madness, what was I thinking of, I can't afford that for that long. So there does need to be a cooling off period where, without penalty, they can cancel that agreement. There needs to be an absolutely clear summary of what the goods are.

There are a lot of very sparkly nice items in these shops when you go in and they are nicely presented. It needs to tell you how much you are paying. Somewhere in here it should tell you what your penal costs are, your late fees, because people ought to understand that.

There is also a real need -- I don't know about part payments, because I think once you have started it becomes really difficult. I do think forbearance is important. But we have spoken to a lot of people who said, well, actually I would like to overpay a couple of payments because I know I am going to struggle. The one thing about flexible hours contracts and other things is sometimes you have money coming in, sometimes you don't. Actually, some people are saying I would like to be able to overpay a couple of weeks because I know I am not going to have money over Christmas or whatever, so I would like that.

I really think they need to get their advertising legal, but that is something for this lady here [Looks at Linda Woodall from the FCA].

I was just going to say I read recently that the head of the FCA was saying that you ought to read the small print. If it isn't in there, that don't tell people to go and read it, because I can't find it!

YVONNE FOVARGUE: Angela, I think we would be very interested in hearing more about the FairForYou model but I think, given the constraints of time, can we ask you perhaps to come back to a further meeting of the APPG where we can go through alternative models to the rent to own sector and how you managed to do it? I think that might be the best way of dealing with that.

Are there any other questions from the panel, just briefly, on this?

JONATHAN EDWARDS: Is there anything in particular you think the FCA should be doing?

ANGELA CLEMENTS: I think that everybody -- I mean, I have sent, historically, information into the OFD and I do think that there is one area of regulation which is under ‘treating customers fairly’. It should be clear and transparent all the way through exactly what you are getting into, every time you sign a credit agreement. As I say, particularly when your business model is aimed at people who you know are vulnerable at the point they are making that purchase for key items. We have got lots of evidence of people making really lousy decisions when they are under pressure. That is not the retailer's problem to an extent, but making it clear what they are signing into is.

YVONNE FOVARGUE: Robin?

ROBIN WALKER: In a similar vein really, before we move on to the FCA. I know that you have been doing quite a lot of talking to the credit union movement about their providing alternatives in this space. Do you feel that the current regulation that exists prohibits them from getting more involved in this space or discourages them from playing a more active role?

ANGELA CLEMENTS: It does. The point being that these are individually quite small loans, so there needs to be a model that is kind of created that allows those small loans for specific items. Credit unions have got really stressed -- as I say, my background is being in a credit union and somehow not competing with the expanse of this sector. There were lots of barriers to credit unions being able to expand and to capitalise and innovate -- and I have to say not just this sector, things like log book loans. There is a whole range of sectors where credit unions have the desire to step in because they want to serve the community they are based in and, actually, there isn't a supportive environment to do that, and legislation is, as you know -- I bend your ear, I am sorry, at times about -- because actually there are needs to make some changes to the way that we allow -- it is not just credit unions but not for profit or mutual based lending institutions. The reason you don't have new ones coming to scale is because it is just almost impossible to do so. That would actually change -- I am sorry to say it is not about other equity invested models coming to market in this sector, it is about having mutually owned, not for profit lending models that can truly compete and then you would have a different operation model.

YVONNE FOVARGUE: I can feel a joint meeting coming on with the All Party Group on credit unions.

Can we move to the FCA now, which obviously is the regulator I wanted to give quite a lot of time to.

I will just start by saying that your written submission sets off quite a lot of significant concerns about this rent to own business model. Can you tell us what most worries you as the regulator about this sector?

LINDA WOODALL: Firstly, I would say that I would echo a number of the sentiments expressed here already, around the things that the people that they represent have experienced with this sector. Our concerns, being pretty new into consumer credit regulation and extremely new to this particular subject, are around three areas that we have heard about already. The first is affordability. By that I also mean is it sustainable; is the arrangement sustainable?

The second concerns transparency of pricing. We have heard this afternoon about the compulsory bundling of particular schemes, features, within the overall cost of the product and that is, on the face of it, not transparent.

The third concerns arrears and forbearance practices. I include in that collections arrangements as well. So, for example, whether people who are tasked with the role of collection are incentivised, above all else, to collect and possibly to demonstrate aggressive behaviours towards those that they are in contact with.

So those are the three key areas, I think. We have obviously heard about those already.

I should say that, as you know, Chair, we have, since taking on regulation of consumer credit in April of this year, focused on priority areas that are not this notably high-cost, short-term credit, debt management, credit broking, home collected credit. However, while we have been doing that we have been responding to emerging intelligence about particular sectors and this is one of them.

We decided to look a bit deeper and we wrote to the three largest firms in this particular subsector to ask them about their lending practices, the policies and how implemented on affordability, transparency and arrears and forbearance. And also, not just that, but we wanted to find out what the outcomes of the loan practices were. We have only just started to get the information back -- the firms have cooperated with that request. What it reveals is some, at a very high level, concerning statistics. Firstly, that about half of the people who engage in these arrangements fail to pay in full, which seems high. Secondly, of that about 22 per cent either surrender their goods or have the goods repossessed which, again, on the face of it seems high.

So we have an arrangement in which a substantial proportion of people, for whatever reason, don't end up in the position that they thought they would when they took out the deal.

Now, that is as far as we have got. That raises alarm bells and some concerns to pursue with the firms, but that is obviously the next step.

One of the things I would also say is that, while we are and are continuing with our supervisory efforts, we have also taken the opportunity to bring forward their full authorisation slots. As you know, at the moment they are operating, as all consumer credit firms are, under interim permission. We have brought forward their full authorisation assessment, which is detailed, from late 2015/early 2016 to early summer of 2015. Now that process gives us another opportunity to look in detail at their business models and to ascertain whether these firms are treating their customers fairly.

As we sit today, with that prospect in view and with our early work from supervisory practices, we have concerns that that is not the case, but we haven't completed our work to verify it one way or the other. That is why I wanted to come along here today to listen to what colleagues sitting to my right had to say about their experiences, and also the panel before that, because this is all important information. I don't sit here today being the expert as yet in this particular subsector but I am sure we will go up the learning curve very quickly.

All of the things that have been said today do resonate.

YVONNE FOVARGUE: Thank you.

JONATHAN EDWARDS: You mentioned earlier that repossession rates are as high as 22 per cent. Would that indicate to you that this is a business model that cares about its customers?

LINDA WOODALL: It raises alarm bells. Until we have done the analysis we can't be categoric on that, because there could be a variety of reasons for why that is occurring, but it certainly raises alarm bells. That makes us think, well, that is worthy of a further more in depth look to find out one way or the other. If we find out that that isn't the case then we have, you know, a fairly comprehensive toolkit available to us to bring about change.

So the three key areas that I mentioned are very much part of our regulatory toolkit and we can deploy a number of tools to bring about improvements in those practices.

We can obviously work with firms to make changes voluntarily. As it happens, BrightHouse have indicated to us in writing that they will consider unbundling their proposition. But I am hearing, obviously, today that they have made such commitments before and therefore I have to take note of that.

So we can do it through a voluntary process or we can do it through an involuntary process, which would mean a variation of permissions that might stop them lending until they put such practices right.

So we have a range of tools at our disposal to bring about improvements. Which ones are the most appropriate, we can decide when we have done further analysis.

ROBIN WALKER: I was quite struck, as I think the rest of the panel was, by the high default and repossession rates. The figure of over 50 per cent of people failing to repay on the due date, which compares, I think, with some of the big unsecured lenders in the short term credit market, where you have clearly taken much tougher regulatory action already, to a rate of about 7.5 per cent, so it is staggeringly high in that sense.

In that other market, the FCA has taken action to cap charges, and particularly default charges and that side of things. Is that something that you would be considering as part of your arsenal of responses?

LINDA WOODALL: At this point in time we have no specific plan to do that. We would have to be convinced that it was the right regulatory solution, but it certainly is something that, if there is a case to do it, we would consider it. Of course, we can make changes to our policy arrangements that we have in place at any time if there is a case to do so.

As I say, I think we are just a little early in the process to have made such a conclusion but we will take appropriate action where there is consumer detriment. And that can include redress of course.

PAUL BLOMFIELD: Can I ask a fairly specific question about BrightHouse and insurance, which, as I understand it, within their complex business structure, their insurance is regulated by the Maltese authorities, which is interesting in itself. Are we right to believe that it is in your jurisdiction to prevent it from -- notwithstanding that arrangement with the Maltese authorities - from bundling its insurance in the way that it has if you judge that to be an unfair business practice?

LINDA WOODALL: My understanding is that we can take appropriate regulatory authority and action within this jurisdiction. I think the Maltese arrangement is significant insofar as anybody who wishes to make a complaint would not be able to do so through the UK system, they would have to make a complaint through the Maltese regulator.

I also understand that the Maltese regulator does have an ombudsman type service to enable them to do so but individuals would not be able to make a complaint through our ombudsman.

ROBIN WALKER: People are slightly put off contacting a regulator in a different jurisdiction, particularly if you are on the lowest incomes.

LINDA WOODALL: I understand that.

Some of the contracts aren't regulated at all, of course, they are not within our remit, particularly the warranties. As we do not set our own remit, if we feel that it is important to bring about a change, we would have to lobby the Treasury to be able to do that. Then it is within their gift whether or not that were to happen.

ROBIN WALKER: Just in terms of this issue of the bundling, it is interesting that you say you got written assurances looking at that. Clearly, with the PPI drama, we had real problems with insurance being bundled with financial products. Is that something that the FCA will take from its previous experience, of a different market admittedly, but take lessons from in looking at the risks of taking that approach?

LINDA WOODALL: It is a different market, as you quite rightly say, and there were different circumstances that led to the specific problems around PPI, which, on the face of it, don't seem to apply here. Nevertheless, we learn from every experience that we have, including PPI, but also more recently our General Insurance add-on survey around our market study, which focused quite heavily on transparency. We take those lessons and see how we can apply them, if it is appropriate to apply them to this market place.

What is important to recognise is that we may, at any one point in time, not fully have the remit to do so and so we may need to make a change to our rules, our policies, we may need to lobby government to bring about changes in our remit. So it is not a completely open-ended situation but it is one that is dynamic and we would obviously seek to make any changes that are necessary.

I would stress today, though, that we have quite a comprehensive toolkit at our disposal, one that the OFT didn't have, particularly in terms of our supervisory tools. You know, I feel that by engaging positively and increasingly proactively with sectors such as these, and of course engaging with other parties, that one way or another we should be able to drive an increase in standards.

YVONNE FOVARGUE: Just briefly, BrightHouse says it provides the insurance at no additional cost but obviously, as we have heard, the costs of the goods are very much higher than can be bought on the high street. Can the FCA look at an issue like that?

LINDA WOODALL: We can look at the issue of bundling and we can look at business models and whether they are exploitative and we can work with the industry to change standards. What we are not is a price regulator on the goods itself. I think the key to that is to look at the transparency angle and to empower shoppers, borrowers, to be able to exercise some greater competitive behaviours.

Now, I appreciate that isn't a five minute exercise. You are talking about people who are amongst the more vulnerable in society, certainly on limited incomes, but at the present time it is completely opaque and we have got compulsory bundling so they have no choice. So I think getting to a position whereby, firstly, you have got transparency, secondly, you have got tools that promote the greater exercising of choice, and certainly not to pay twice for something you have already got. Then, of course, our actions directly with firms and any communications we have with consumers -- because we work closely with the Money Advice Service -- will all help to improve the situation. It is not an overnight shift though.

YVONNE FOVARGUE: Unless there are any burning questions, can I thank the panel for attending. I think it has been really useful to hear the experiences. I am sure we will be back to you, Angela and Damon, on this issue.

It is good to know that the FCA are looking into this, because they are some of the most vulnerable consumers and, as we have heard, they are the people with probably the least choice of where to go in the market as well.

LINDA WOODALL: We would be pleased to come back, should you require us.

YVONNE FOVARGUE: We will be having a ten minute break now until half past, if anybody wants to pop out and get a drink or have a comfort break.

Thank you very much.

(3.20 pm)

(A short break)

(3.30 pm)

Interview with panel 3 (representatives from BrightHouse)

YVONNE FOVARGUE: Thank you very much. Our first panel is representatives from BrightHouse.

I did sort of say if you wanted five minutes to introduce yourselves, you are very welcome.

DAVID HARWOOD: Yes, please. Thank you very much.

Madam Chair, members, we would like to thank you very much for inviting us here today to speak about BrightHouse. I am David Harwood, the company secretary, and I am joined by David Poole, our chief risk officer.

We hope that by answering your questions here this afternoon we can achieve two things: firstly, we want to create more clarity about what is a misunderstood and underserved market, and also demonstrate how we in BrightHouse serve this market in a responsible way.

We hear many inaccurate statements and misleading statements about the company so we are very pleased to have the opportunity to tell you more about what we do and about how we go about it.

To give the business some context, I think it is worth looking back in history. In the 60s, 70s and 80s millions of UK householders used to rent televisions from companies like Radio Rentals and Granada, for example. There may even be people in the room who remember their parents doing so, perhaps.

So why did so many people rent products in the past? They did so for many reasons. The three chief ones were they could not afford to buy products like that outright, they were concerned about cost of repairs that might lead to an unexpected bill and they were reassured by the fact that they knew they could give the goods back at any time and have no further obligation.

In 1994 this business was opened by Thorne EMI as a sister company to Radio Rentals, to provide a similar service to people who couldn't get access to goods elsewhere. Today there are around 12 million adults in the UK who rely on what is called the alternative credit market because they can't afford to buy goods outright and they can't access main stream credit because the bank simply will not lend to them.

This hinders their ability to access goods and services that you or I would take for granted: a washing machine in the house, a television, a fridge. Without the alternative credit market, these people would be financially excluded. What we are trying to do is to serve these customers through our flexible rent to own proposition.

Our typical customers are families who manage their finances closely on a week to week basis and they are looking for an affordable way to access and purchase goods for their homes. The unexpected bill is what they fear, that might push their finances off track and they are seeking to avoid building a debt that they might not be able to repay.

Our hire purchase agreement is designed with these needs in mind. Customer payments are fixed across the life of the contract, which gives the customer certainty of the weekly amount they need to pay. Delivery is included, all repairs are included, however caused, so if goods are stolen they will be replaced, if they are damaged by fire they will be replaced, if they are accidentally damaged by a small child knocking the television over the goods will be repaired or replaced. On top of that, the customer has the peace of mind of knowing that at any time, for any reason, they can return the goods to us, in any condition, and have nothing further to pay. It is that that gives them complete control over the contract and it is these reasons that mean that customers come to us to buy products.

Of course, having an attractive proposition is only one part of the story. Affordability is very important. It is not in the customers' interest, nor in our interests, to lend to somebody more than they can afford to repay. We seek to avoid this by undertaking a full credit check using multiple bureau data. We validate the income and we carry out an affordability assessment with every customer before we lend to them.

That said, circumstances can change for anybody. So, as a responsible lender, we have a number of ways that we can help customers if they get into difficulty. Just one example I will talk of now is that if a customer falls behind with their payment we can reschedule their payments to the end of the agreement. We do not add any interest for that service. If they have missed, say, three weeks, those three weeks just get added on to the end and there is no additional amount charged for that.

The BrightHouse proposition has been designed for our customers. The pricing is very clear. The customer knows exactly what they are going to pay and we believe it represents excellent value. Our customers understand it and they appreciate it.

Nevertheless, we always seek to find better ways to communicate with the customers and the benefits of the proposition we have. What I would like to say is that, from the end of January, we are going to be showing more information on the price ticket that shows how that cash price is broken out, so it will have the product price and then the price of the different elements that are included into that offer.

Over the last 20 years we have built a business that now has 291 shops, we have created 3,000 jobs in the UK and we are proud to serve over 270,000 customers. We have been able to do this by offering the customers the products they need and want for their homes in a way that fits their circumstances.

Our proposition is designed for our customers. It is understood and appreciated by them. We know this through our regular, independent customer surveys and also because they recommend over 1,000 customers to us every week.

Thank you very much for listening. We are ready to take your questions.

YVONNE FOVARGUE: Thank you.

Can I start -- you mentioned your independent customer survey. Is that published anywhere? Is it just for you? Do the customers ever see it? Anyone else ever see it?

DAVID HARWOOD: At the moment it is just done for us by BDRC, who are an independent survey company.

YVONNE FOVARGUE: Also, you mentioned about referrals. Do you pay for referrals?

DAVID HARWOOD: Yes. We do think it is right, as many companies would do, if they get a referral, to reward the customer for doing so. There is no obligation for them to do so.

PAUL BLOMFIELD: Can I just ask, without getting into some detailed stuff, David you presented a very attractive picture of this being a sensible route to product acquisition. Do you have any products in your own personal family that you have acquired through this route?

DAVID HARWOOD: Personally not through BrightHouse but, in the past, when I first had a job I rented a television for a number of years. Yes, I did.

PAUL BLOMFIELD: Well, I rented a TV when I was student. If it is so attractive, why don't you have adopt that route?

DAVID HARWOOD: The point is that, at that time, my circumstances meant that, for the same reasons, I couldn't afford to buy the television so I rented it. It is very similar to the offer we do now. Do I need to do it now? No --

PAUL BLOMFIELD: You were presenting it as a risk free, very benign way of acquiring products. If it is so universally attractive why don't you do it personally?

DAVID HARWOOD: Our proposition, as I said, is designed for the customers that we serve. Those customers are the people that cannot gain access to goods and services elsewhere.

PAUL BLOMFIELD: It is also designed for people without significant resources.

DAVID HARWOOD: It is designed for people who are unable to access goods and services elsewhere. I am in the lucky position, now, that if I want to buy a television I can just go and buy it. Our customers are not in that position, because, as I have said, they are excluded currently because the mainstream lenders will not lend to them. That is why we have built proposition built around their needs.

We know that they are concerned about the out of ordinary bill which might push their finances off track. The APPG on Hunger and Food Poverty mentioned yesterday, many families are just one unexpected bill away from being in financial difficulty. They don't get that with us, they get a fixed payment across the life of the contract and they know -- they have the peace of mind that, at any time, they can give the goods back to us, even if they just change their mind.

If you were to go and buy a television from somewhere else on credit, you would not be able to go and give that back because you have changed your mind. You can do that with our proposition, because of the flexibility of the offer we have got.

DAVE POOLE: I would just add, David, I think it was Angela from FairForYou was making the point earlier that there ought to be a cooling off period. That is really not relevant for our proposition, because the customer can decide at any point they want to give the TV back. So there is an initial cooling off period during which they would get back any payments that they had made, but at any point the customer can turn to us and say, "I have decided I don't want the item anymore, I have changed my mind", and in a number of cases that does happen.

So part of the 50 per cent figure that was mentioned earlier, of customers not getting to the end of their agreement, 25 per cent of customers will actually come back to us and say I have changed my mind about the purchase before they have even had the item delivered and made a payment.

ROBIN WALKER: 25 per cent of customers might be saying that but 22 per cent are undergoing repossession.

DAVE POOLE: We don't recognise that number.

ROBIN WALKER: What number will you recognise?

DAVE POOLE: We don't repossess anything. We never exercise our legal right to repossess. Any goods returned to us by our customers are returned voluntarily and the customers' rights are explained to them very very clearly as part of that process.

ROBIN WALKER: Talk me through that. You don't repossess anything. If I, tomorrow, take one of your products which has a face value of £500 and I don't pay any of the payments and I keep it at my home, presumably you have to take some action to recover your value?

DAVE POOLE: Customers do default and keep the product and don't pay us, that is part of being in a consumer lending business. That does happen.

ROBIN WALKER: You don't take any action against those customers when they default?

DAVE POOLE: We will obviously contact them. We contact them via our contact centre. If we are unable to contact them via our contact centre we will attempt to visit them at home, we will leave a card through the door giving them options for how they can correct the situation that they find themselves in. We will take all of the action that you would expect a consumer lender to take --

ROBIN WALKER: At what point do they incur charges?

DAVE POOLE: They incur an initial charge when they first go into arrears, that is a charge of £5.50. If they continued to default they would incur no further charges.

I think there was, potentially, some misunderstanding of the way we charge when customers go into arrears. If we take any cohort of credit agreements that we take on, so if we look back to 2011 for example, the average late charges that were applied to those agreements were £17 over the life of the agreement. We don't actually cover our entire cost of collections through our late charges, which it is our right to do.

ROBIN WALKER: So if the regulator were to come along and say that they were going to cap your charges at, you know, say, £20, you wouldn't complain?

DAVE POOLE: We would be very very surprised, because we believe that we charge significantly less than other lenders.

ROBIN WALKER: There seems to be a huge disconnect there between what you are saying and what we are hearing from some of the other evidence in terms of people's experience of the treatment that they are getting and the way in which they are being charged and racking up not one but multiple five pound charges.

DAVID HARWOOD: Well, the charge is per agreement, not per item which was mentioned earlier. But, as Dave says, it is one charge for going into default. We don't -- so if the customer stays late there is no additional charge week on week on week, it is just for each visit into arrears.

DAVE POOLE: In the last week we waived 18 per cent of those fees charged. So our store managers have absolute discretion. If a customer notifies them that they are going to be unable to make a payment or if it was unavoidable that they missed that payment, we will waive the charge.

We do -- I think it was suggested earlier that we make it difficult for our customers to pay. We would absolutely refute that. One third of our customers pay by continuous payment authority, so they never have to come to a store to make their payment. We absolutely adhere to the rules around the use of continuous payment authority, so we will attempt to take the payment twice and then we will cancel it if it is not successful a second time. Many of our customers now choose to pay over the telephone, either via our contact centre or via our stores. We are just making available the ability for our customers to pay by text message, so fairly soon it will be less than a third of our customers that actually need to come to store to make a payment.

JONATHAN EDWARDS: When you mentioned the significant footprint you have got across the UK in terms of stores and employees, can you give us an idea of your turnover for the last part of the year and what would be you profit levels?

DAVE POOLE: Our turnover for the last financial year was £330 million and our profit before tax was £16 million.

DAVID HARWOOD: The average profit over the last three years has been just about 4 per cent of turnover.

JONATHAN EDWARDS: In terms of individual products and, you know, taking into consideration the bundling of different services which, you know, we appreciate, what would be your profit levels as a percentage of the value of that product?

DAVID HARWOOD: We haven't got those details with us today.

I think the key thing is that you cannot compare the way we offer very easily with somebody just buying a product elsewhere because of the package it is wrapped award in, because people can bring goods back at any time and everything is covered. You can't do that.

But as we say, on the price ticket we will be breaking out more information at the end of January that will allow people to see the cost elements that are attributable to each of those pieces.

YVONNE FOVARGUE: You say it is difficult to look but Which? took just such as a Samsung freezer from BrightHouse and John Lewis, including a five year John Lewis five star service plan -- and they believe theirs is Rolls Royce not Morris Minor, also covering accidental damage -- even with that additional cost you pay 39 per cent more at BrightHouse and that is before the interest is added. So there is comparison and you are coming out more expensive.

DAVID HARWOOD: Well, I would refer you to the submission we gave in writing and you will see that we didn't come out -- whilst we didn't come out cheapest in any of those, we were number two in the list of examples we gave, where we used the price of the product of a different company and then priced separately from where you could get the various services. So I would refute that we are overpriced.

We believe that we are good value and we will be able to demonstrate that more clearly to our customers when we put it on the price ticket.

YVONNE FOVARGUE: Can I just quickly go back to the bundling again, about the insurance. We have been talking about one item, many customers have two, three, four items from BrightHouse, in which case the insurance and the accidental damage becomes much more expensive than buying a household policy. Do you point that out to customers?

DAVID HARWOOD: Well, I would say that, at the moment, the customer is -- it is part of the package. But one of the big differences, of course, is we know, from statistically, very few people in our customer segment actually have home insurance policies and those that do have almost certainly got an excess on that policy which means that, actually, if they were insured elsewhere they may well have to pay an excess which could be enough to knock their finances off-track. That is why we put it together.

We spent a long -- I wouldn't want you to think that, you know -- this package was put together, it took nine months of design and advice from outside agencies. We actually did take it past the OFT, through Trading Standards, who are their arm, and they said they were happy with it. It is all about trying to meet -- we looked at the customers' needs and tried to put a package together that meets it. Our belief is that our insurance gives the customer a better deal and it covers their needs better than, perhaps, they would get elsewhere.

PAUL BLOMFIELD: I wanted to go back to the issue of pricing. I am sure we will come back again to the question of bundling.

Your lending charter says you ensure your prices are competitive against comparable high street retailers. Who are the comparable retailers you benchmark against?

DAVID HARWOOD: As I say, if you look at the information provided in the written example, we have given examples of a number of retailers.

PAUL BLOMFIELD: Can you share it is with us now?

DAVID HARWOOD: I will look it up. I think John Lewis was one of them, Curry's --

DAVE POOLE: Littlewoods and Argos.

DAVID HARWOOD: Yes.

PAUL BLOMFIELD: How could you, then, justify a statement that your prices are competitive against John Lewis', or Argos indeed, when you see the sort of priced figures that Yvonne was quoting a moment ago?

DAVID HARWOOD: I haven't seen the figures Yvonne has quoted and therefore I haven't really got the opportunity -- however, what I would say is --

PAUL BLOMFIELD: Well, let me give you the opportunity. A Samsung freezer priced -- this is from Which? A Samsung freezer priced at £894 from BrightHouse, costs £644 from John Lewis including a five year John Lewis service plan covering accidental damage. So pretty much like for like. How is that price competitive?

DAVID HARWOOD: As I say, we actually compare against a range of retailers, not just John Lewis -- John Lewis is in there -- and actually --

PAUL BLOMFIELD: (Inaudible) More expensive.

DAVID HARWOOD: Actually you will find -- as we said, the other elements of our proposition you can't get.

PAUL BLOMFIELD: Could you give me a retailer on the high street, outside the rent to own sector, who you think your prices fall below?

DAVE POOLE: Relatively few retailers offer a proposition comparable to ours. However, when we go out and look at the high street and we price up separately the cost of the item, the cost of an extended warranty and the cost of insuring that item against accidental damage, fire, theft, total loss, we are comparable to a number of other high street retailers. I am sure we could find examples where we are more expensive, I am sure we could find others where we are cheaper too.

PAUL BLOMFIELD: Could you give me an example -- not now but perhaps as written evidence -- where you are cheaper?

DAVE POOLE: We would be happy to go away and look at that.

PAUL BLOMFIELD: Not from the RTO sector but one of the other retailers you have talked about: Argos, John Lewis --

DAVE POOLE: With a comparable package, certainly.

PAUL BLOMFIELD: With a comparable package, yes, because all of those are available from most of those retailers.

YVONNE FOVARGUE: Could I look at the goods that you sell. We heard from Thrive and Angela about the electronics items and your catalogue is full of very very expensive electronic items. We heard about people being pressured to go -- they go in wanting a basic model and they are upsold, as I believe it is now called, to a more expensive item. As you say, 50 per cent of your customers are on benefits, JSA, DLA, why do you have all those expensive items and very few low rent items, as it were?

DAVE POOLE: We do have a significant number of lower cost items. We stock a full range of items from low priced and own brand products through to more expensive, certainly more premium product. We also offer our quality refurbished items that give customers -- indeed, somewhere around a quarter of items that we sell will have been previously with a customer, they will have returned it, we refurbish it and put it back out on agreement. That does give customers, perhaps on even lower incomes, the opportunity to own the items that they need for their home.

YVONNE FOVARGUE: So you can sell them twice.

DAVID HARWOOD: No, actually, because if a customer has returned it then they haven't paid for it, so I think that is an unfair statement which I have to correct you on.

YVONNE FOVARGUE: It depends what level they have returned it.

DAVID HARWOOD: No, if the customer has returned it, they have returned it and it has not been fully paid. So it is wrong to say that.

YVONNE FOVARGUE: Do you have any, then -- if it is not fully paid, do you have over a certain number of weeks -- your credit agreement, do you have a certain break even period on that credit agreement, then, normally for goods that you would say, actually, we have covered the cost of our goods?

DAVE POOLE: It would be difficult to say that. I wouldn't have that information here. It would be slightly more complex. We would have to consider default rates, it would be different by different products which have different margins and also different default rates.

JONATHAN EDWARDS: Just on the insurance and based on the previous evidence of the session, why is the insurance element of your business regulated in Malta? I know the weather is lovely this time of year.

DAVID HARWOOD: The only reason is through efficiency of solvency requirements in the past, because the insurances are underwritten by an insurance company in Malta therefore they are FSA regulated. They are passported into the UK through the FSA/FCA, so they do have a view of that. Once we are fully authorised for consumer credit then that will absolutely come under their remit.

JONATHAN EDWARDS: Could that potentially create difficulties for consumers?

DAVID HARWOOD: I don't think so. Our customers have always had access to the financial ombudsman service in the UK anyway. Whenever any customer comes in, if they make a complaint to us, it will go through our internal complaints handling system. Whenever we send out the final response letter, we let them know that they can of course go through to the financial ombudsman serving in the UK, which they are absolutely covered by.

JONATHAN EDWARDS: Is there a trend for financial companies and services moving to Malta for tax reasons or --

DAVID HARWOOD: Certainly nothing to do with tax in our structure. It is just to do with efficiency of setting up the business in the first place.

YVONNE FOVARGUE: Can we go to the customer charter. You have the BrightHouse lending charter and then you appear to water it down to the customer charter. What happened to it?

DAVID HARWOOD: Well, as Damon said earlier, we did some work a few years ago with his group and Thrive. What that work comes down to, there were two aims from it: one was the addendum to the CCTA lending charter to which he referred and then the other was data sharing. It became clear to us fairly quickly that the CCTA addendum wasn't going to happen, which is why we produced our lending charter.

Actually, subsequently we joined the FLA, we subscribed to their lending charter, all 75-pages of it, which is here and can be accessed on our website as well, we have recently had a code compliance visit in June and there were no issues found. So if you are worried about -- you know, that is what we abide to.

In terms of the lending charter, yes, we put it together based on the things that Damon requested and it is still there on our website now.

ROBIN WALKER: Can I ask about this lending charter, which mentions, the first point, under "full transparency", says:

"Ensure our prices are fully transparent ...(Reading to the words)... including optional insurances and warranties."

Those don't seem to be very optional, looking at your catalogues.

DAVID HARWOOD: Yes. The reason that still says that is because, of course, we still have some old contracts that do have optional products on them, so it is still appropriate to have that. It is absolutely clear to our customer how much they pay now. On the price ticket they will see the cash price -- in fact, all the elements of a representative example are on there: the cash price, the weekly payment, the interest rate and the total amount payable, which includes everything. So it is clear.

But, to your point, we are, at the end of January, as we said earlier, we are going to be putting on our price ticket a breakdown of the costs of the individual elements that make up the cash price, which will then give the transparency.

ROBIN WALKER: Why isn't the information in your catalogue? You have got illustrative examples in your catalogue. I am looking here at page 58 of one of your catalogues, an Xbox 1. The illustrative example there says the product, with five star service, £738.87, weekly payment, number of weeks, representative APR. There is there is no breakdown of what that five star service element is and what the cost of the product is.

DAVE POOLE: We haven't done that yet, we are doing that in January.

ROBIN WALKER: So you will then be able to compare the product price with product prices elsewhere, which is quite important in terms of your customers' understanding for paying a fair price.

DAVID HARWOOD: Yes. At the moment, we believe our customers understand and appreciate the proposition but it is one of the things that we have been looking at and saying, actually, we want to make it easier for them to see. We think prospective customers, with that breakdown, will find it easier to see the benefits included in the proposition.

YVONNE FOVARGUE: Will the five star service be optional or will it still be compulsory?

DAVE POOLE: The five star service, our intention is, as Linda Woodall said earlier, to discuss with the FCA what components we may break out of the proposition and make optional, and how we might do that. At the moment, our belief is most of those components will remain compulsory. We will make them transparent. If a prospective customer then is able to compare and believes it is uncompetitive then perhaps BrightHouse might not be the right place for them to be shopping.

YVONNE FOVARGUE: Okay. Any final questions?

Is there anything you would like to say in the last two minutes?

DAVID HARWOOD: I think only to say that, as we say, our proposition has been designed for our customers and they appreciate it, understand it and they tell us that through our surveys and also from the fact that they actually recommend a thousand customers to us every week. That just wouldn't happen if --

PAUL BLOMFIELD: What do you say to the evidence we heard earlier from Thrive that, really, your customer base are those people who -- it kind of concurs with what you were saying at the beginning in terms of why you don't buy your own products -- that really your customer base are those people who have no choice?

DAVE POOLE: Our customers do have choices. There are other options available to our customers in the alternative credit market. They don't have as much choice as many of us, that is not something that we can influence.

PAUL BLOMFIELD: Don't you think it would be good to give them more choice, for example by unbundling insurance?

DAVE POOLE: There are 12 million people that do not have access to mainstream credit. As David said earlier, that is because our banks choose not to lend to them. We provide a service to those customers, they do have other choices.

ROBIN WALKER: You talk about using rigorous affordability criteria so, presumably, there are plenty of people you are not offering that service to as well?

DAVE POOLE: We reject over one in five customers that come to us. We do use rigorous affordability. Our credit worthiness and affordability checking, we believe, would pass muster with any other consumer lenders. We use bespoke credit scores that are developed specifically for BrightHouse, we use full credit bureau information and we subscribe for credit bureau information to two of the three credit reference agencies, soon to be all three of them. We validate our customers' income, we sit down and take them through a detailed income and expenditure to try and make sure that the products are affordable for them. We believe we have nothing to fear in assessment of what we do on affordability. We are very proud of our credit assessment processes.

ROBIN WALKER: Can I ask, how many of your customers do you refer to free debt advice, or signpost to debt advice elsewhere?

DAVE POOLE: Whenever our customers go into arrears, so one payment late, when they get their first -- when they get that charge that we were discussing earlier, the £5.50, we write to them to notify them of that charge. That letter signposts them to free debt advice.

ROBIN WALKER: To any particular free debt advice? Money Advice Service or --

DAVID HARWOOD: National Debt Line.

DAVE POOLE: National Debt Line, yes. Part of the Money Advice Trust.

YVONNE FOVARGUE: Thank you very much for giving the evidence today and coming here. It has been interesting.

If you can write to us with the details, obviously it is unfortunate that Leo McKeewasn't here, perhaps he could have answered some of the questions. But thank you very much for coming.

Interview with panel 4 (representatives from PerfectHome)

YVONNE FOVARGUE: Can I ask the PerfectHome representatives if they would like to come up, please. **(Pause)**

Thank you very much for coming. As we gave BrightHouse, we will do the same thing, if you would like to spend five minutes perhaps giving us a statement about your business?

MIKE SWEETLAND: Yes. I am Mike Sweetland, the chief executive. This is Alaric Smith, finance director.

We founded PerfectHome in 2006, with our first store in Birkenhead. Today, eight years later, we have got 67 stores across the UK, just under 700 employees and thousands of satisfied customers.

We are proud to be the first high street retailer to have been Living Wage accredited. It means that our staff don't rely on sales commission in order to earn a decent living and we require our staff to do the right thing for our customers.

We serve the 20 per cent or so of the UK population that can't get mainstream credit by offering quality products on an affordable weekly payment basis. Interestingly, about 68 per cent of our customers pay on a recurring basis -- electronic recurring basis. They don't come into the store to pay.

The two of us are very experienced in this market, having been in TV rental and rent to own for over 20 years. We launched PerfectHome specifically to compete with BrightHouse, having previously worked for that company, because we thought we could do it better and also to bring some competition to the sector.

There is clearly a demand for our service or we wouldn't have been able to grow. That said, you don't go into rent to own to make a quick buck. It has taken us a long time to build up the infrastructure. We only made our first profit last year; that was less than 5 per cent on turnover.

We believe that rent to own is frequently misunderstood. I would like to cover a few points which we think would be of interest to the All Party Group.

First, the rental aspect of rent to own, second, the high level of service expected in our market and third, early intervention and support to keep customers on track with their payments.

I would like to start by talking about the nature of rent to own. For many of our customers, the use of a working product is just as important as the potential to own it. This is where the rental part of rent to own comes in. This is fundamentally different from a normal credit agreement. It does lead to characteristics that can be misunderstood and the first of these is that quite a lot of products do come back.

In rent to own a certain level of product returns is inevitable and it would be wrong to see these as just repossessions. Some customers have absolutely no intention whatsoever of going to ownership, they are renters who simply have a need for a product now because of their temporary circumstances -- divorce is common in that respect -- and after some months simply give the product back, which they can with rent to own. Others want to upgrade their products to get the latest technology. This has been happening a lot recently with the switch from ordinary TVs to smart TVs. People are bringing back ordinary ones to get smart ones to link to the internet, which is actually a good thing for them to do, it is a cost effective method of getting on the internet.

It also means that, with rent to own, there is a route out of the credit agreement. If all other options have been explored and the customer can no longer afford to pay, they can give the product back and walk away with nothing further to pay.

I would stress, as the guys from BrightHouse did, this is not a repossession. This is the customer making a rational decision to reduce their outgoings by handing the product back.

We noted that, in its response to this group, the FCA expressed some concern that up to 22 per cent of goods are, in their words, "repossessed". With respect, this is a misunderstanding of how rent to own works. It is a mistake to assume that product coming back means a bad outcome for the customer. It may actually be the very outcome the customer always intended or, at the very least, the best outcome in a customer's now changed circumstances.

The second misunderstood characteristic revolves around the service package in rent to own. Our customers tend to be young families who lead hectic lives and just can't be left without a working product. We know that we have to be able to fix a machine that day or, if we can't, we will have to swap it out for a temporary replacement. Normal warranties just do not provide for this. That is why our service package tends to be more expensive.

It is also the case that call out rates are very high. Typically a washing machine will get 0.8 of a call out per year. With our customer base it is 2.4. This is partly because the machine works hard but it is also because we cover what we call "apparent failure". We are regularly called out to retune televisions or unblock filters in washing machines. We are happy to do that because, after all these years being in rent to own, we know that that is what rent to own is all about. The customer is paying weekly for a working machine. It has to work. If it doesn't they will call us out.

The third misunderstanding about rent to own is how quickly we contact customers when they go into arrears. Our customers do require support to manage their credit agreement through to ownership. We do this by contacting them as soon as they have missed a weekly payment to see how we can help. Some may think this is quick off the mark but, in fact, many of our customers rely on our call to remind them to pay. We see this as a positive part of responsible lending that prevents customers from going into arrears.

My key point here, to both the Group and the FCA, is not to assume that early intervention is a bad thing. In fact, in our experience, it is the key to supporting customers to go to ownership.

To sum up, we agree with the All Party Group that it is important to take the time to explore and understand the intricacies of rent to own as a very specific retail model. I noted, Madam Chair, at the beginning you mentioned that it is in a similar space to pay day lenders. We have done some research and found that, in fact, with our customer base less than 1 per cent of our customers have ever used pay day lenders. So, in fact, we think it is a unique sector, it doesn't have the same cross-over that people might imagine.

We welcome the opportunity to answer your questions today and hope the session will help in the evolution of a regulatory framework that delivers the best outcomes for rent to own customers.

YVONNE FOVARGUE: I will just clarify, I said they had the same customer demographics as pay day lenders, which I think is a different issue to the people actually using them.

Can I just ask about repossessions and dig a bit further first. BrightHouse have just said they don't repossess at all, do you repossess and, if so, do you have any guidelines on what goods you will or won't repossess? I am talking about actual repossessions here.

MIKE SWEETLAND: Yes. We don't repossess. We never repossess. We contact the customer, have a discussion with the customer and if -- we have a number of forbearance tools: payment holidays, payment freezes, rescheduling. If at the end of the day none of those things work we will accept the product back in full and final settlement and we will write off all of the arrears. We never do that without a signed declaration by the customer saying that they wish to return the goods.

PAUL BLOMFIELD: Can I just ask the same question I asked BrightHouse about price comparability. Your responsible lending charter says that your credit pricing is competitive against other companies in the sector?

MIKE SWEETLAND: In the sector, yes.

PAUL BLOMFIELD: Which sector?

MIKE SWEETLAND: The rent to own sector.

PAUL BLOMFIELD: Right. So you don't make any pretensions that --

MIKE SWEETLAND: No. And we never made any agreement with Damon or whatever on that basis, because we knew we wouldn't be able to keep it.

PAUL BLOMFIELD: So essentially you are comparing yourself with BrightHouse?

MIKE SWEETLAND: And Buy As You View. There are other players in the sector, we just happen to be the three biggest.

ROBIN WALKER: One of the differentials between yourself and BrightHouse is the fact that you are offering optional insurance rather than compulsory insurance. Why take that business decision to do that? BrightHouse argue that is what the customers want, why take that business decision?

ALARIC SMITH: We don't bundle insurance with the product but we do include the service package. When BrightHouse bundled their product around a year ago, at the time I think they said their research showed that their customers wanted one symbol to understand price which included everything. We decided to watch the customer reaction and see how that went. We concluded that, you know, that BrightHouse was at least half right in terms of what they had done. Our customers were telling us that they preferred the service package to be included as it made the proposition a whole lot simpler and they understood what the service package was all about. Indeed, when it was optional most of them bought it. So, you know, they saw it as a key part of what rent to own is all about. So we didn't see any potential detriment to the customer by including that with the product.

When we looked at insurance, we were concerned, first, that some of our customers already had home contents --

ROBIN WALKER: Any idea what proportion?

ALARIC SMITH: No. We don't. We know it is not trivial. We thought that it would potentially be a detriment to them. And also that there are plenty of insurance products available in the market which customers could choose as an alternative to ours.

That is not true of the service package because, as we have already discussed, the level of service that is provided in a rent to own environment is far and above what is available on a standard warranty that you might get from some other retailer.

So, in summary, we felt that what we have come up with was the right balance between simplicity for the customer and the choice that we thought that they ought to have.

ROBIN WALKER: In terms of transparency -- obviously we have seen BrightHouse's catalogue, I haven't actually seen one of yours so I can't make a fair comparison in that respect -- do you feel that you are providing full transparency in terms of what the respective cost of the product, the servicing and the optional insurance would be?

ALARIC SMITH: We don't break that out currently.

ROBIN WALKER: Do you think you should?

ALARIC SMITH: It is certainly something we would be prepared to look at. I don't think there would be any problem with that.

MIKE SWEETLAND: We are always the cheapest in the sector by the way.

JONATHAN EDWARDS: You tell us about the impact of FCA regulation on your business and you talk about the need for the current regulatory framework to be more closely adapted to the requirements of the rent to own customer. What exactly do you mean by that?

MIKE SWEETLAND: A couple of points that I guess I have made, which is not to misunderstand early intervention in terms of the payment process as being a bad thing. The earlier we can contact a customer who has gone into arrears, the quicker we can bring to bear the tools that we have got. For example, a payment holiday -- which we don't claim to include in anything by the way, it is just entirely free -- we would offer a payment holiday to a customer before they have got into arrears, provided them come and say to us, "look, I have got an issue with my payment, I won't be able to pay for the next couple of days", and we will give them a payment holiday then. If they have gone into arrears then a payment freeze.

The only way we can help them is if we know what is going on. So when they miss a payment we will contact them very quickly to ascertain what is going on, because we are there to help. We allocate every one of our customers and relationship manager based in the stores, they meet the relationship manager the day they sign up, they get the relationship manager's telephone number and they are encouraged to contact the relationship manager immediately. I am slightly concerned that, because our sector is so unique, it could be misunderstood that this very, very early contact that we have with customers to see if we can help them could be misunderstood.

So it is things like that that, you know, we would like to see the regulatory framework tailored to the reality of this business, which is that the earlier we can help customers, the more customers will go to ownership.

YVONNE FOVARGUE: Can I look at your mystery shopping. There is a commitment to mystery shopping in your charter. What changes have you made as a result of the mystery shopping and do you ever publish any of the results?

MIKE SWEETLAND: Like BrightHouse, only internally but we are very happy to publish it externally. We gave you, I think, a little snippet of that in our submission. We use a company called Relish who also mystery shop John Lewis and Curry's and so on. When they first did it for us they were a little bit sceptical because they hadn't done it for an organisation like us before. We scored high to mid 90 per cents on their range of scores, which included going right to the point of starting to sign up for an agreement, though they didn't go through with it for obvious reasons.

They were, frankly, shocked that it was, in their words, the closest shopping experience that they had ever seen to the ideal shopping experience for our customers.

So we are very happy to let you -- there are books of it -- I am very happy to let you have it.

YVONNE FOVARGUE: Have you made any changes as a result of that?

MIKE SWEETLAND: In terms of how we operate? There were a few things that we thought weren't coming out as well as we would have liked, particularly around product knowledge. That was the key feature.

ALARIC SMITH: I think it is typically operational changes, ie performance that could be improved, in particular stores rather than some sort of systemic change.

MIKE SWEETLAND: What we were particularly pleased to hear -- and we asked the question was it fully explained to you that the insurance was optional? Were you given the correct advice that if you took out more than one agreement that you should really go and see if you can find a home contents insurance for your entire home? You will have noted in the submission that we put, there was one gentlemen there, , isn't it, from Newcastle, had had that advice from one of our stores.

To be honest, the feedback was pretty good.

YVONNE FOVARGUE: Okay. Thank you.

ROBIN WALKER: It would certainly be interesting to see more detail on that.

You have entered competition in this sector and it is notable that, unlike other areas and unlike the short-term high-cost debt area, there is very limited competition. There seem to be quite high barriers to entry. From your own experience, what are the main barriers to entry for new market entrants in this space?

ALARIC SMITH: I think one of the big barriers to entry is actually finance. It is a very expensive business to get into and, you know, if you think about it what we are doing is we are putting out a product into the customer's home you know which may cost us £350 and then we are receiving £5.99 for it in week one. So the more we sell, the more that costs us. So the financial barriers are quite high and, you know, that is one of the reasons why it takes a business like ours a fairly long time to get to break even and to start making a return.

I think the other side of it is actually the knowledge of the business.

MIKE SWEETLAND: Yes. I think IT is a big issue. They are complicated businesses, it is very complicated to operate a business like ours with all the various different dimensions and there are no bespoke IT solutions that you can just go and get.

The other major one is service. It is hugely underestimated just how much investment you have to put into service centres -- into service, sorry. We have only got 67 stores, we have got seven service centres around the country, each of those staffed with technicians, spare parts and all the stuff that you need to be able to satisfy the very, very high service standards required in our market place. I can't stress that enough.

We have seen new entrants come, it is not the case that new entrants haven't come, we have seen them come and we have seen them fall over very, very quickly when they try to undercut our prices but then fail to deliver what the customer wants in this sector. What they want, and I cannot stress this enough, is they want that product to work. If it doesn't work, they won't pay.

YVONNE FOVARGUE: Can we move on to the default charges which we also asked BrightHouse about. You say they don't see the actual cost involved and you only make one charge per agreement during a continuous period of default. So, basically, if somebody misses one week, then pays, then misses another week, you will make two charges?

MIKE SWEETLAND: Potentially, although that rarely happens. Potentially.

YVONNE FOVARGUE: How much are your default charges?

MIKE SWEETLAND: £5.00.

YVONNE FOVARGUE: £5.00 per missed payment?

MIKE SWEETLAND: Per agreement.

YVONNE FOVARGUE: Per agreement, per continuous payment.

ALARIC SMITH: The analysis that we have done on default charges suggests that over the life time of an agreement, a customer is going to be paying something in the region of £25 on default charges, on average.

YVONNE FOVARGUE: So on average your customers would miss five payments over --

MIKE SWEETLAND: Yes, over a three year agreement.

Also, in terms of the number of -- the percentage of our customers that are in arrears at any point in time, that average is 6 per cent. So 6 per cent of our customers are in arrears at any point in time, which is remarkably low. I think it is low because we have achieved a position where a very large percentage of our customers are paying by some kind of recurring electronic payment process.

YVONNE FOVARGUE: Do you allow overpayments?

MIKE SWEETLAND: Yes, we do.

YVONNE FOVARGUE: You do allow overpayments as well?

MIKE SWEETLAND: Yes. We talk about this business as if it is exclusively weekly. We allow fortnightly payments, we allow monthly payments, we do direct debit as well as weekly payments. In fact, it is the minority of payments now that we collect that are cash paid in the store.

ROBIN WALKER: Do you think the move to a universal credit would make a difference to the number of people taking up weekly payments versus monthly?

MIKE SWEETLAND: It is difficult to say. One would like to hope so, because I think it would be better for us if everything moved on to a monthly cycle rather than a weekly cycle. It would be less expensive to collect the money and obviously it would align the payments to what the government is trying to do, which is essentially make people budget for a month so when they do get into work, you know, they are used to budgeting in that way. I think that would be a good thing. Yes.

JONATHAN EDWARDS: Obviously there has been, as you mentioned, there has been a significant amount of welfare reform changes in the last two UK governments. Have you seen your customer base expand in that period? Are your customers in greater financial difficulties as a result of those changes?

ALARIC SMITH: I think the answer is no. As I think David Harwood said earlier on for BrightHouse, their business was set up in 1994. You know, that has gone through one of the longest periods of, you know, sort of consumer boom that most of us can remember and was, you know, very effective and successful during that period of time. I think, you know, what we tend to see is that our market probably moves at the margins and that, you know, maybe it expands a little bit in time of difficulty and contracts a little bit in times of boom but it doesn't, you know, it doesn't really change an awful lot I don't think.

MIKE SWEETLAND: What we have seen is a big increase in the number of customers who are either in work or where someone in the household is in work. That is now at 68 per cent. When we set off in 2006 that was at 47 per cent. So there has been a big change in that respect.

ALARIC SMITH: Which may have something to do with work benefits perhaps.

JONATHAN EDWARDS: Obviously as a sort of relatively new entrant into the market, what you would expect is when you start having companies competing that there should be a benefit for the consumer. Have you seen an auditable -- from our point of view -- improvement in the price or the product for consumers from your competitors?

MIKE SWEETLAND: Yes. When we first came into the market we came in quite bit cheaper and they had to adjust their prices to ours. Even though there are only two of us on the high street, we are only a couple of hundred yards away in a typical town and, believe me, our customers are up and down the road all the time looking at the prices. There has been, really, quite fierce competition between us, both on a permanent price basis and on, you know, tactical promotions. So there is no question whatsoever it has driven down the margins.

Both of us used to work at BrightHouse so we know the margins that they used to work on. We came in with lower margins because we have a lower cost base, because we were able to start from scratch with new IT systems, and sothey have had to bring their margins down close to us, although not quite at our prices. They have a poster in the window at the moment saying, "we will match any deal in PerfectHome", which, of course, implies that they are more expensive in the first place.

YVONNE FOVARGUE: We talked about the range of goods that were sold before to BrightHouse. They have quite a number of very high cost goods, like American fridges etc.. Do you have the same range of goods or is your market slightly --

MIKE SWEETLAND: We are more modest in our aspirations. We sell what we regard to be only household consumer durables. We sell quality products that have some long term value for the customer. So it tends to be mainstream products: washing machines and televisions and so on, and we don't go for exotic kinds of products. We do sell computers and we do sell TVs with -- the smart TVs, and we do sell some gaming as well, Playstations and Xboxes. You might say, well, are these essential products? Well, I kind of argue in the modern world, for a modern family, that a smart TV could be an essential product. It is a very cost effective way of linking to the internet because of the packages that Sky and BT have brought out for their business in that respect.

Similarly, I would argue that an Xbox could be an essential product for a family with teenage kids because, not only is it an internet portal and blu-ray player and all those kind of things, but do we want those kids not to be part of mainstream society? Do we want them to be excluded from the kind of conversations that they ought to have with their more affluent peers? No, we don't. So we tend to go for things that our customers value highly but we don't do the exotic stuff.

YVONNE FOVARGUE: Is there anything you would like to say in conclusion to the panel that you don't feel has been covered in this session?

MIKE SWEETLAND: We haven't been asked about affordability but we have also very rigorous affordability. One of the questions you did ask is do we have a cap. We absolutely do. Our cap is that we will not allow a customer to pay more than 20 per cent of their gross income to us. The way it works is that we do a credit check, so we take the details and do a credit check, and then we take the details of the customers' income. That is fed into our laptop, it is a wi-fi situation in the store. There is an algorithm that produces what we call the maximum allowable weekly payment. We have reduced that down to an acronym called MAWP.

As soon as the information is put in, it is locked into the computer. So if somebody has come in for a 55 inch all singing and dancing TV and their MAWP, maximum allowable weekly payment, comes out lower than that, the sales person is not allowed to make that sale, they can't make that sale. They will now have to down sell to something the customer can afford.

There are lots of advantages to doing it that way. The first advantage is that if you do a straightforward income and expenditure assessment, what we find is many of our customers simply do not know what their expenditure is. We do look at bank statements but frequently what you find is that everything is just a series of cash outgoings and that doesn't really tell you anything. Our affordability is based on something that we know that they can afford, we don't go above.

The other reason for doing it is the obvious one. We can incentivise our staff, because our staff cannot go above the maximum allowable weekly payment for that individual customer.

So we have a good affordability assessment that works extremely well for us as a business, and it works for the customer because we cannot overload them. We don't allow our staff the ability to do that.

ALARIC SMITH: We have validated that against the ONS detailed household expenditure by gross income (report. What that suggested was that, on average, if you take out the sort of obligatory spend that customers might have, such as housing, food, clothing, repayment of other debts, the amount that our customers are spending, their discretionary income, is something around 16 per cent to us.

MIKE SWEETLAND: 16.

YVONNE FOVARGUE: Just two quick last questions. At what stage do you refer to free debt advice, or do you refer to free debt advice?

MIKE SWEETLAND: Yes, we do.

YVONNE FOVARGUE: And what proportion of your goods are refurbished that you sell?

ALARIC SMITH: About 20 per cent of our goods that we sell are refurbished.

MIKE SWEETLAND: Yes. If a customer goes into arrears, we will attempt to contact them by telephone. If we can't we will write to them. With every letter we send out, we send a debt advice leaflet signposting them to free advice.

YVONNE FOVARGUE: Thank you very much. Thank you very much for coming.

We will move on to Buy As You View. Again, if you would like five minutes to --

Interview with panel 5 (Representatives from Buy As You View)

GRAHAM CLARK: We haven't really prepared a full statement. We have just been listening to today, so we just thought we would touch on some of the comments.

My name is Graham Clark, I am the chief executive of Buy As You View. I have held that position since 2008. This is John Smith, he is the marketing director.

Although we serve a pretty identical consumer base to a lot of the businesses out there, we don't just look at BrightHouse and PerfectHome. We tend to look more towards the mail order industry, so the likes of Littlewoods. Also, there area lot of rental businesses out there as well as the rent to own, as has been talked about.

We do believe we are very different, I think that is the first thing to say. At the outset, I know Thrive were on early, they talked about the charter, the work that we did between 2010 and 2012. We have kept to that charter, every aspect of that charter. In fact, we have built on that charter from the work that we did back then. We have the lowest total cost payable of any home collecting credit business in the UK today, we are completely transparent, the customer, for us, will never pay more than they originally contracted, regardless of any difficulties that they get into or any forbearance that we need to show. In fact, in many cases our customers will pay less, because the customers now that pay, as we have introduced new technology, with direct debit and with pay point will receive a discount that is not advertised in the headline rate, so it would be lower than we advertise. We do not charge late fees, so there are no late fees or default fees for any customer who pays by cash or by pay point, home collected credit. We apply a small charge for direct debit, £3.45 for a missed direct debit, we will only allow for two missed direct debits, but that is the only charge and that is really to recoup the charge that we have levied on us by the banks.

We don't bundle insurance or warranty. We adopt a very similar, in some cases identical, approach to mainstream retail and the mail order. So, for instance, our warranty product is modelled on Dixons Store Group, it is priced in line with Dixons Store Group, although it has many features more than Dixons Store Group. It is completely optional, our staff are not incentivised, they are not rewarded in any way for selling that; it is a choice that is presented to the customer.

We cap all of our advances, not to the gross income but to the net income of the customer. What that means is we will take a thorough income and expenditure of all of the income and all of the outgoing of every customer. Of what is left we will then only advance up to 20p in the pound.

We allow 30 days cooling off. As with BrightHouse and PerfectHome, we do allow customers to end their contract but we allow 30 days as opposed to 14 days at the start of the contract for the customer to change their mind, where we will refund everything that they have paid at that point. As I have said, we have the same principles as BrightHouse and PerfectHome in terms of the ability of the customers to end their contract with no penalty.

I think, finally, we would say that we would never pursue a loan after any bereavement, which we think is a USP for our business model, and we only sell products, unlike the mail order, that have a life beyond the loan. So we certainly don't sell clothing or make cash loans.

I am trying to pick out the key points that I have heard today.

From a personal point of view, I grew up in the consumer base in Liverpool. My family are from it, I have worked in it all my life, I am extremely proud of what we have done here at Buy As You View, and particularly proud of the transformation that we have gone through since 2008, off the back of data, off the back of technology. The transformation that the business has gone through by deploying that technology, deploying that data, I do think is for the betterment of our customers.

I am quite happy to take any questions that may relate to that.

YVONNE FOVARGUE: Thank you.

I am interested, because you do appear to be different. Both the other companies pay a £50 referral fee for new custom and yet you claim a £75 arrangement fee. Why would somebody go to you and not to one of the other companies if they have got to pay £75 up front?

GRAHAM CLARK: That £75 is in the APR, so it is not hidden, it is upfront, it is in the APR calculation. Our affordability checks are quite thorough, so we do both online and offline checks. We have a credit score card, which are quite typical, we then do some phone screening and then, unlike most businesses, we will send an independent assessor out to the consumer's house to validate that information that we have been provided online and offline. So it is a very expensive way.

We also only accept one in five customers that apply as a result of that, as a result of the affordability checks. So, clearly, we have to visit everyone to make that decision and it is very costly. But, as I say, we put it in the price, we put it in the APR, it is upfront. But it is a cost to serve at the current moment.

YVONNE FOVARGUE: So quite different from the companies where they accepted four out of five. That completely turns it on its head.

GRAHAM CLARK: I would also say our typical advance, certainly from the information that I have got across -- and it is not just the businesses here today - across the whole range, we are typically about 50 per cent of the weekly price of any other business out there in terms of theweekly commitment to us. So our typical customer pays only £8 a week.

JONATHAN EDWARDS: You are predominantly a company based in Wales and the North East?

GRAHAM CLARK: The business was founded in 1974 by Bernard Jones in the Rhondda Valley. That is its origin. After that, in 2004, it was acquired in a management buy out by 3i. It was mismanaged very badly. It was owned by the banks then, three of the big four banks. So it has been through quite of bit of a mixed history.

Certainly since 2008, and with our new ownership at the moment from 2012, there has been more in terms of expansion outside. We currently operate in six geographical locations outside South Wales.

JONATHAN EDWARDS: What is determining those geographical locations? Has it just been a natural expansion or have you been zeroing in on specific --

GRAHAM CLARK: No, no, I think there is a natural bias towards north England, because I think income and poverty is clearly more prevalent in that part of the country. Our model is clearly designed to service customers that are low income. So the expansion went to the North East first, it then followed to Yorkshire, the North West and then back down into the Midlands and then finally into Scotland.

PAUL BLOMFIELD: Can I just ask about your cooling off arrangements? You, I think, touched on them. If people enter into an agreement and then want to pull back, what are your terms?

GRAHAM CLARK: I think it is pretty much the same as is going through the Consumer Rights Bill at the moment. 30 days, I think, is the proposed cooling off period. We have been doing that since 2008. So, initially, when the customer enters into the contract, they have 30 days to change their mind at any point and they will get a full refund.

PAUL BLOMFIELD: Including the arrangement fee?

GRAHAM CLARK: Absolutely. Yes.

YVONNE FOVARGUE: Can I just ask about -- I am less familiar, perhaps, with your model Is it right that quite a high number, probably up to 50 per cent, of your customers still pay by a smart meter attached to the TV How does that work? Does the TV stop working if the customer stops paying? Does it collect arrears first and then -- what happens with that?

GRAHAM CLARK: The business history has very much followed the utility meter history. The best way I can describe it is on the same principle, that there is a pre payment made to that meter. Originally, that was attached to the television and it would only take cash.

So what we did was, in 2008, we decided to follow a similar route that the utility companies had gone through, which was to deploy smart meters. So we invested about £6 million of capital and upgraded all of our customers to smart meters. This is a stand alone box, a plastic box, it does allow for cash payments but it also allows us to take pay point payments just like the utility meters, or direct debit. Obviously, we are planning to launch different payment methods over the course of the next two years. So it really was to bring the meter, as was, up to the same equivalent at the utility payment meters.

YVONNE FOVARGUE: So how do you handle the repayment of arrears then? If somebody gets into arrears, as I say, are they allowed to get into arrears and still watch the TV?

GRAHAM CLARK: Yes, absolutely. I mean, we deal with a very -- I don't like the word "vulnerable", I have to say. Because my dealing -- 80 per cent of my customers are female, they are quite often, in my view, very astute with the money they have, because they have to be, they are on a limited income. What they are is less well insulated for financial shocks. I quite often see, I had an example last week, where a mother had lost her part time cleaning job, it is only a small amount of money a week, £40 a week, but £40 a week is a lot of money to this consumer group. So they are not very well insulated.

So we look at intent as opposed to the black and white of perfect payment, non-perfect payment. Because customers quite often -- especially if it is a three year agreement -- will quite often find some difficulty or some hurdle. The last thing that we want to do is add to that problem. That is one of the reasons we don't charge any fees at all.

We allow part payments, it is the beauty of the meter. It allows for a whole raft of flexible options that allows the customer to recover. In fact, unlike the utilities which is very binary, on or off -- you either have gas or electricity or you don't -- we will obviously allow the customer to continue viewing. We don't use it as a tool to switch off customers and gather late payments, we use it as a tool, really-- it came off the back of people not having bank accounts, so it was a route for people to deposit money in that was safe. Very much like my mother and father with the jars and the tins. So very much off the back of that is how that device is used. It is obviously now online so we can communicate with that customer and the customer can communicate with us electronically.

PAUL BLOMFIELD: In terms of affordability, I mean I was quite surprised by the figure you gave earlier that you declined four out of five potential customers. If you have got this more robust approach, how many -- what percentage of those you accept end of defaulting?

GRAHAM CLARK: Our default rate for new business is 6 per cent and for secondary sales they are just under 2 per cent. I think we provided some data on our default rates in the submission.

In terms of those that end the contract, in terms of terminations, that is 12 per cent, where customers will return or we will terminate that account with the customer's agreement.

PAUL BLOMFIELD: What percentage end up owning the item?

GRAHAM CLARK: 65 per cent.

PAUL BLOMFIELD: Only 65 per cent?

GRAHAM CLARK: Well, I think it was said by PerfectHome, the hire purchase is a hybrid between straight retail, consumer retail finance and rental. So 65 per cent get to ownership. Of the remainder 35, we have 5 per cent that cancel within the 30 day cooling off period, which we don't think is unreasonable at all, so that takes us down to 30. Of the remaining 30, 15 per cent ultimately either choose to give back or we do agree that we initiate that return, so we do do repossessions within the third rule. The remaining half are goods that are either written off through defaulters or they are written off because we process what we call an exemption, so that would be an early right off.

I will give you an example. A customer has been with us for a long time, they lose their job, they have a bed, we are not going to take a bed back off one of these customers. We will write that off. It is a commercial decision, it doesn't fall within the boundary of the contract but we think that it is the appropriate approach to take with a situation like that. So we try and look at consumers on a case by case basis. Obviously we have to work within the law and we have to have some policies and procedures and structure, but we do try to make exceptions where there are exceptional circumstances.

YVONNE FOVARGUE: Would you say you followed the bailiff's guide on repossessions and you don't repossess essential items?

GRAHAM CLARK: No, we don't.

YVONNE FOVARGUE: So you would more or less follow the bailiff's guide on that?

GRAHAM CLARK: Yes. To be perfectly honest, there is a pragmatic side to this. If we repossessed a bed, we would end up throwing it away. You know, I am not trying to make out we are holier than thou, I am just saying the practical reality is why would I deprive somebody of something like that when, actually, I have no use and they are genuinely in a situation? There is a huge difference between somebody who genuinely finds themselves in a situation where circumstances have overwhelmed them as opposed to, there are 7 per cent who set out to defraud us. As with all walks of life, there are some bad people out there and, you know, the numbers, 12 million, 15 million, whatever number you want to take, within that large proportion of consumers there are some bad people. But I think for the genuine situation, we try and find a more logical solution.

PAUL BLOMFIELD: You might take a different view on a smart TV which has a retained value for you?

GRAHAM CLARK: What I am saying there is that, if the customer -- how essential is that smart TV, is that what the customer wants to happen and is it aligned with the required legislation ? It is not just simply taking a commercial view. I am saying there is a whole raft of legislation that we are required to meet.

I am talking about where we want to go beyond the legislation and do things that the legislation sometimes doesn't actually allow you to cater for. For instance, I have a very perverse situation where we allow customers to end their contract before -- as the business is cited here today -- before they reach the 50 per cent mark under the hire purchase agreement. We don't enforce that and we have never enforced that and never will enforce that. I was asked by the FCA why that is not in our terms and conditions. I say, how do I write in my terms and conditions that I won't enforce the 50 per cent rule and, where the goods are essential, such as a bed, I won't charge any more for that and leave the goods with you?

It is a difficult one, I have to say. Because I am trying to walk a path between doing the right thing by the individual but also meeting and exceeding the legislation requirements. That is a very difficult area to work with. I do believe the original legislation around the Consumer Credit Act was trying to strike that balance between, in our case, 65 per cent of people getting to ownership and dealing with the 35 per cent that, for all the different reasons, may not be able to keep up with the payments.

YVONNE FOVARGUE: Price comparison is a big issue, isn't it. There is almost a relentless pressure for people to get the weekly payment amount rather than the total cost. Do you think there would be a better way of comparing headline prices?

GRAHAM CLARK: It is a difficult one and I don't think it is just the domain of this particular sector. I think across the whole spectrum of retail there is -- it is difficult to get to true cost. But I do believe it is possible.

We tend to benchmark ourselves against Littlewoods. Why them? Because of 5 million consumers, you know, big business. If we can punch our weight against -- as a small business -- against such a large corporation, then we think we are doing something right. So quite often what we are looking at is how do we compare to Littlewoods

In many cases, not all cases, but in many cases we offer products and the total amount payable is cheaper. So I would certainly, as we said in our submission, actively support a way for prices to be compared on a more transparent basis. But I do think there has to be total cost. I think APRs are not the best tool to use. I think total amount payable, I think that has got to include all of the other products that are out there, be it warranty that we sell, be it insurance products, be that default fees or charges. I think there has to be, logic dictates that there must be a way to present pricing, and not just in this sector, on a more comparable basis, whether that is through price comparison sites or the sort.

PAUL BLOMFIELD: In your written submission you said that you don't think bundling is, in all circumstances, in the best interests of customers, therefore you don't bundle insurance. Within a regulatory framework, do you think that would be a reasonable thing for the FCA to do, to say bundling was not acceptable?

GRAHAM CLARK: I don't necessarily -- I suppose I would say I hadn't thought of it from a regulatory point of view. From the customer's point of view, I would just say this: where is the choice? I mean, I know the fact that a lot of our customers don't have household insurance but, at the end of the day, they should be provided with the choice. If they take that choice with me that is an informed choice and I have no shame in providing that service and providing that product. But I do think it should be left to the individual to make that choice on an informed basis.

YVONNE FOVARGUE: Can we go to data sharing as well. We have talked about the problems, there are many, many customers in this sector who pay regularly --

GRAHAM CLARK: Absolutely.

YVONNE FOVARGUE: -- yet the data sharing has been really slow. How do you think that would advantage customers?

GRAHAM CLARK: I have to say I share the same views as Damon. In as much as I am sceptical of the way it had been approached in 2005 after the Competition Commission review for home collected credit, there was this desire to share data. The way the data is shared, I don't believe is the most user friendly.. I don't think the format and the way data is used currently would provide the best outcomes for consumers.

We have, as Damon I am sure will agree, tried to push that a little further and we continue to do that. I would certainly like us to look at how the data could be better shared to provide better outcomes.

In the absence of that, what we introduced as part of the discussion with Kath from

Thrive -- I remember Kath said to me, "don't you think it is unfair that a good customer should pay the same as an existing customer?" Well, you can't disagree with that. Absolutely. The problem was how do you distinguish and how do you do that with the data? We came to the conclusion that, at this point, you can't.

What we then did, and it is a very crude mechanism, but we simply applied discount dependent on how the customer was paying and who the customer is. So, if I can put it in simple language, a new customer paying cash at home will pay the most, an existing customer paying by direct debit will pay the least, because it is the cheapest for us to collect by direct debit and obviously they are an existing customer.

It is not very scientific, it is not very sophisticated, but that is the kind of framework we introduced off the back of the work with Thrive. I would dearly love for us to take that forward further but I do think that is going to need people sitting down with the CRAs and the businesses -- not just the three here today but all the businesses in the sector -- and work out how that data can be shared better to allow better outcomes.

JONATHAN EDWARDS: Can you give us an indication of the difference in charges between the new customer with cash and the existing customer on direct debit?

GRAHAM CLARK: So the credit charge will be 4 per cent lower than a new customer. As I say, it is a simple matrix. It is not very sophisticated but it does try and at least go to the point that Kath was making in terms of fairness.

YVONNE FOVARGUE: If there are no other questions on this one, is there anything you would like to say that you don't feel we have covered?

GRAHAM CLARK: I worry that -- Mike Sweetland from PerfectHome talked about the rental industry so I won't repeat all of that, but this model was an attempt to get people who used to rent -- and still do, there are a lot of people that still rent, I think there has been an explosion in the housing market, in the car finance market, in the mobile phone market where people are almost accepting that rental is a suitable finance product. I don't believe that is true. Provided that the product lasts beyond the loan, I think that there is reason for finance to be there.

I worry that the regulation may miss that point. That is not to say that there shouldn't be transparency, that we can't find better ways for price comparison for consumers, but I do worry that, in an attempt to try and protect consumers, the perverse thing happens that we end up drifting back to a model that, I think, doesn't provide consumers with favourable outcomes.

YVONNE FOVARGUE: Thank you very much.

If there is nothing else, thank you very much for coming. Thanks to all who have been on the panel giving their views.

We aim to get our report out by, probably, around the second week in January, so it will still be pretty relevant by then. If anyone has got any questions about the APPG please get in touch with myself or John in my office.

Thank you very much indeed to everyone who has been here today.

(4.52 pm)

(The meeting concluded)