

# SWOBODA RESEARCH CENTRE

## **Managing Loan Declines** A Best Practice Manual

**Professor Sally Dibb and Dr Lindsey Appleyard**  
Centre for Business in Society, Coventry University  
**Nick Money** Swoboda Research Centre  
**Dr Paul A. Jones** Liverpool John Moores University

**Coventry**  
University   
**Research Centre**  
Business in Society

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# 1.0 Why the Manual is needed

Access to credit is crucial to financial inclusion, yet those who have been declined for credit have limited options. As energy, food and national costs rise, the Office for Budget Responsibility expects living standards to fall faster than at any time since the mid-1950s. With 4 million people already using credit for essentials and one in five expected to experience problem debt in the next 12 months<sup>1</sup>, the outlook for those who are unable to access credit looks bleak.

Although the point of decline is recognised as a moment of vulnerability for credit applicants, little is known about their experiences of being declined or how to improve it. Recent research<sup>2</sup> involving declined applicants suggests that more could be done to improve how lenders deal with this vulnerable group. Only one fifth of those declined said the lender had explained how they could improve their financial situation, just 11% were referred to another provider who might be able to offer credit, with a mere 7% signposted to debt advice.

This Best Practice Manual provides guidance for credit unions and community development financial institutions (CDFIs) that are dealing with applicants declined for credit. There is the danger that when declined, they will turn to high-cost credit providers or illegal sources, with all the problems that may incur. With an expected increase in the numbers being declined as the cost of living rises, the Manual provides practical suggestions about how to manage the declines process.

The Swoboda Research Centre and the Centre for Business in Society (CBiS) at Coventry University set out to help providers

improve applicants' experience of being declined and to convert loan declines into approvals over time. By working with applicants and helping them to improve their financial capability, providers could achieve this without lowering lending criteria.

The project team undertook research and worked with credit unions and CDFIs to investigate ways to better support and improve the financial wellbeing of these vulnerable applicants. Further details of the research, the methods used, and some results can be found in Appendices I and II.

The best practice provided in this Manual draws on the experiences of people who have been declined and of those committed to serve them. It includes tools and tips for handling declines for CDFIs and credit unions and is in two parts:

- **Part I The Applicant Journey to Being Declined** uses evidence from the project to explain how applicants experience the process of being declined. The journeys these applicants took are described and insights are provided into how credit unions and CDFIs can manage the declines process effectively.
- **Part II Best Practice Guidance, Tips & Tools** provides a series of Tips & Tools to help credit unions and CDFIs. These Tips & Tools are mapped against the different steps in the credit applicant's journey. They are informed by the experiences of those who have been declined credit, by interviews with community finance experts, and by working alongside credit unions and CDFIs.

<sup>1</sup> <https://www.theguardian.com/commentisfree/2022/mar/21/rishi-sunak-cost-of-living-crisis>

<sup>2</sup> CBiS research on 256 people who had been declined credit showed that 52% said they felt out of control of their situation. Coventry University Declined for Credit Survey 2021, CBiS, Coventry University, reported in: Money & Pensions Service, Helping those who use credit to make ends meet: A Rapid Literature and Evidence Review, May 2022, Sally Dibb, Kevin Broughton, Hussan Aslam, Lindsey Appleyard & Patt Tiwasing. <https://www.fincap.org.uk/en/reviews/helping-those-who-use-credit-to-make-ends-meet>



# The Applicant Journey to Being Declined

## 2.0 Introduction

Having a better understanding of declined applicants' experiences can help to improve the declines process. Knowing more about their journeys to being declined can help lenders to improve these applicants' chances of accessing affordable credit in the future.

A declined applicant's journey starts when they realise that they need to access credit and typically pass through the following stages:

- (1) recognising the need for credit
- (2) searching for information about credit options and lenders
- (3) undertaking the credit application process
- (4) receiving the credit decline decision
- (5) actions taken after being declined.



Even though the credit application journey might end in decline, the actions lenders take can have a positive effect on the applicant's experience and on whether their future credit applications are successful. Below, the different journey stages are described, using the findings from the project to explain how declined applicants experience them. The illustration below gives examples of these journeys, based on discussions with community finance organisations and drawing on their experiences of dealing with declined applicants. By mapping these journey stages onto a series of best practices Tips & Tools, the Manual details the actions lenders can take to improve the declines journey and help applicants successfully apply for credit in the future.

### **Stage 1: Recognising the need for credit**

Applicants who have been credit declined are often under intense financial pressure. A recent survey involving those who had been recently declined credit, showed that over half felt out of control of their situation<sup>3</sup>. These applicants are likely to be constantly juggling their finances and facing an uphill battle to pay their bills and other financial outgoings. Some of them believe they have run out of options or feel let down by the financial system. They are likely to experience a range of emotions, such as feeling angry, upset, worried or frustrated.

The same survey found that over 30% of those declined, worried that they had let other people down<sup>4</sup>. Despite being preoccupied with immediate financial pressures, these applicants are often desperate to turn things around and want to work towards more realistic financial goals.




### **Stage 2: Searching for information and credit options**

The way that applicants search for information and credit options will differ, with their actions influenced by several factors, including:

- their previous experience of seeking credit
- whether they have an existing relationship with a credit provider
- their understanding of the options available to them
- whether they discuss their financial situation with others and who those others are
- the nature of the problem they are trying to solve by accessing credit
- their preferences for using digital or personal channels to access credit providers.

Understanding how these applicants search for options and decide which to pursue is useful to providers as they work out the best channels to offer. These insights can also inform the information that different types of applicants might need to support them through the credit application journey.

<sup>3/4</sup> CBIS research on 256 people who had been declined credit showed that 52% said they felt out of control of their situation. Coventry University Declined for Credit Survey 2021, CBIS, Coventry University, reported in: Money & Pensions Service, Helping those who use credit to make ends meet: A Rapid Literature and Evidence Review, May 2022, Sally Dibb, Kevin Broughton, Hussan Aslam, Lindsey Appleyard & Patt Tiwasing. <https://www.fincap.org.uk/en/reviews/helping-those-who-use-credit-to-make-ends-meet>

	Applicant Profile 1	Applicant Profile 2	Applicant Profile 3
			
<b>Declined Applicant Journey</b>	Kit, a single mum with two children is in receipt of Child Benefit. She has a history of seeking credit to pay for mobile phones and water bills. Her bank account does not have an overdraft facility.	Jaz is a single male age 30+, with a full-time wage. His credit file is poor due to his previous history of missing payments on loans taken out for holidays or repairs, typically of around £1,000+.	Marie is single, mid 40s and works irregular hours in a local supermarket. She has borrowed regularly from the credit union over several years, always below £750.
<b>Need for credit</b>	After overspending at Christmas, Kit's washing machine has broken. She needs £400 to get back on track. She wants a small loan with no credit check.	Jaz has been working overtime to meet his bills, but his employer has cut back on these hours at a time when he's facing an unexpected bill. His bad credit history means his options are limited.	Marie's hours have been cut at work and she is looking to supplement her income by taking out a larger loan with the credit union.
<b>Search for options</b>	She isn't ashamed to discuss her financial problems with friends. One suggests she go to a credit union to 'get a child benefit loan' <sup>5</sup> , saying, 'everyone can get one'. Kit thinks this sounds better than using a high-cost lender.	As he's internet savvy, Jaz uses Google to look at his options. He fears being rejected, so wants to avoid dealing with a lender face-to-face. He knows how financial services can affect his credit file, so he looks at several types of lenders.	She trusts the credit union to treat her fairly and enjoys visiting her local branch but has recently taken two larger loans with other lenders.
<b>Credit application process</b>	Kit applies online, with the credit check showing her credit score is low. Open banking is requested and completed.	His internet search finds information about credit unions and CDFIs, and he's pleased to see he can apply online, although he realises his personal situation will limit his chances.	Marie logs into her credit union account and goes through the process to apply.
<b>Decline decision</b>	The application is declined because a high volume of gambling is shown on open banking and because the affordability of the loan and her ability to repay are in question.	Jaz's application is declined because of his poor credit history.	The application is declined because the fall in Marie's income and the additional expense of the two new loans have greatly reduced her ability to repay a larger loan.
<b>After decline decision</b>	After being declined, Kit takes on board the feedback and concerns. She decides to close her gambling accounts to help her stop gambling. She is advised to join with a savings deposit (or regular commitment) and reapply in three months for a loan if it is still needed.	Jaz is told he must save with them for three months to be considered, but he isn't prepared to. He tells himself he'll start saving once the overtime kicks in again. In the meantime, he uses some buy now pay later finance to buy some things he needs and delays payment of another bill.	The credit union tells Marie that they can't approve a bigger loan with her current income/expenditure levels. Marie continues to repay her existing loan and intends to apply again when her situation improves.

<sup>5</sup> A child benefit loan is conditional on agreeing to make repayments through child benefit being paid directly into the credit union. Any surplus over and above the loan repayment amount is either transferred to a savings account or repaid to the member.

For example, providers that include information on their websites about what the application process will involve and the documents that will be needed can help applicants be better prepared. Some of these will be new applicants, who might be interested in a longer-term relationship with the provider that extends beyond requiring credit.

### **Stage 3: Credit application process**

Some applicants have a poor understanding of the credit application process, of the information they must provide, or of how their credit history could affect their chances of success. Providing clear and accessible details about what will be required is important.

### **Stage 4: Credit decline decision**

Many declined credit applicants report very negative experiences of being declined, often leaving them mistrustful of financial providers<sup>6</sup>. For example, a survey of declined applicants that looked across financial services as a whole, found that over half said the provider treated them unsympathetically, while a similar number said that the reasons for decline were not explained<sup>7</sup>.

Sometimes declined applicants do not know what to do next and are unsure of where to turn. In the same survey of declined applicants, only 18% said the provider explained how they could improve their financial situation to reapply in the future, while a mere 7% said they had been signposted to a debt advice agency by the lender<sup>8</sup>. As a result, those who have been declined may have limited understanding of how to improve their future chances of being accepted for credit.

Although the declined applicants involved in this specific survey were often referring to their dealings with mainstream or high-cost lenders, these findings offer useful insights into the difficulties these individuals face and what action providers can take to improve their situation<sup>9</sup>.

### **Stage 5: After being declined**

After being declined, an applicant's priority is often to quickly find a different provider, sometimes with insufficient consideration of the cost or consequences. Applicants are at risk of making bad financial decisions at this point. A survey found that over 12% of people went into arrears with bills after being declined, 4% sought high-cost credit from a payday lender, while 30% resorted to borrowing money from family or friends<sup>10</sup>.

At this moment of vulnerability, there is an opportunity for providers to offer applicants guidance on how to improve their financial situation. But often this opportunity can be missed, either because the provider fails to intervene or because the applicant is not receptive. This missed opportunity can mean that those declined fail to take the positive action needed to improve their chances of being accepted in the future.

Some of the reasons declined applicants might refuse help include being afraid of being judged, fear of being rejected, not being honest with themselves about their situation, or not knowing which sources of help to trust. Understanding these reasons can improve the chances of declined applicants accepting help.

<sup>6</sup> StepChange Debt Charity (2022) *Falling Behind to Keep Up: the credit safety net and problem debt*, Leeds: StepChange  
[Falling behind to keep up: the credit safety net and problem debt \(stepchange.org\)](https://www.stepchange.org/falling-behind-to-keep-up-the-credit-safety-net-and-problem-debt/)

<sup>7/8/9/10</sup> CBiS research on 256 people who had been declined credit showed that 52% said they felt out of control of their situation. Coventry University Declined for Credit Survey 2021, CBiS, Coventry University, reported in: Money & Pensions Service, *Helping those who use credit to make ends meet: A Rapid Literature and Evidence Review*, May 2022, Sally Dibb, Kevin Broughton, Hussan Aslam, Lindsey Appleyard & Patt Tiwasing. <https://www.fincap.org.uk/en/reviews/helping-those-who-use-credit-to-make-ends-meet>


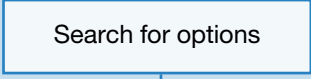
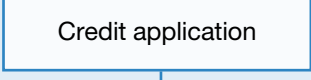
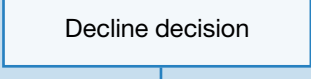
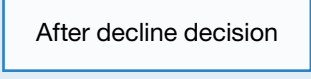




## Best Practice Guidance, Tips & Tools

### 3.0 Learning from good practice in managing declines

Understanding the experiences of declined applicants provides useful clues about best practice for handling declines, in terms of effective processes to follow, the style and tone of communication, and the feedback and further guidance that are offered. The Tips & Tools below also draw on existing examples of good practice in organisations operating in the community finance sector. In the diagram provided, these Tips & Tools are mapped against the different stages of the declined customer journey, to help you decide when they could be applied.

Declined Customer Journey	Tips & Tools
	T&T1: Preferences for different channels T&T4: Sources of help and financial education resources T&T5: Improving future access to credit
	T&T1: Preferences for different channels T&T4: Sources of help and financial education resources T&T5: Improving future access to credit
	T&T1: Preferences for different channels
	T&T1: Preferences for different channels T&T2: Communicating empathetically T&T3: Emails, letters, and other communications T&T4: Sources of help and financial education resources T&T5: Improving future access to credit T&T6: Offering a lower loan amount T&T7: Incentivising ongoing engagement
	T&T1: Preferences for different channels T&T2: Communicating empathetically T&T4: Sources of help and financial education resources T&T5: Improving future access to credit T&T7: Incentivising ongoing engagement

### T&T1: Preferences for different channels

Our findings show that applicants have different preferences for personal (face-to-face, talking on the phone or interactive messaging with a human being) versus digital channels, so asking them what is best for them is important. A recent UK-wide survey<sup>11</sup> that asked the public about their channel preferences when applying for credit, found that:

- 31% of people preferred fully automated channels,
- 26% wanted channels that involved personal interaction, rather than automation,
- 24% wanted a mix of both,
- 19% had no preference.

Understanding these preferences is essential to ensure the best mix of personal versus digital provision within each organisation and to allow individual needs to be met. The same recent survey offered insights into applicants' preferences that might help you work out the best mix of digital and non-digital channels to offer:

- Applicants increasingly want to move between digital and non-digital channels, e.g., between speaking to someone on the telephone/face-to-face and online.
- Applicants who are solely responsible for managing their household finances are more likely to prefer a process that is more personal than digital, such as telephone or face-to-face.

<sup>11</sup> Research on the financial behaviours of 3,300 UK people, Coventry University (forthcoming) *Financial Conversations Survey 2020*, Coventry: Centre for Business in Society Coventry University.

- Applicants who are worried about their finances or who are finding it difficult to solve their financial problems, are also more likely to want a process that is more personal. For example, they may prefer to speak directly to staff on the phone or in-branch.
- For a range of different reasons, some applicants prefer using a digital channel. These include those who are self-employed and therefore are short of time or need to contact you outside opening hours, those with high financial literacy who feel confident to apply without personal guidance, and those who are in a hurry because they need credit quickly.

To help work out the best channels to use for applications, try some of the following tips:

- Consider asking applicants directly about their preferences for digital or non-digital channels, to ensure you are geared up to meet their needs. You could do this by including a check-box question on your website, chatbot or as part of the online application process. Staff dealing personally with applicants could also ask this question.
- Remember that some will want to use both, so make sure they are able to switch between digital and non-digital at different points of the process.

### **T&T2: Communicating empathetically**

Empathetic communication with applicants is important to make them feel valued. The tone of feedback, the type of wording used and the quality of the conversation that takes place between providers and declined applicants are important. Recent research found that the way people were spoken to changed how valued they felt. Half of the declined applicants surveyed complained that the lender was not sympathetic to them<sup>12</sup>.

Evidence from interviews with financial experts (see Appendix II) also suggests that those who have been declined sometimes feel talked down to or patronised.

Try some of the following tips in any of your communications with applicants:

- Use wording that does not judge when giving feedback or declining applicants, as they say this is valued by them.
- Tailor the language you use to fit the applicant's situation and specific needs, as this makes the information more relatable. For example, using empathetic wording is helpful at a time when their financial situation may be making them feel vulnerable.
- Avoid using words such as 'declined' and 'rejected', as these can feel like the door has been closed and may make it less likely that applicants will try to improve their situation to make a future application.
- Instead, use positive or neutral language; for example, by indicating there is the opportunity for them to apply in the future, such as 'we are unable to assist you on this occasion but will consider you in the future', or 'We are not yet able to offer a loan until you have [taken some specified action, e.g. saved regularly with us for 3 months]', or 'we cannot lend to you on this occasion but please consider us in the future'. Where possible, it is helpful to suggest ways they can improve their chances of a successful future application.

<sup>12</sup> CBiS research on 256 people who had been declined credit showed that 52% said they felt out of control of their situation. Coventry University Declined for Credit Survey 2021, CBiS, Coventry University, reported in: Money & Pensions Service, Helping those who use credit to make ends meet: A Rapid Literature and Evidence Review, May 2022, Sally Dibb, Kevin Broughton, Hussan Aslam, Lindsey Appleyard & Patt Tiwasing. <https://www.fincap.org.uk/en/reviews/helping-those-who-use-credit-to-make-ends-meet>





### **T&T3: Emails, letters, and other communications**

Findings from recent research show that applicants are often frustrated because they receive a standard letter or email that does not fully explain the reasons why they have been declined<sup>13</sup>. This can make it difficult for them to take action to improve their chances of being accepted in the future. Try the following tips & tools and refer to the templates for emails and letters provided in Appendix III:

- Make sure that emails, letters, and other communications with applicants explain the reasons for decline.
- You can use the templates provided in Appendix III, or you can adapt them for use in your existing communications. These have been written to cover a range of reasons for declining applicants.
- Provide clear, easy to understand and constructive feedback that is tailored to the situation of the applicant.
- Some providers find it helpful to call declined applicants with feedback because it can be easier to explain why they have been declined. Such contact can also provide the opportunity to build a trusting relationship, which makes it more likely that applicants will take action to improve their chances of being accepted in the future.

### **T&T4: Sources of help and financial education resources**

Recent research findings show that although the situation does vary across different types of lenders, levels of signposting to debt advice agencies are often low<sup>14</sup>. Interviews conducted with financial experts suggest that applicants can benefit from advice on how to improve their financial situation, especially at this vulnerable moment of being declined. Financial education resources, budgeting

tools and benefit calculators can also help applicants improve their financial situation and their future chances of accessing affordable credit. Lenders have an important role to play, by signposting applicants to these sources of help. Consider the following tips:

- Understand that applicants can be vulnerable and recognise the reasons for that vulnerability can help when dealing with them. Try referring to the debt management vulnerability toolkit developed by The Cabinet Office<sup>15</sup>. This provides guidance on how vulnerable individuals can be identified and supported through conversations and signposting.
- Consider using the Vulnerability Registration Service, which works with organisations that have dealings with vulnerable individuals, so you can identify vulnerable applicants <https://www.vulnerabilityregistrationservice.co.uk>
- Remember that applicants often do not trust financial institutions and can be suspicious of some sources of support. Reassuring them that these services are independent and free to access is important. Try giving this feedback to applicants as soon as it becomes clear that they are unlikely to be accepted for credit.

<sup>13/14</sup> CBiS research on 256 people who had been declined credit showed that 52% said they felt out of control of their situation. Coventry University Declined for Credit Survey 2021, CBiS, Coventry University, reported in: Money & Pensions Service, Helping those who use credit to make ends meet: A Rapid Literature and Evidence Review, May 2022, Sally Dibb, Kevin Broughton, Hussan Aslam, Lindsey Appleyard & Patt Tiwasing. <https://www.fincap.org.uk/en/reviews/helping-those-who-use-credit-to-make-ends-meet>

<sup>15</sup> Debt Management Vulnerability Toolkit. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1051405/gdmf-vulnerability-toolkit.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1051405/gdmf-vulnerability-toolkit.pdf)

## T&T4 box: Sources of help or guidance

Type of support	How they can help	Organisation	Links
Income	Help to maximise your income, check your benefits, and access grants.	Turn2Us PolicyinPractice IncomeMax Entitledto Inbest Lightning Reach for Grants	<a href="https://benefits-calculator.turn2us.org.uk">https://benefits-calculator.turn2us.org.uk</a> <a href="https://advicefinder.turn2us.org.uk">https://advicefinder.turn2us.org.uk</a> <a href="https://policyinpractice.co.uk/software">https://policyinpractice.co.uk/software</a> <a href="https://incomemax.org.uk">https://incomemax.org.uk</a> <a href="https://www.entitledto.co.uk">https://www.entitledto.co.uk</a> <a href="https://inbest.ai">https://inbest.ai</a> <a href="https://www.lightningreach.org">https://www.lightningreach.org</a>
Electoral Roll	Registering to vote to improve the likelihood of getting credit.	UK Government	<a href="https://www.gov.uk/register-to-vote">https://www.gov.uk/register-to-vote</a> To find your local office for contact details visit: <a href="https://www.gov.uk/contact-electoral-registration-office">https://www.gov.uk/contact-electoral-registration-office</a>
Credit score	Check your personal and credit information is accurate through free to use credit scoring.	Credit Scoring Companies: Experian Equifax TransUnion Credit Karma Clear Score	<a href="https://www.experian.co.uk/consumer/experian-credit-score.html">https://www.experian.co.uk/consumer/experian-credit-score.html</a> <a href="https://www.equifax.co.uk/Products/credit/credit-score.html">https://www.equifax.co.uk/Products/credit/credit-score.html</a> <a href="https://www.transunion.co.uk/consumer/consumer-credit">https://www.transunion.co.uk/consumer/consumer-credit</a> <a href="https://www.creditkarma.co.uk">https://www.creditkarma.co.uk</a> <a href="https://www.clearscore.com">https://www.clearscore.com</a>
Access to credit	Tips on how to get accepted for credit in the future.	Experian	<a href="https://www.experian.co.uk/consumer/guides/refused-credit.html">https://www.experian.co.uk/consumer/guides/refused-credit.html</a>
Money and debt advice	Access to independent, impartial money and debt advice, and help to build your financial confidence.	StepChange National Debtline Citizens Advice MoneyHelper	<a href="https://www.stepchange.org">https://www.stepchange.org</a> 0800 138 1111 <a href="https://www.stepchange.org/debt-info/your-financial-situation.aspx">https://www.stepchange.org/debt-info/your-financial-situation.aspx</a> <a href="https://nationaldebtline.org">https://nationaldebtline.org</a> Freephone 0808 808 4000 <a href="https://www.citizensadvice.org.uk">https://www.citizensadvice.org.uk</a> <a href="https://www.moneyhelper.org.uk/en">https://www.moneyhelper.org.uk/en</a>
Budgeting apps	Budgeting tools, tips on how to budget, manage your money and set financial goals.	MoneySkills Emma Plum Money Dashboard	<a href="https://www.moneyskillsapp.com">https://www.moneyskillsapp.com</a> <a href="https://emma-app.com">https://emma-app.com</a> <a href="https://withplum.com">https://withplum.com</a> <a href="https://www.moneydashboard.com">https://www.moneydashboard.com</a>
Debt advice and consumer rights	Budgeting tool and options on how to deal with debt.	National Debtline	<a href="https://tools.nationaldebtline.org/yourbudget">https://tools.nationaldebtline.org/yourbudget</a>
Illegal money lending	Support for victims and how to report a loan shark.	Stop Loan Sharks	<a href="https://www.stoploansharks.co.uk">https://www.stoploansharks.co.uk</a> 0300 555 2222

- To ensure effective signposting, take time to ask about the applicant's specific financial challenges as this helps you connect them with the most appropriate sources of support.
- Income maximisation through a grants and benefits checker can provide applicants with additional income that may enable them to start saving, so that they increase their ability to borrow in the future. The benefits checker could be a tool offered on the website, with some credit providers integrating checkers such as Inbest into their application processes.
- Signpost applicants to easily accessible financial education materials, including in digital format, as suited to their needs and circumstances.
- Applicants can also be guided to budgeting apps, which they can use to help keep control of finances; for example, MoneySkills, Emma or Plum.
- Adding these sources of help to your website enables people to access support at any time.

Please see the T&T4 box for links to sources of help or guidance for declined applicants and links to financial education resources and budgeting tools. These have been grouped to reflect different needs. However, there may also be other relevant support services that lenders could refer people to. For example, insurance, savings, food, and fuel poverty guidance, local community, and voluntary support. There may also be local or other sources of help to which declined applicants can be signposted.

### **T&T5: Improving future access to credit**

Applicants' future prospects to access affordable credit can be improved by offering information and guidance to help them be better prepared when they next apply. The moment of decline is a crucial point in time when lenders can help some of those declined to improve their future chances of being accepted. Consider the following tips:

- As the point of decline is a crucial opportunity for intervention, timely guidance communicated verbally or in writing is needed.
- Explaining to declined applicants how they can improve their finances and the likelihood of being accepted for credit will improve their chances in the future.
- Improving applicants' understanding of the application process will make them more likely to be successful in the future. Useful information includes how much time it takes to process each application, what information is needed and why, and their likelihood of approval. Some organisations include these details on their website under 'Frequently Asked Questions'.
- Introduce a soft-search function on your website to find out whether applicants are likely to be approved and highlight where



there may be gaps or weaknesses in their information that may prevent them from accessing credit.

- Open banking can provide applicants with a useful financial health check pre-application to potentially reduce decline anxiety.

#### **T&T6: Offering a lower loan amount**

Evidence gathered in this research from community finance organisations shows that many choose to offer a lower amount than originally requested, if appropriate for the lender and borrower. Try the following tip:

- Subject to an affordability assessment, consider offering a lower amount than originally requested.

#### **T&T7: Incentivising ongoing engagement**

Other evidence from this research suggests that it can be helpful to offer an incentive to applicants to continue to build their

relationship with lenders, to improve their future loan prospects. Here are some ideas you could try to engage those you have declined for credit.

- Promoting saving to build financial wellbeing and improve their chances of being able to access credit in the longer term.
- Consider ways to incentivise savings, such as through prize-linked savings accounts<sup>16</sup>, which offer regular prize draws to savers.
- Ask their permission to send them information about new products or services, which should include reminders about how they can access loans in the future.
- Provide regular signposting to sources of help or financial education resources.

## 4.0 Concluding Remarks

The research results that have informed this Manual have provided new insights into the experience of those declined for credit. These insights have informed the Tips & Tools to support best practice in how declined applicants are managed. However, this is just the start, and more work is needed to understand how these vulnerable applicants can be proactively supported during and in the run up to applying for a loan.

Providing more effective support for these applicants could improve their understanding of what they need to do to be approved and the likelihood that they will be accepted. For example, applicants need to know what

information they need to provide, how their data will be used, how long the application will take, when a decision will be made and how the outcome will be communicated.

Supporting people and signposting through positive interventions such as income maximisation tools (pre/during/post loan application process) is key to reducing declines. It would also enable community finance lenders to build trust and provide an incentive for potential and existing customers or members to engage with them.

<sup>16</sup> Those saving in this account are included in monthly prize draws. <https://www.prizesaver.co.uk/home>

# Appendix I: Managing Declines Positively

## Research Methodology

### 1. Introduction

The Swoboda Research Centre and the Centre for Business in Society (CBiS) at Coventry University, undertook this research project to identify ways to change the practices of community finance providers to improve how they deal with those declined for credit. This Appendix outlines the research methodology used in the project.

### 2. Programme Theory of Change

The activities undertaken to produce this Best Practice Manual are set out below. The Manual aims to help community finance organisations to manage loan declines positively. The aim is to improve the practices of these providers in managing declines. A longer-term outcome arising from these improvements, is expected to be improved wellbeing for credit applicants, arising from an improved credit score or affordability position, and the ability to borrow safely.

### 3. Project Scope

The project focuses on British credit unions and CDFIs. All credit unions were in scope, regardless of common bond<sup>17</sup>. In scope CDFIs were those engaged in personal lending only. The project team that produced the Manual worked closely with a group of credit unions/CDFIs throughout the project. Although the project involved mainly larger organisations with greater resources; the Manual has been produced for providers of all sizes to utilise, consistent with their appetite and capacity for change.

The areas of activity addressed by the project included communication with credit applicants during and after the application process, the immediate and future advice that is given, information and guidance

offered to applicants, whether delivered by credit unions or partners. It did not include reviewing product features or pricing, or the assessment of credit risk.

Although monitoring and evaluating longer term behavioural change by providers or applicants are not within the project's scope, feedback on the materials provided within the Manual was gathered through a co-creation process involving credit unions and CDFIs.

The project team gathered data from workshops with providers and expert interviews. The Tips & Tools are also informed by a brief evidence review and by the findings of two UK surveys conducted by the CBiS team from Coventry University and implemented by the polling organisation IPSOS Mori. The Manual is designed to help providers deal empathetically and in a personalised way with existing and potential applicants, so they receive the information needed to give them the greatest opportunity to access credit.

### 4. Project Phases

The first phase of the project involved reviewing existing evidence about declines management and examining how applicants experience the declines process by drawing on the two sets of survey data mentioned above. Interviews were also conducted with experts to identify their views on how the declines process could be improved.

In the second phase, workshops with credit unions and CDFIs were the basis for gaining insights into existing declines management practices and to explore how those might be improved. At the end of the second phase, the project team developed materials to include in the Manual, which were then tested

<sup>17</sup> Credit union common bonds are some or all of living or working in a defined geographical area, working for a particular employer or in a particular occupation and being a member of a particular association. More detail is provided in The Credit Unions Act 1979.



with the participating credit unions and CDFIs in phase 3 of the project.

#### **4.1 Phase 1: Scoping and collating current knowledge about declines management**

##### Objective:

- To understand the declines management process, including the practices of credit unions and CDFIs, the needs of applicants and to gain the perspective of financial services experts on this issue.

##### Process:

- Brief review of evidence on consumer needs and provider practices, informed by previous Swoboda Research Centre declines work and the limited literature on this issue; including Fell, J. 2021, *Managing Declines Fairly: How Do Credit Unions Support Declined Loan Applicants Today*. CFCFE, Dublin, [https://swobodacentre.org/wp-content/uploads/2021/04/202101\\_CFCFE024\\_Managing\\_Declines\\_Positively.pdf](https://swobodacentre.org/wp-content/uploads/2021/04/202101_CFCFE024_Managing_Declines_Positively.pdf)
- Analysis of two data sets gathered previously by Coventry University (see section 4.1.1).
- Nine expert interviews with policy makers, advice organisations and financial services providers (see Appendix II).

##### Outcomes:

- Insights into existing declines management practices, the needs of applicants and examples of good practice.

##### **4.1.1 Analysis of two data sets**

###### Data set 1: UK Financial Wellbeing and Financial Conversations Online Survey

The CBiS team designed this survey and commissioned Ipsos Mori to conduct it via their online panel. The survey ran in June 2020, achieving a UK representative sample of over 3300 people. The objectives were to:

- Gain a snapshot of financial wellbeing during Covid.
- Benchmark financial confidence, feelings of personal control over their finances, levels of financial literacy.
- Understand who people talked to about their personal finances and why.
- Examine credit seeking behaviours and preferences for different credit providers.
- Reveal preferences for digital versus non-digital channels when accessing financial services.

###### Survey 2: UK Credit Declines Telephone Survey

The CBiS team designed this survey and commissioned Ipsos Mori to conduct it via their Computer Assisted Telephone interviewing (CATI) survey. The survey gathered data only from people who said they had recently personally been declined for credit. This is a very challenging sample to recruit, but 256 responses were achieved. The objectives were to:

- Gain an understanding of their financial wellbeing and financial confidence.
- Understand their role in managing their household finances.
- Find out more about their personal experiences of being declined for credit.
  - o What type of credit provider were they most recently declined by.
  - o How sympathetic was the credit provider and what explanation did they give when declining them.
  - o What other action the credit provider took to help them or to give them advice.
  - o How the credit provider's response could have been improved.
  - o How being declined made the individual feel.

- o Action taken by the individual after their application was declined.

#### 4.2 Phase 2: Reflecting on different declines management practices

##### Objective:

- Informed by the phase 1 findings, to work with credit unions and CDFIs to evaluate different interventions and approaches for managing declines for inclusion in the Manual.

##### Process:

- Develop a list of guiding assumptions from the phase 1 evidence about the experience of being declined for credit, then test these assumptions in a workshop with credit unions and CDFIs.
- Gather information from credit unions and CDFIs about their current declines management process.
- In a second workshop with credit unions and CDFIs, map out different applicant journeys to being declined. Identify the form and timing of effective intervention.
- Closing workshop with eight providers to gather and map out information on different applicant journeys, as the basis for recommendations about how best to support applicants.

##### Outcomes:

- Insights into existing declines management practices, the needs of applicants and examples of good practice.

#### 4.3 Project phase 3: Testing approaches and developing the Manual

##### Objective:

- To develop and test a draft Best Practice Manual, to enable a final version of the Manual to be produced.

##### Process:

- Using the insights gathered in phases 1 and 2, draft content was produced for the

Manual, in the form of a series of Tips & Tools.

- These materials were tested with four credit unions and two CDFIs over several months, using a simple monitoring framework to gather feedback from those involved.
- Feedback on the scope and style of these materials was provided by the team at Fair4All Finance.
- A closing workshop involving four credit unions and two CDFIs to consolidate the feedback and to address remaining questions so that final revisions could be made to the Manual.

##### Outcomes:

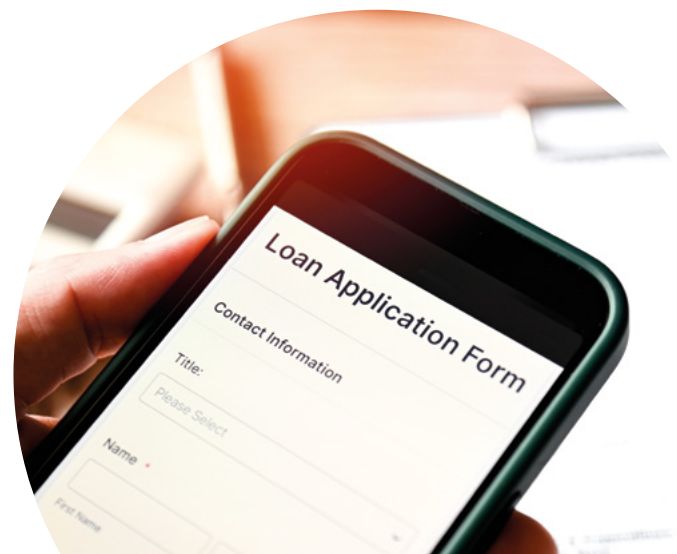
- Final draft of the Best Practice Manual.

### 5. Reflections on How the Project Proceeded

The steps outlined above were followed, with small adaptations made to reflect the conditions at the time.

Firstly, it had been intended to reduce the number of credit unions and CDFIs involved in the project after phase 2 prior to the testing phase. However, the organisations taking part continued to participate throughout as they were interested to see how the project unfolded.

Secondly, due to seasonal and Covid-related pressures on the credit unions and CDFIs the testing was delayed from its planned phasing prior to Christmas, to January and February.



Thirdly, because of business pressure, some of the participating organisations found it difficult to provide the level of requested feedback. However, the fact that most of the credit unions and CDFIs stayed involved throughout, ensured sufficient feedback was received. The project team also undertook two additional steps: (i) follow-up phone calls with those participating helped extract their views on the materials for testing; (ii) the final workshop was adapted to explore some specific ideas that were later included in the Manual.

## 6. The Research Partners

The research was undertaken by The Swoboda Research Centre and The Centre for Business in Society (CBiS), Coventry University. Nick Money (Director, Swoboda Research Centre) and Dr Paul A. Jones (Reader in the Social Economy, Liverpool John Moores University and Director at Swoboda Research Centre) worked with Professor Sally Dibb and Assistant Professor Dr Lindsey Appleyard from Coventry University. The research was enabled by financial support and guidance from Fair4All Finance, a not-for-profit organisation founded in early 2019 to improve the financial wellbeing of people in vulnerable circumstances by increasing access to fair, affordable and appropriate financial products and services. There are at least 17.5m people in the UK in vulnerable financial circumstances, who are poorly served or unfairly excluded from consumer credit markets. That's nearly a third of all adults in the UK. Fair4All Finance is funded from The Dormant Assets Scheme, which is led by the financial industry and backed by the UK government, to allow money in dormant bank and building society accounts to be used to help good causes.

The Swoboda Research Centre is an independent, not-for-profit research organisation incorporated in 2016 in Dublin, Ireland. Its mission is to undertake high quality

research, to lead on ideas and innovations, and to explore tested solutions related to community finance providers in Europe. Swoboda has established itself in the sector, with 30 publications to date, 60 credit unions and support organisations as subscribing members and strong relationships with key stakeholders. It works in collaboration with the Research Unit for Financial Inclusion at Liverpool John Moores University. Examples of the Centre's work driving behavioural change in the sector are a toolkit for social impact measurement and reporting and an integrated approach to governance which has been particularly influential. In 2019/20, Swoboda commissioned CBiS to produce a report on how credit unions can help members improve their financial capability.

The Centre for Business in Society is Coventry University's research centre that promotes responsibility and inclusivity, seeking to change behaviours to achieve better outcomes for economies and societies. The Centre's Responsible Community Finance team works in conjunction with community, policy, and practitioner stakeholders, including community finance providers, to support the development of financially resilient individuals and communities through its research. The Centre's research groups also examine aspects of sustainability and ethical consumption in the circular economy, as well as investigating new models and policies to reflect changing societal values and realigned public spending.

The project team would like to acknowledge the invaluable contributions of all the research participants. Although it is not possible to identify them due to the ethical guidelines associated with the project, we are very grateful for their input, without which the development of this Manual would not have been possible.

# Appendix II: Financial Experts' Perspectives on The Credit Declines Process

## 1.0 Background and methods

Access to affordable credit is a recognised key element of financial inclusion. Given the point of decline is a moment of vulnerability for applicants, the project set out to learn more about how this experience affects those declined and what providers could do to respond. Interviews with experts from financial services firms, policy bodies and advice organisations were undertaken to provide insights into these issues. In total, nine individuals from a range of policy, practice and commercial organisations were interviewed during this phase. All were experts in personal finance and in the issues that influence financial wellbeing<sup>18</sup>.

The sections below summarise the main findings from these expert interviews that have informed the content of the Best Practice Manual and the guidance provided on how to use it. These brief findings are organised into sections addressing the following issues: What is the current context for credit declines? What are the effects on applicants of being declined for credit? How can the outcome be improved for these declined applicants?

## 2.0 What is the current context for credit declines?

### 2.1 Cost of living crisis

- The UK is experiencing an acute cost of living crisis. Inflation is at a 40 year high at 10.1%<sup>19</sup>, energy bills more than doubled in April 2022 due to the lifting of the energy price cap<sup>20</sup> and the cost of other essentials, such as food is rising sharply<sup>21</sup>. Although everyone is being affected by this crisis, those who are declined for credit are especially vulnerable to its effects.

### 2.2 Use of credit for essentials

- According to Phil Andrew, CEO of StepChange debt charity, 4 million people are already using credit for essentials and one in five people are expected to experience problem debt in the next 12 months<sup>22</sup>.
- Unfortunately, for these very vulnerable consumers, the choices about where credit can be accessed are very limited. Some are forced to rely on high-cost lenders, even though they may recognise this is an expensive and risky option. Several of the experts interviewed spoke about the lack of options open to these individuals.

*Many people have already used high-cost lenders before they go to credit unions or CDFIs before they even discover maybe that they're available to them. So, people generally are unfavourable in their attitudes towards high-cost credit providers. They know they're being ripped off; they're not really treated very well. But if they can't get another alternative, then they kind of accept that that's the only way. (Interviewee 4)*

### 2.3 Reliance on lenders of last resort

- As the number of people excluded from mainstream credit increases, many are forced to find alternative sources of credit. Some borrow from friends and family, or resort to seeking credit from illegal lenders as a last resort. The Centre for Social Justice estimate that 1.08 million people are using loan sharks<sup>23</sup>. Illegal Money Lending Team's lead investigator Tony Quigley said: "We are very concerned that we may see an increase with the pressures of the rising cost of living"<sup>24</sup>.

<sup>18</sup> Those interviewed for the research are not identified by name to comply with the project's ethical requirements that they remain anonymous.

<sup>19</sup> <https://www.bbc.co.uk/news/business-12196322>

<sup>20</sup> <https://www.ofgem.gov.uk/publications/price-cap-increase-ps693-april>

<sup>21</sup> <https://www.statista.com/statistics/537050/uk-inflation-rate-food-in-united-kingdom>

<sup>22</sup> Like Martin Lewis, our charity is running out of tools in the cost of living crisis | Phil Andrew | The Guardian

- Charities working with vulnerable consumers have reported that some of these illegal lenders are adopting dubious practices to attract applicants, such as posing as friends<sup>25</sup>. Esther Lyobebe, a money mentor at the charity Money A+E based in London stated: “It used to be Wonga. Now it’s an underground movement. They say, ‘Oh, I heard from a friend that you might need help’”<sup>26</sup>. These problems are compounding the vulnerability of those declined for credit.

### 3.0 What are the effects on applicants of being declined for credit?

#### 3.1 Immediate reactions

- The initial reaction of applicants when declined for credit is often to immediately search for an alternative provider. As the interviewees explained, this is often driven by practical need, with applicants needing a quick solution to their financial issues. Having made the decision that seeking credit is the answer, these individuals are less likely to be receptive to other courses of action or intervention. Emotional factors also play a role, as worries about being rejected and therefore not being able to acquire the necessary credit, drives them on.

*When somebody has been declined credit, they just want to find somewhere else where they can get it. They’re not interested in engaging about debt advice or money guidance or do you want to improve your credit...like not at that moment. They are set on that need for credit and they’re not going to be open to any other kind of intervention at that stage, because you could say that’s a trigger state for saying to somebody, okay, so you’re not able to borrow, did you really need it, and if not, how could you improve the situation...because you might want to think about saving for it, you know, that’s just nonsense. People have decided they want to borrow money*

*for an objective, for whatever reason and in the vast majority of cases, ...will just continue seeking somebody who will lend to them. (Interviewee 2)*

#### 3.2 Declined applicants may not understand why they have been declined

- A lack of understanding of the reasons for decline or the impact this might have on applicants’ future chances of being accepted - whether by this provider or another type of lender - was raised by many of the experts who were interviewed. They recognised that the reason for decline also has implications for the best ways for these applicants to proceed. For example, the appropriate action for someone who is over-indebted will be different to an individual who needs help to overcome a gambling problem. These experts thought that many providers could do more to explain to applicants why they had been declined.

*I suppose one of the challenges is that quite often they’re [the lenders] not letting them know why they’re [the applicants] declined and that’s financial services practice actually, so it’s not clear [why] we’ve declined you, but another lender might not, which is often the case because it’s about their risk appetite for that particular kind of borrower. So, I think that’s really difficult because it’s not necessarily that that person will be turned down by every lender, and so by not giving them that feedback, they’re then preventing them going to the next less risk averse lender rather than thinking, well, let’s try another lender. (Interviewee 2)*

#### 3.3 Fear of being declined in the future

- Many declined applicants do not reapply to the same provider in the future, raising questions about how it is possible to engage and retain these individuals, so they have a chance of being accepted in the future. The interviewees spoke about how this lack of engagement means that

<sup>23</sup> CSJ-Illegal-lending-paper.pdf (centreforsocialjustice.org.uk)

<sup>24</sup> Loan sharks trap poorest as cost of living crisis bites - BBC News

<sup>25</sup> CSJ-Illegal-lending-paper.pdf (centreforsocialjustice.org.uk)

<sup>26</sup> Violent loan sharks circle as UK families are pushed into debt | Household bills | The Guardian

providers often do not know enough about the applicant, their situation, and their needs for credit, which can hinder the ability to provide appropriate support. With declined applicants often mistrustful of the financial system, the problems inherent in building trusting relationships with applicants were also seen as problematic.

*We need to do an awful lot more work about building in relationships of trust in application processes, and whether somebody then actually gets approved or declined or not, you know a lot more about them, and are probably then better able to come up with something which is helpful to them. (Interviewee 4)*

*Getting people access to things that are helpful to them that they can trust is important. Savings, insurance, money and debt advice, income maximization. (Interviewee 5)*

### **3.4 Stuck in a downward spiral of credit application**

- Interviewees explained the risks for declined applicants of becoming stuck in a downward spiral of credit application. This could result from applications being made both to prime and subprime lenders, with applicants forced to try different types of lenders at a time when the risk appetite of these lenders has also changed. Interviewees described how applicants who found themselves unable to gain credit from one high-cost provider, could find themselves in the same situation with another, driving them towards lenders of last resort.

*Individuals are being squeezed from prime lenders and they're being squeezed by subprime lenders. But that borrowing need is still there and in fact that decline rate is probably increasing as those risk appetites tighten. (Interviewee 9)*

*We know that if you've been turned down by a high-cost provider it's probably because you're really damaged. And by the way there is a market, a whole market for declined credit applications from the prime*

*market ... so if you apply to the Post Office or 118 or the AA your data goes through a process of referring you then downstream into another level of high-cost provider that's more likely to take you, so that decline population is quite a big driver in the market.*

*(Interviewee 3)*

## **4.0 How can the outcome be improved for declined applicants?**

### **4.1 Recognising this is a 'moment that matters'**

- The point of being declined for credit is a significant moment that matters, signalling for many applicants that action needs to be taken to improve their financial wellbeing. Unfortunately, the negative feelings about being rejected can make it difficult for individuals to seek the help or guidance they need. This is one of the reasons why credit providers often struggle to find effective ways to encourage declined applicants to follow up on this support, as one of the interviewees explained.

*We talk about moments that matter for people to make better decisions and improve their financial wellbeing and I think credit decline is absolutely one of those moments that matter. But we need to understand what messages will resonate at that point with some kind of evidence base really. (Interviewee 2)*

### **4.2 Supporting applicants throughout the loan application process**

- Some interviewees spoke about action providers could take to ensure applicants were better informed when they make an application. Several options were identified about the type of support that credit suppliers could provide at different points in the application process. These included: the provision of pre-application guidance; ensuring applicants are aware of what information will be needed during the decision process; and checking applicants' information is accurate early in the application process. These steps were

also seen by interviewees as important in helping applicants achieve a better understanding of how the loan decision is made.

*So, I think the very first thing is, there's kind of a broader educational remit or need to help people understand how lenders make decisions. I think there's so much focus on the credit scores and you see all these credit scoring apps coming out all the time, people think it's just about the credit score, when of course, it's not. Also, I think... on the one hand, there's this broader thing to understand what is the credit score, but what else is taken into account? So, people get a good understanding of how a lender actually makes a decision. (Interviewee 9)*

- Helping declined applicants to take the necessary action to move from an initial decline to being accepted was also raised by those interviewed. There was the view that lenders have an important role to play in this process.

*I think it's always important to not just think about that very short-term decline [but also to consider how] turning someone's decline into an accept and [how] being accepted by the right kind of lender can be good for someone's long term financial health. So, it's that intervention at that stage that can have a much longer beneficial impact, whether it's forcing people to save, and obviously stopping people going to a high-cost lender. So, I think it's just about this decline in this moment, for the impact of that decline over a much longer period of time and a much bigger impact. (Interviewee 9)*

### 4.3 Greater transparency through the process

- Greater transparency throughout the loan application/declines process was seen as needed to ensure that applicants understand how the process works and the basis on which decisions are made. At the same time, it was also seen as important for providers to be aware of applicants' needs, current situation and reasons for seeking credit. There was a view that taking such action would make it more likely that those declined would be able to be accepted in the future.

*When people who are on low incomes are applying for money, then there's an underlying issue as to why that is and it's often a cashflow crisis and it may be a systemic one and obviously there's loads of people ... who have got negative budgets, they can't make their balance sheets add up. So they're likely to be in debt or at least facing some sort of financial crisis and I think trying to get underneath the skin of that, and actually finding out from them exactly what it is that's caused them to apply for credit in the first instance is pretty important, but it's not straightforward to do that, so it's not just the question of saying, why have you applied for this loan? What do you want to use it for? Although that might be helpful in some cases because that implies that people might just tell you what they think you want to hear, you know, at the point you haven't got a relationship of trust. (Interviewee 4)*





- From the applicant's viewpoint, various aspects relating to the transparency of the application and declines process were considered important. One such issue was the need for applicants to be provided with clear information about why they have been turned down and guidance on what they might do to improve their chances of being accepted in the future. For example, this might be explaining any errors that were in their application, offering information on how to build their credit score, or signposting applicants to benefit eligibility checkers.

*A good outcome is that the customer understands why they have been declined, the causes for the decline and what action they can take to address their need. (Interviewee 7)*

*Checking that individuals are getting the right level of benefits is a really useful thing, there's £16 billion worth of unclaimed benefits laying on the table every year. (Interviewee 3)*

*Knowing customers better and making sure that a loan is only ever seen as part of a landscape of possible financial solutions and trying to make sure that as we gain more understanding of the customers, they are better directed to the most optimal solution, that's the challenge. (Interviewee 4)*

*So, the main thing is basically supporting them with the decline reason. I think there's a lot of frustration and anger when they're declined, and they're not told why. So even just giving them the smallest glimpse as to why that's happened, even if they can't go into a detailed personalised reason per customer, even if they provided a couple of these, are some of the reasons why we decline people, that's kind of what they were looking for. (Interviewee 8)*

#### **4.4 Using positive language when declining applicants**

- There is evidence that the type of language used when declining may make a difference in how the response is received by the applicant, which then may affect what they

decide to do next. The use of positive and supportive language, rather than language that is overtly negative or critical was seen by interviewees as important and more likely to lead to better outcomes.

*Firstly, the language to decline is not something we want to use, so you're either approved or you're deferred and deferred basically means offered support. It doesn't mean declined. It means, go, and speak to somebody, let's see how we can help you. (Interviewee 4)*

#### **4.5 Signposting to debt advice, budgeting tools and credit scoring tools/information**

- Getting the right support to declined applicants was seen as important in affecting what they do next and what the effects of being declined are on them. The interviewees gave a range of examples of good practice in this respect, including checking whether people were eligible for additional benefits and trying to find sources of help that match their needs.

*We also signpost to Turn2Us to see if they're eligible for any other grants because they can look at their benefits calculator and the grants search tool that they have on their website. (Interviewee 1)*

*There needs to be a better landscape of support for people ... but accepting whatever that landscape is there needs to be better ways of routing people, firstly identifying people's needs, and then secondly routing them to the appropriate support for them. (Interviewee 4)*



# Appendix III: Template Emails and Letters

## 1. Template Email/Letter sent to declined applicants due to lack of affordability

Dear [Name],

Thank you for your loan application for [£XXX] to [Credit Union/CDFI].

Unfortunately, we cannot lend to you on this occasion as we feel that there is insufficient disposable income to cover the loan repayments. At [Credit Union/CDFI] it's really important that all of our applicants are able to make the repayments without it affecting their existing bills and expenses.

You might find it useful to find out what you can do to improve your financial situation and then take some action, so that you can re-apply to us in as little as three months.

Here are some things you can do that we know other people have told us are useful:

- You may be eligible for grants and benefits [Personalised link to track impact e.g., <https://www.turn2us.org.uk>]
- MoneyHelper offers free, impartial money advice and budgeting [Personalised links to track impact <https://www.moneyhelper.org.uk/en>]

We are finding that many people's finances have been impacted by the pandemic and new services have been set up to help. Did you know that:

- Debt advice can help you come up with a plan to reduce your debt. What's really great is that seeking debt advice will not impact your credit rating [Personalised links to track impact e.g., <https://www.stepchange.org>]
- Being on the electoral roll can be a great way to improve your chances of getting approved [Personalised links to track impact e.g., <https://www.gov.uk/electoral-register>]
- Finding out about your credit score can be really useful in understanding what lenders see and help you make sure all your credit information is accurate [Personalised links to track impact e.g., Experian/TransUnion/Equifax depending on provider used]

Here are some other tips on how to get accepted for credit:

<https://www.experian.co.uk/consumer/guides/refused-credit.html>

## 2. Template Email/Letter sent to declined applicants due to over-indebtedness

Dear [Name],

Thank you for your loan application for [£XXX] to [Credit Union/CDFI].

Unfortunately, we cannot lend to you on this occasion as we are concerned that you may have taken on too many commitments with other lenders and will not be able to afford the repayments. At [Credit Union/CDFI] it's really important that all of our applicants are able to make the repayments without it effecting their existing bills and expenses.

At this time, we recommend that you seek independent, free debt advice which will not impact on your credit rating: [Personalised links to track impact e.g., <https://www.stepchange.org>]

Receiving and acting on this advice should help you improve your financial situation, which means you could apply again in 3 months. Before applying next time, you can check your eligibility here without affecting your credit rating [add link to soft loan check/pre-application information].

We are finding that many people's finances have been impacted by the pandemic and new services have been set up to help. Did you know that:

- Income: you may be eligible for grants and benefits [Personalised link to track impact e.g., <https://www.turn2us.org.uk>]
- Having difficulty paying your bills or debts: [Personalised links to track impact e.g., <https://www.stepchange.org>]
- Register to vote: being on the electoral roll can improve your chance of getting credit [Personalised links to track impact e.g., <https://www.gov.uk/electoral-register>]
- Finding out about your credit score can help you understand what financial information lenders see so you can make sure all your credit information is accurate [Personalised links to track impact e.g., Experian/TransUnion/Equifax depending on provider used]
- MoneyHelper offers free, impartial money advice [Personalised links to track impact <https://www.moneyhelper.org.uk/en>]

Here are some other tips on how to get accepted for credit:

<https://www.experian.co.uk/consumer/guides/refused-credit.html>

### 3. Template Email/Letter sent to declined applicants due to low or poor credit score

Dear [Name],

Thank you for your loan application for [£XXX] to [Credit Union/CDFI].

Unfortunately, we cannot lend to you on this occasion as your credit score is too low for us to see that you are able to repay the loan responsibly. Building a higher credit score will help you to access credit in the future. You might find it useful to find out what you can do to improve your financial situation and then take some action, so that you can re-apply to us in as little as three months.

Here are some things you can do that we know other people have told us are useful:

- Finding out about your credit score can help you understand what financial information lenders see so you can make sure all your credit information is accurate [Personalised links to track impact e.g., Personalised links to Experian/TransUnion/Equifax depending on provider used]
- MoneyHelper offers free, impartial money advice [Personalised links to track impact <https://www.moneyhelper.org.uk/en>]

We are finding that many people's finances have been impacted by the pandemic and new services have been set up to help. Did you know that:

- You may be eligible for grants and benefits [Personalised link to track impact e.g., <https://www.turn2us.org.uk>]
- Being on the electoral roll can be a great way to improve your chances of getting approved [Personalised links to track impact e.g., <https://www.gov.uk/electoral-register>]
- Debt advice can help you come up with a plan to reduce your debt. What's really great is that seeking debt advice will not impact your credit rating [Personalised links to track impact e.g., <https://www.stepchange.org>]

Here are some other tips on how to get accepted for credit:

<https://www.experian.co.uk/consumer/guides/refused-credit.html>

# **SWOBODA RESEARCH CENTRE**

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## **Swoboda Research Centre CLG**

1 Kingsley Mews, Raglan Road, Dublin 4, Ireland

email: [nick.money@swoboda.org](mailto:nick.money@swoboda.org)

[www.swobodacentre.org](http://www.swobodacentre.org)

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