



Nick Hopkins Consulting

# Evaluation of the Scotcash's Edinburgh Operation

## Key Findings

Nick Hopkins Consulting  
with Alistair Grimes

## **Introduction**

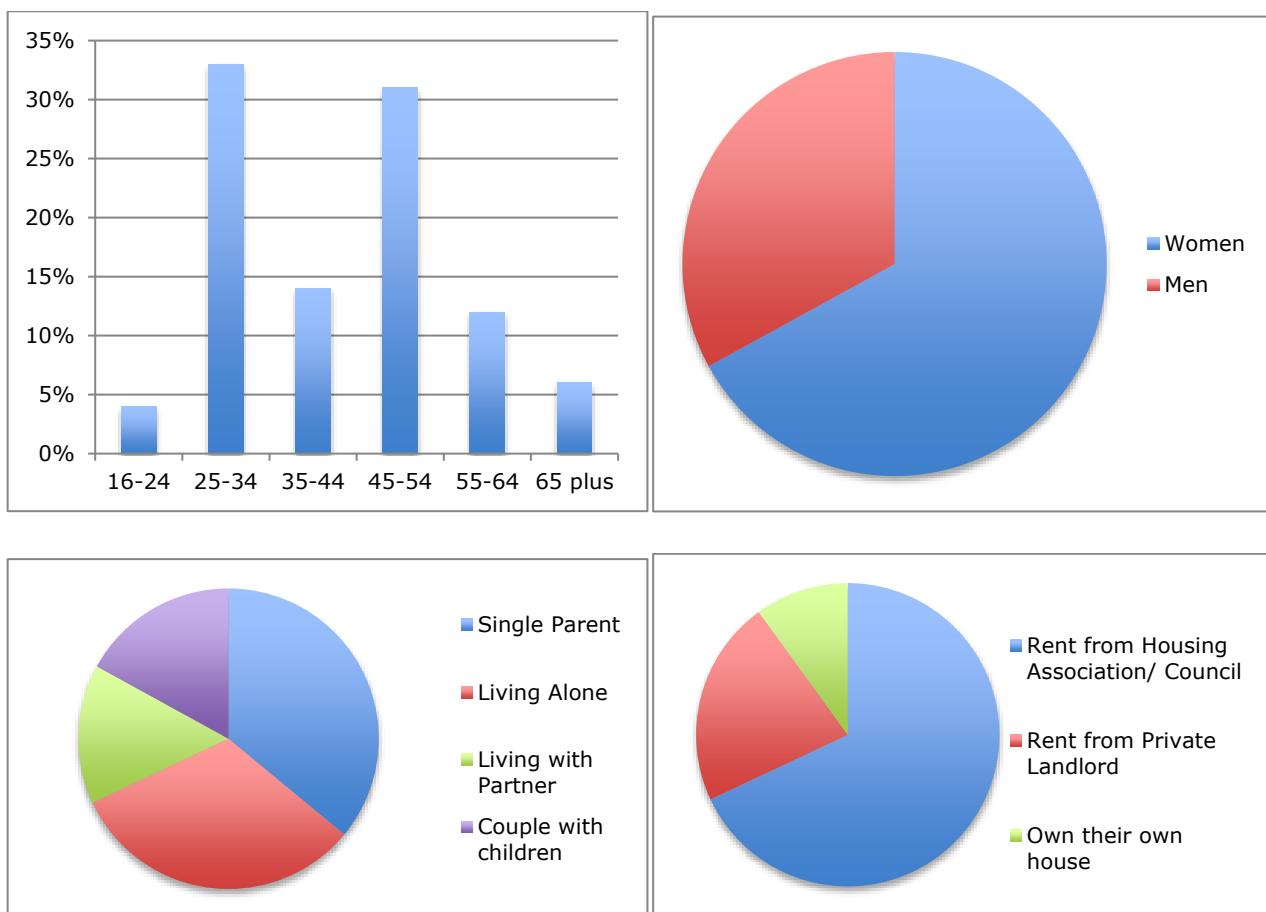
This report is based on research carried out by Nick Hopkins of Nick Hopkins Consulting, Alistair Grimes of Alistair Grimes Consulting, and Andrea Paterson of Indigo House.

The report is based on interviews with 20 Scotcash Edinburgh/ Lothians based customers, an online survey, responded to by 78 customers, and interviews with 17 public and voluntary sector organisations based in Edinburgh. It focuses on; understanding Scotcash's customer base in Edinburgh; understanding the experiences of Scotcash Edinburgh customers' experience, and the impact of Scotcash on their finances and lives; and stakeholder and funder perspectives on current and future engagement with Scotcash.

## **Respondent Characteristics**

Survey respondents were more likely than not to be of working age, female, live alone, have children living with them, and be in social rented accommodation.

**Figures 1-4 Survey Respondent characteristics**



## **Employment and Health Status of Respondents**

- 45% of respondents were employed; 25% of all respondents were employed full time, 20% were employed part time.
- 26% of respondents were unable to work because of a health condition or disability; 17% of all respondents permanently, 9% temporarily.
- 9% of respondents were unemployed, 7% were retired.
- 8% of all respondents were not working because of caring responsibilities.
- 44% of respondents reported a long term condition impacting on their life.

## **Customers' Financial Situations**

Survey responses suggest that Scotcash largely provides a service to people who are facing some financial pressure but are not overwhelmed by it, with 62% of respondents felt that they were 'getting by alright' at the time they first went to Scotcash, 21% feeling they were managing well, and only 17% feeling they were not managing well. Responses also suggested Scotcash customers generally have some sense of financial control, with 46% of respondents felt that they were reasonably in control of their finances at the time of going to Scotcash, 28% in control, and 17% very much in control.

Interviewees reported experiencing a number of financial pressures on tight budgets, including those due to ill health, loss of employment and incidents within the home. Interviewees generally felt in control of their finances, whilst finding it difficult to afford larger expenditures. Some felt under greater stress due to specific circumstances or needing to make particular purchases. A minority of interviewees were in chaotic financial circumstances. Those borrowing from family could find doing so was stressful, one interviewee was also in the situation of borrowing from a money lender.

Survey respondents did not report high levels of current debt; with three quarters managing their core household bills effectively enough to avoid arrears at the moment and half of respondents having done so throughout the last three years. Only 1 in 10 Scotcash customers reported being behind with their utility bills at any point in the last 3 years, rent was the most common priority debt owed.

A significant minority of respondents, 38%, were reliant on benefits or tax credits for between 80 and 100% of their income. In contrast, 28% of respondents were reliant on benefits or tax credits for between 0 and 20% of their income.

## **Customers' Use of Other Credit**

### ***Mainstream Loans***

A majority, 51%, of survey respondents were currently using, i.e. repaying, other sources of mainstream credit that could be described as mainstream, 49% were not. Two thirds of respondents had used some form of mainstream credit in the last three years, 43% had used credit cards during this period. This suggests that Scotcash provides a service to a significant number of people who have very recently had mainstream credit options, or perhaps still do have some limited mainstream options.

55% of respondents had been refused some form of mainstream credit in the last three years, including 38% being refused a credit card, 45% had not. Interviewees regularly referred to being rejected by mainstream credit providers, or self-excluding in the belief they would be rejected. One captured the issue thus; 'There are lots of places that you have to prove that you don't need the money before you can actually get it.' These findings point to a significant driver for access to Scotcash being refusal by mainstream credit providers.

### ***High Cost Loans***

Current high cost/ non mainstream loan usage amongst respondents was high at 66%, 53% not including Budgeting Loans, the figures for the last three years being 78% and 64% respectively. Only 23% of respondents had been refused any form of high cost credit over the last 3 years, against 77% who had not. There was a wide spread across different types of high cost credit. This suggests that Scotcash provides an alternative to people using a wide variety of other forms of high cost credit, or provides a

complement to people accessing budgeting loans, and that a high proportion of Scotcash customers may have access to alternatives in the high cost credit market.

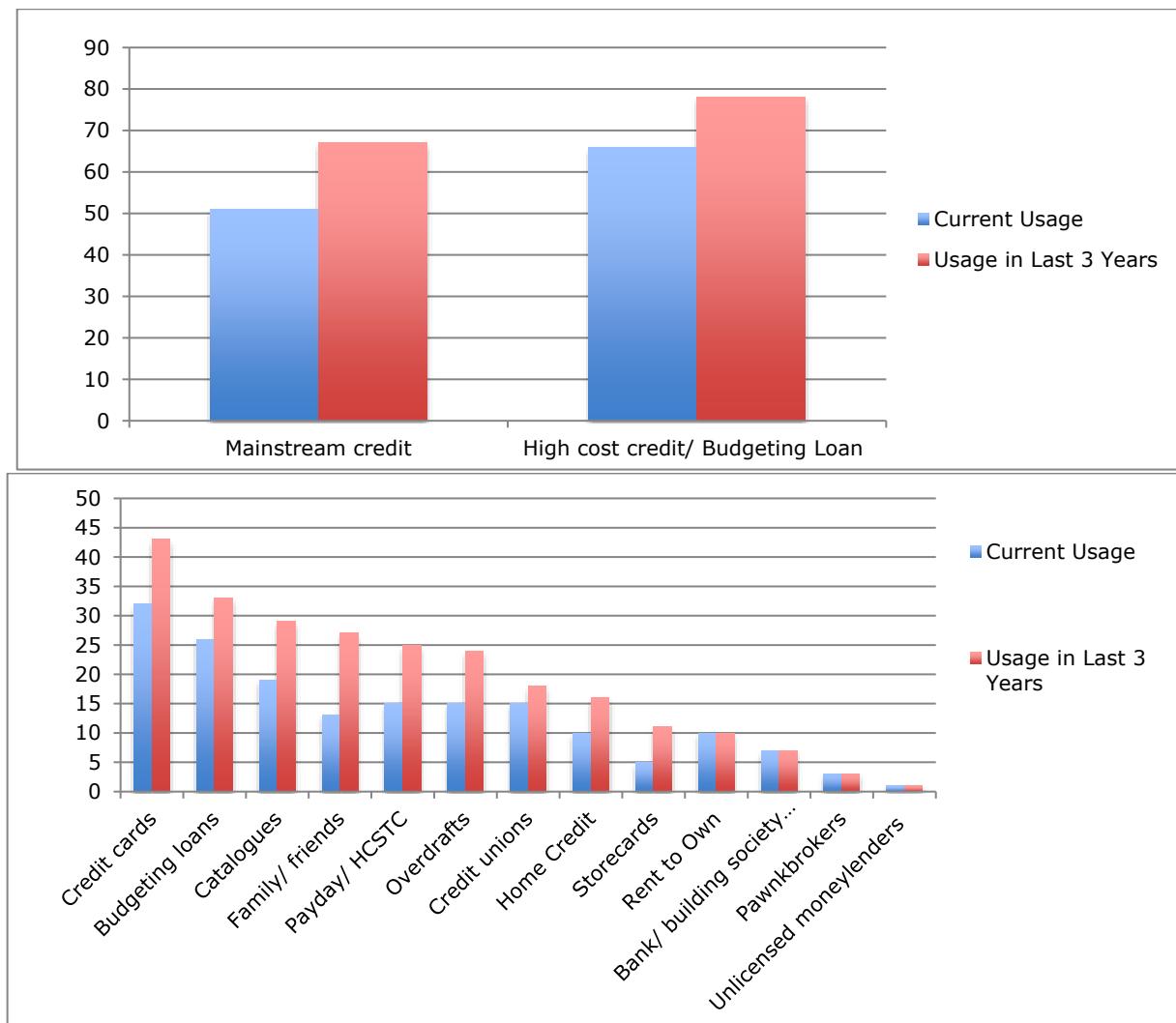
For many interviewees, previous use of high cost credit had been driven by limited options and their borrowing had become more problematic over time. Many interviewees had moved away from using high cost credit and were clear about the disadvantages of the various forms of such credit in terms of cost and customer service. Others reported consciously avoiding all high cost credit. Some had experienced the consequences of high cost lenders withdrawing from the market.

For some interviewees, use of high cost credit had been, or still was, a controlled part of their money management, even when aware of issues with doing so. A number of Rent to own customers did not appear to see it as a form of credit.

### **Budgeting Loans**

27% of respondents were currently repaying Budgeting Loans, 34% had taken out a budgeting loan in the last 3 years. Usage was very common amongst interviewees, with considerable variance in the frequency of usage. Budgeting loans appear to be used for the same range of purposes that people access high cost credit, or Scotcash. Budgeting loans were seen by interviewees as affordable in terms of payment, as a secure and manageable way of borrowing giving certainty to borrowers, not dissimilar to Scotcash in that regard.

**Figures 5 and 6: Current and Recent Use/ Non Use of Credit/ Forms of Credit**



### **Other Loan Repayments**

A minority of respondents were currently, or had recently been, behind on repayments of other loans. Only 29% had been behind on one or more set of repayments at some point in the last three years. Proportions of respondents currently and recently behind on loan repayments are noticeably lower than proportions of respondents in arrears on core household bills.

### **General Attitudes to Credit**

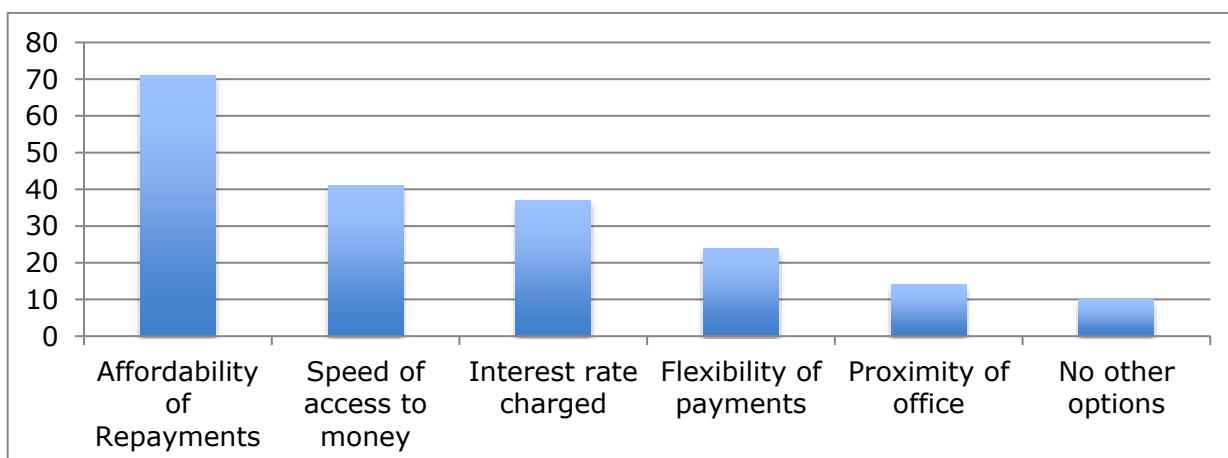
Interviewees generally saw credit as an essential way of managing 'lumpy' expenditure in the context of difficulties saving on a low income. Some had more negative attitudes, worrying that they should not find themselves in a situation where they needed to borrow, or feeling that credit is a necessary evil. Issues managing credit were generally seen as affecting other people rather than themselves.

### **Engagement with Scotcash/ Reasons for Choosing Scotcash**

The most common route through which survey respondents had heard about Scotcash was online. Happenstance and personal recommendation from other customers were important routes into engagement with Scotcash for interviewees, and were the route for hearing about Scotcash for over a quarter of survey respondents.

The impact on interviewees of Scotcash's advertising focus was clear, with key messages absorbed around cost, and suitability/ availability of loans for people on lower incomes or with low credit ratings. Personal recommendations to interviewees had focused affordability or interest rates, and less specifically, on simple availability. Scotcash's not for profit status does not appear to feature significantly as a reason for engaging, only a handful of interviewees were aware of this.

**Figure 7: Top Three Reasons for Choosing Scotcash**



### **Reasons for borrowing from Scotcash**

A variety of reasons for seeking loans were set out by customers:

- For Christmas and birthday celebrations and presents.
- To support the cost of decorating the home.
- To replace costly household items that had broken down, in one case a bed that had been broken by children bouncing on it.
- For holidays, and to provide holiday spending money.
- To help clear utility debts and to put themselves on a better financial footing.

## **Customer Experience of Scotcash.**

The customer engagement experiences of Scotcash survey respondents across the board were positive, those accessing the service face to face being marginally more positive than those accessing the service online, and those experiencing both routes of access being marginally more positive about their face to face experience.

Online customers reported positive experiences in terms of ease, speed and helpfulness of process and simplicity of the Scotcash website. Face to face engagement with staff was positive; staff were felt to be friendly and welcoming. Experience of the Scotcash office environment was also positive.

Affordability is checked thoroughly within the application process, and this aspect of it is generally positively perceived, although some customers found the process intrusive. Customers felt that discussion of affordability and repayment was very clear. Customers accessing the service online often had a clear preference to access the service that way, those accessing the service face to face had a preference for doing so in that way.

Online customers interviewed liked being able to access Scotcash from their home and not having to travel. Some face to face customers reported not being comfortable using technology, some had safety concerns about accessing financial services online, and some wanted to explain their situation face to face during an application rather than be judged by a computer.

## **Experience of Repayment.**

Interviewees reported that repayment was generally a smooth process, made frictionless by direct debit, and assisted by the timing of payment to coincide with benefit receipt in their account ensuring that customers are aware of how much they have left over. 74% of survey respondents reported that they could repay/ had repaid their Scotcash loan without any problems at all, 22% reported that they could repay/ had repaid the loan without any major problems.

84% of survey respondents had neither made use of forbearance from Scotcash nor missed a payment, 15% had missed a payment, 4% had fallen into arrears. Only a minority of interviewees reported missing payments or making use of forbearance options. Some interviewees reported issues around the timing of payments from their account over bank holiday periods, sometimes the result of their error in not leaving enough in their bank account, at other times an error from Scotcash.

Two thirds of survey respondents who had experienced difficulties felt that Scotcash had responded very helpfully to those problems, a further 14% that they had been helpful.

Some customers felt the admin fee was excessive.

## **Impact of Scotcash**

Survey responses pointed to clear positive shifts in the average financial situations of customers after engaging with Scotcash, with those not managing well falling from 17% to 5%, and those managing well increasing from 21% to 32%. 71% of respondents reported at least some positive impact on their money situation of going to Scotcash.

Interviews suggested that Scotcash helps people pay for things they would not otherwise be able to afford, and sometimes to escape from difficult situations.

Survey responses pointed to a clear positive shift in the average sense of control of financial situations of customers after engaging with Scotcash. They also suggested that Scotcash has at least some positive impact on customers' feelings about managing money, and their health/ feelings about life. 66% of respondents reported at least some positive impact on the way they felt about managing their money. 46% of respondents reported at least some positive impact on their health or feelings about life.

Interviews suggested that Scotcash appears to have a positive effect on the way customers feel about money, with fewer worries, and gives customers a sense of security about having access to credit when needed.

Borrowing from Scotcash may also be part of a shift towards a more stable pattern of managing money. Improvements in managing money may result from Scotcash facilitating escape from difficult situations.

Scotcash has acted as a gateway to saving for a small number of customers, both with credit unions and mainstream banks. There is a much higher level of discussion of accessing credit unions or advice services with face to face customers than online customers. Few customers report accessing advice services through Scotcash, reporting either that support was not needed as they were financially in a reasonable situation, or that they were already in touch with advice services.

### **Additionality**

Many customers were unclear about how they would have met their credit needs in the absence of Scotcash. Some felt that they would have avoided borrowing at all, preferring to go without purchases or to save, or would particularly have avoided using high cost credit. Others thought they would potentially have used high cost credit, including in one case unlicensed money lenders, but feared that these alternatives would not have been as good, or would have led to entrapment in debt. Some feared they would have faced the potentially negative experience of borrowing from family.

Customers compared Scotcash positively to high cost lenders in terms of price, ease of payment, and quality of engagement. Scotcash was seen as placing less pressure on customers to borrow, and as creating less risk of being entrapped in debt. Credit unions were viewed by those borrowing from them even more positively than Scotcash.

### **Use Again/ Willingness to Recommend**

- 59% of survey respondents reported that they were *very likely* to use Scotcash again, 27% reported that they were *likely* to use Scotcash again.
- 63% reported that they were *very likely* to recommend Scotcash to a family member or friend, 19% reported that they were *likely* to recommend Scotcash to a family member or friend.
- The vast majority of interviewees were also prepared to recommend Scotcash to friends or family or use it again. One interviewee felt more reluctance to recommend Scotcash because of the admin fee charged.

### **Suggestions for the Future**

Suggestions were made by interviewees that Scotcash could:

- Offer more private interview space in its office.
- Introduce customer rewards for people recommending Scotcash to friends.
- Be less intrusive in the handling of questions around spending.
- Offer top up loans.

## **Customer Summary Thoughts**

'I just think they were really helpful, and they dealt with me in a professional way. I have been going there for two years, and I wouldn't go anywhere else anymore.' (Gemma, 25-34).

'It's just relaxed. You don't feel embarrassed. They go through things step by step every time.' (David, 65+)

'Scotcash is the best thing that ever happened. It's really good, everything has been explained. You could not get nicer people. They are really friendly.' (Jock, 45-54)

'I can't say a bad thing about Scotcash. It's all positive.' (Lisa, 35-44)

## **Staff And Stakeholder Perspective**

### **Senior Staff**

Senior staff had seen the establishment of a well functioning Edinburgh office as a 3-5 year process, dependent on good stakeholder engagement, and aimed at creating a joined up offer with credit unions and housing associations that could be 'sold' to Edinburgh City Council. They reported investing significant time in the building of relationships with local credit unions and housing associations, but felt this had not borne fruit, in the latter case because of tenant activist concerns about interest rates.

The Edinburgh office had not been as well used as expected, reflecting a general channel shift across the Scotcash business and in other businesses operating in similar fields. These low levels of footfall suggested to senior staff that investment in stakeholder relationship building was less worthwhile, as the usual aim of such work was to drive physical traffic towards the business. Significant effort had been invested in social, print and broadcast media campaigns.

### **Frontline Staff**

Frontline staff confirmed that the Scotcash Edinburgh office had lower footfall than expected. They felt that face to face engagement remained important for certain customer groups, and for engaging with clients who might otherwise have applications turned down. They also felt that more could be done around stakeholder engagement and use of social media.

### **Funders**

Funders, the Oak Foundation and Virgin Money, were positive about the investment that they had made in Scotcash's Edinburgh operation, and were ambitious for the work of Scotcash to be sustained, expanded and replicated. Both funders were positive about the wrap around services that Scotcash can offer. Both acknowledged the challenges in delivery, and were keen to continue to explore tensions around retention and moving customers on, and between meeting the needs of a disadvantaged client group and ensuring sustainability.

### **Stakeholders**

Stakeholders generally felt that whilst there had been initial effort to establish relationships with Scotcash, this had not been fully followed up, and that other priorities had taken over for them.

There are negative perspectives about Scotcash around, including amongst senior councillors about the interest rate charged accompanied by a lack of understanding of the reasons for such rates being higher than those for credit unions, and including a sense that Scotcash is really a west coast initiative.

However, Edinburgh City Council's Poverty Commission has some understanding of affordable credit and may have some interest in exploring the future role of Scotcash in the city in greater depth.

## **Recommendations**

### **1. Scotcash uses the findings of this report to guide its messaging in its expanded work to advertise through broadcast, printed and social media.**

There are three clear messages from this report that might be of particular use to Scotcash in planning its promotional work:

- Scotcash should foreground messages which focus on loans available to 'people like us', its potential customers- those claiming benefits and tax credits, and those with poor credit histories unable to access mainstream credit; and which focus on the affordability of loans.
- The interest rate it charges should be a 'second tier' message.
- It should consider the opportunities social media presents to do simple advertising videos, and to target messages at particular groups of customers/ at particular times of year.

We believe that Scotcash should also consider building on customers' understanding of the shortcomings of the high cost credit sector, and on the fact that Scotcash is a not for profit lender might be built into messaging, in an exploratory way.

The real time feedback from, and relative cheap cost of social media campaigning provides a real opportunity for experimentation.

### **2. Scotcash considers how it can develop its role as a gateway to other services for online customers.**

It is clear that more creativity and consistency is required if Scotcash is to maximise its role in acting as a gateway to other services for online customers. Scotcash should think through how it can use social media, direct mailing and phone contact with customers as a mechanism for doing this.

### **3. Scotcash should consider how it can engage with customers with a preference for face to face engagement.**

A significant minority of current customers have a preference for face to face engagement, and it is likely that that preference is reflected across the population of potential customers. With the closing of the Edinburgh office, Scotcash risks the loss of existing customers, and a reduction of its reach into its potential customer base.

Scotcash should consider how it might respond through greater use of telephone contact with customers, and through the potential for the use of video conferencing technology such as Skype and Facetime, building on increased comfort with use of this technology gained during the Coronavirus lockdown.

It should also identify key areas in which such engagement is likely to be a poor or unsatisfactory substitute for face to face engagement for some customers, and in the longer term seek to develop relationships with stakeholders who may wish to become

trusted partners capable of carrying out some face to face or administrative tasks on behalf of Scotcash.

#### **4. Scotcash should develop its energy offer, perhaps linking in with switching services.**

Scotcash's most effective work acting as a gateway for customers to other services appears to have been linking them to the Warm Deal.

Scotcash should consider how it might partner with companies who support both individual and collective energy provider switching as a way both of benefiting customers, and through the financial rewards customers switching would generate for through introduction fees, making a small but worthwhile contribution to its own income.

#### **5. Scotcash should consider a partnership arrangement with Fair for You targeted directly at former and current Brighthouse customers.**

There were three interesting aspects of feedback from customers about Brighthouse; many did not see using Brighthouse as accessing credit; some were using Brighthouse alongside Scotcash for bigger purchases; many of those who had used Brighthouse were clear about the downsides of doing so in terms of cost/ value for money.

It is possible that Brighthouse might shortly completely cease trading, leaving a gap in the market. Scotcash might meet some of the needs of current or former Brighthouse customers, but it is possible that many might prefer a more typical rent to own arrangement for some goods running complementary to a Scotcash loan financing other purchases.

Partnership might offer both Scotcash and Fair for You a mutually beneficial route to more customers with a complementary offer.

#### **6. Scotcash seeks to engage with the Edinburgh Poverty Commission as route into (re-) establishing productive working relationships with key public and voluntary sector organisations in Edinburgh.**

Currently Scotcash gets very few direct referrals of customers from partner organisations in Edinburgh. Withdrawal from its physical presence in Edinburgh hinders but does not mean the end of, the opportunity to generate such referrals to Scotcash, and does not mean that opportunities cannot be found to promote Scotcash through partners' various social and printed media outputs and online channels.

Engagement with the Edinburgh Poverty Commission, if successful, could ensure that it built into its work a commitment to promoting access to affordable credit which reflected the work and importance of both CDFIs and credit unions, and which would give Scotcash a critical stamp of political approval that would assist in opening doors to engagement with other local partners.

#### **7. Scotcash explores the possibility of incentivising existing customers to introduce new customers to the company.**

Word of mouth recommendations are clearly an important route into Scotcash for many customers. Scotcash should consider whether it might be possible to incentivise existing customers to be more proactive in recommending Scotcash as a good source of affordable credit to friends and family.