

# The Rental Exchange



Help your tenants build better futures; innovating for social benefit to increase fairness

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# What is a Credit Report?

- Your credit report is a key element of your **financial CV**. It details credit you have taken out such as credit cards, loans and mortgages, along with your repayment history, any court judgments or bankruptcies against you.
- Information on the following items is shown in your credit report:
  - ▶ Profile Details
  - ▶ Credit Accounts
  - ▶ Electoral Roll
  - ▶ Aliases
  - ▶ Financial Associates
  - ▶ Public Records
  - ▶ Previous searches of your report



# What is a Credit Score?

- Before deciding whether or not to offer you credit, many organisations take your credit report, plus the details you give the lender on your application form to generate a credit score. This is a single figure that indicates how likely you are to repay what you owe.
- The score helps organisations decide whether to make you a credit offer and what terms to set.
- Usually, the higher your score, the easier you will find it to borrow and get a good deal.

Category	Score range	Description
VERY POOR	0-560	Most lenders would regard this score as very high risk and would expect most people in this category to have serious problems with repaying credit.
POOR	561-720	Most lenders would view this score as high risk and would expect a high proportion of people in this category to have serious problems with repaying credit.
FAIR	721-880	Most lenders would regard this score as moderate risk and would expect only a small proportion of people in this category to experience serious problems with repaying credit.
GOOD	881-960	Most lenders would view this score as low risk and would expect few people in this category to experience serious problems with repaying credit.
EXCELLENT	961-999	Most lenders would regard this score as very low risk and would expect very few people in this category to experience serious problems with repaying credit.



# The Rental Exchange

Tackling financial, digital and social exclusion

- Millions of social housing tenants in the UK face **financial**, **digital** and **social** exclusion
  - ▶ Excluded from **affordable credit**
  - ▶ More likely to be declined
  - ▶ Pay a **higher price** for credit and other basic goods and services
- The Rental Exchange will help tenants with the challenges they face in every day life
  - ▶ Attaining **affordable credit** when they need it
  - ▶ Better tariffs for utilities, insurance and mobile phone contracts
  - ▶ Proving their **identity**

# The Journey So Far



**Proof of concept study** by Big Issue Invest and Experian in 2010 with financial support of Friends Provident Foundation, Joseph Rowntree Foundation, Esmée Fairbairn Foundation, and engagement of social housing and banking sectors.

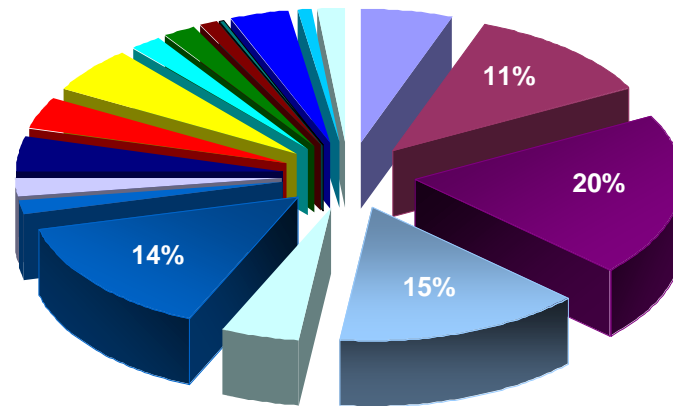


**Tenant focus groups** identified that the majority of people were in favour of data sharing.



Experian won the tender to take the proof of concept to live implementation.

- To enable an assessment of the benefits of incorporating rental data with credit bureau we have reviewed York City Council's data using all of the credit accounts (known as CAIS) that are recorded at Experian - CAIS holds information on over 440 million credit accounts.
- Experian operates CAIS on behalf of its members - the members who manage the scheme also make the rules governing how CAIS operates (the governing body is known as The Steering Committee on Reciprocity (SCOR)).
- CAIS operates under strict rules of 'reciprocity', which means members are entitled to access information that is directly equivalent to the level of information they supply.
- Experian gained approval from SCOR on 5<sup>th</sup> December 2013 to give CAIS access to social housing landlords that contribute data into Rental Exchange.
- The chart opposite shows the relative size of the CAIS portfolio.

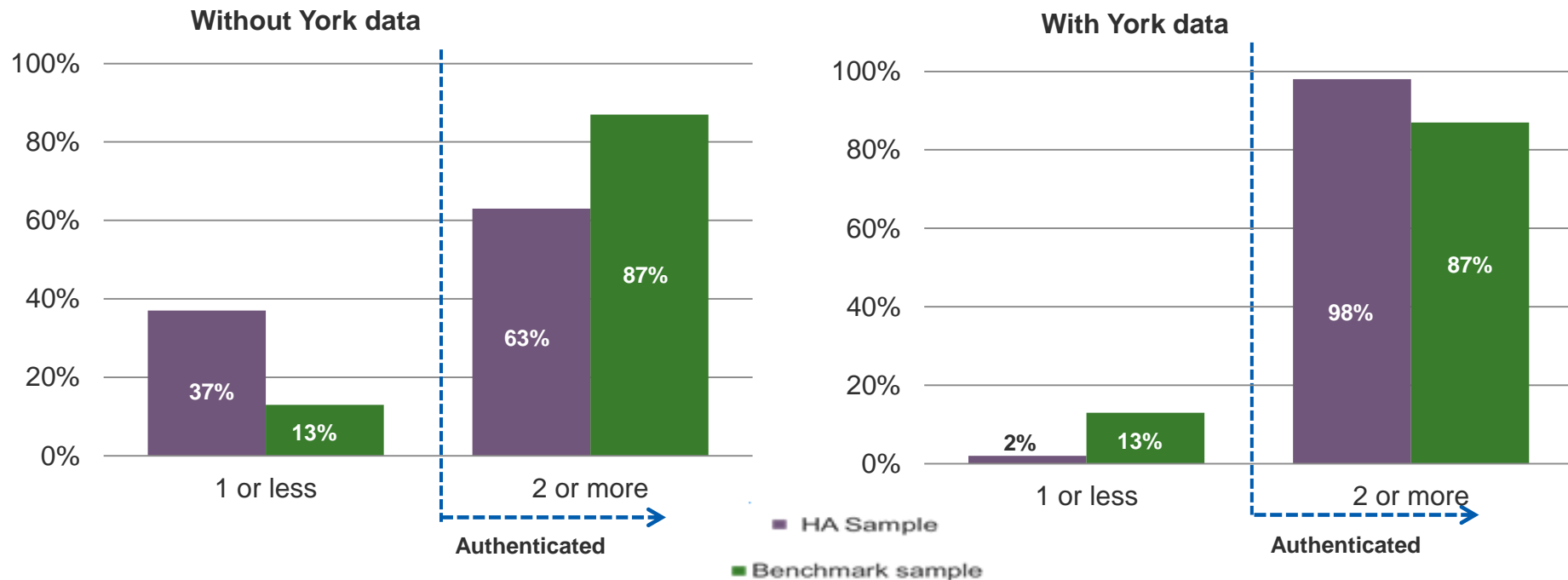


# Data Analysis - Match Rates

Result	No. of Records
Records Received	7,909
Duplicates	62
Records with fields missing:	160
- Address Elements	0
- Name Elements	18
- Date of Birth	143
Records not pinned	159
Fully populated and not Pinned	141
Total not processed	221
Records Processed	<b>7,688</b>

*\* In the live environment a new identity will be created.*

# Data Analysis - Identification



- The general authentication requirements is **two online proofs of identity**. Typically in manual processing two proofs e.g. gas bill and a rent record would be sufficient as a means of authenticating identity.
- Number of tenants that hold **two or more electronic proofs increases from 63% (4,827) to 98% (7,511)**.
- Improving electronic identification rates will give tenants easier access to full banking services as well as a range of non-financial public and private services.



# Data Analysis - Credit Scores

There are a number of factors that have an impact on credit scores. The main **negative** factors are:

- Having Public Information
- Having defaulted credit account
- Having a credit account which is in arrears
- Having multiple accounts opened in the last six months
- Having multiple credit applications in the last six months
- Having a very high unsecured debt
- Having high utilisation on credit cards

The main **positive** factors are:

- Having a longstanding rent account
- Having no arrears on an account that has been open for more than 12 months
- Being on the Electoral Roll for several years

# Data Analysis - Credit Scores

Incorporating rental data into a typical generic credit score will increase the credit score for tenants that do not have significant rent arrears\* by around **45 – 55** points.

- **66% (5,081)** of York's tenants have no significant arrears on their rent and their credit scores would **improve** as a result of incorporating rental data.
- **16% (834)** of these tenants would gain access to previously inaccessible credit and services.
- **1% (107)** tenants have serious arrears on their rent so would have their credit score **reduced** by something in the order of **90-140** points.
- **19% (20)** of those tenants would move from the *accept* to *reject* category (around **85%** of those tenants with rent arrears also have a CAIS default which already impairs their credit score).



33% tenants are on Full Housing Benefit so would see no effect to their credit score.

\* *Significant rent arrears is defined as anything over 2 months' of non payment.*



# Financial Wellbeing

## Financial Strategy Segmentations

### Group D: On the Breadline

*1,388 tenants*

#### Key features:

- Finances are extremely tight, so they seldom have anything available to set aside for savings.
- They are unsophisticated when it comes to banking and financial products and many only have the most basic accounts.
- People On the Breadline enjoy spending the little money they do have. Shopping is a hobby and they enjoy buying something new.
- They are happy to take on credit to maintain their consumer habit, which includes new clothes, mobiles and home entertainment.
- Credit is found through mail order catalogues, overdrafts or credit cards. They take out loans for larger purchases such as holidays. However, they can find it difficult to obtain credit and are the most likely to default.
- Despite their financial circumstances, most remain optimistic. Rather than worry about their lack of cash, many will have a flutter on the horses, play the lottery or pools, or go to bingo hoping for a windfall.



# Financial Wellbeing

## Financial Strategy Segmentations

### Group M: Elderly Deprivation

*946 tenants*

#### Key features:

- Elderly Deprivation pensioners are almost completely dependent on the state for their income - it is important that they claim all the benefits to which they are entitled.
- Traditionally, these people collect their pension in cash from the post office. They may have a savings account at a local bank where they put away a few pounds if they can.
- They are unlikely to take out a loan as the repayments would be too difficult to cover and because they don't make big purchases - any debt they do take on will be for small amounts.
- They may have one credit card with an institution they have been loyal to for years.
- They would often rather pay an agent at the door than use more modern methods. New technology is beyond them - even the phone can feel intimidating.
- Elderly Deprivation have to manage their finances carefully to pay for the basic necessities. They are cautious with their money, though it's hard to remember where every penny goes. They try to keep their bills down.



# Financial Wellbeing

## Financial Strategy Segmentations

### Group F: Credit Hungry Families

*917 tenants*

#### Key features:

- Credit-hungry Families have spent beyond their means and are dependent on credit to fund their lifestyles. Their incomes are below average and a good proportion of the money that comes in each month is taken up by existing debt.
- They are typically couples, either married or cohabiting, in their twenties or thirties with young or school age children.
- They use credit extensively and in many guises. Credit cards are used for high street shopping, mail order catalogue credit to buy clothes for the children and hire purchase credit for the bigger items they can't quite afford, such as a new three-piece suite or a replacement second-hand car. They are rarely able pay off their credit card bill in full.
- The cost of everyday living is always just beyond what they have coming in.
- While they are not the most likely to have bad debt, there is a strong possibility that they will get into financial difficulties. They are also the most likely to take out a loan for debt consolidation.



# Financial Wellbeing

## Financial Strategy Segmentations

### Group K: Ageing Workers

*721 tenants*

#### Key features:

- Ageing Workers are in their later working years. Some older children still live at home and contribute to the family kitty, but salaries tend to be low and total household income remains limited.
- This group is financially unaware. They have avoided serious debt but have had little to spare for saving or investing.
- Ageing Workers are not big users of financial services - a basic current account meets most of their needs.
- If they have a credit card, they are likely to use it as an easy but expensive form of short-term credit, helping to stretch their finances.
- Mail order credit is another option.
- If they do take out a loan, it will be for a small amount.

# Next Steps



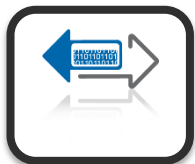
**Supply initial data for analysis - *Completed***



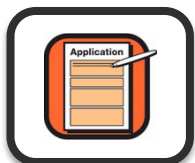
**Review analysis describing the benefits of the scheme - *Completed***



**Agreement to progress. Notification to tenants.**



**Establish a regular feed of actual payment data about tenants' rent payment performance.**



**The data will be accessed when the tenant applies for goods or services where a credit or identity check is made through an organisation using Experian's database.**



# Notification Event

- Experian/BII have been in discussion with the **Information Commissioner's Office** (ICO) to ensure sharing of rental payments is fully compliant and fair to the tenant.
- The unequivocal benefit to tenants is recognised by DPA '**legitimate interests**' provisions (**Data Protection Act 1998** Sch2 para 6) - the Rental Exchange is based on protecting tenants' data while at the same time enabling them to ensure organisations can use this data to support their application.
- The ICO recognise that tackling social, financial and digital exclusion issues through enabling tenants to use their information in a way that helps them is not something that should be prevented by the DPA, subject to tenants being provided with a very clear explanation of how this will benefit them.

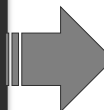




## Fair Processing Notice (ICO Agreed)

Not only will we be able to work with you more closely to manage your existing tenancy agreement, your track record as a tenant will enable Experian to use the information supplied to them in the future to assist other landlords and organisations to:

1. assess and manage any new tenancy agreements you may enter into;
2. assess your financial standing to provide you with suitable products and services;
3. manage any accounts that you may already hold, for example reviewing suitable products or adjusting your current product in light of your current circumstances;
4. contact you in relation to any accounts you may have and recovering debts that you may owe;
5. verify your identity and address to help them make decisions about services they offer; and
6. help prevent crime, fraud and money laundering.



## Data unlocking event

- **Existing tenant:** one-off letter or notification on tenancy renewal
- **New tenant:** FPN in tenancy agreement

- BII/Experian have produced supporting material to assist in ensuring tenants are positively engaged.
- Creation of a tenants website and helpdesk.
- Additionally, work is progressing to deliver a targeted programme of financial education and support.

## The Rental Exchange

Get recognised for paying your rent on time





# SCOR Update

- Experian gained approval from SCOR on December 5<sup>th</sup> to give CAIS access to social housing landlords that contribute data into Rental Exchange.
- This is available to Rental Exchange members once they have contracted with Experian and have begun regular supply of data from notified tenants.
- In line with the notification given to tenants, CAIS access will become another data source that Landlords can use to, assess and manage any new tenancy agreements, assess tenant financial standing to provide suitable products and services, reviewing suitability of products or adjusting current product in light of tenant circumstances, debt recovery, fraud prevention and detection.



# Welfare Reform & Financial Inclusion Support

This solution will enable housing providers to support individual tenant's and families most likely to be affected by Welfare Reform and particularly the transition to Universal Credit.

## **The solution will enable targeted support in three key areas:**

1. Identifying tenants that do not have an account that can receive automated payments - so that you can work with them to help provide access to a banking facility e.g. jam jar, Post Office card or current account.
2. Identifying tenants that appear to be in financial stress - so that you can offer supportive budgeting advice and financial education packages to help those individuals, get back in control or stay on top of their finances.
3. Identifying tenants that may not be in immediate financial difficulty but are in financial situations that indicate that they are at risk of falling behind on repayments in future.

