creditspring

Annual Report 2022

Financial Stability Tracker

Foreword

By Peter Tutton, Head of Policy,
Research and Public Affairs
at StepChange Debt Charity.

This report from Creditspring adds new insight on the financial pressures and anxieties that millions of people are facing as the growing cost of living crisis starts to bite. In the absence of more financial support for households struggling with fuel bills and rising prices, there is a danger that desperation will drive unsustainable and harmful credit use.

StepChange's recent research found that over four million people already in financial difficulty are using credit to keep up with other credit commitments, bills and living expenses. The strong responsible lending message in this report needs to be heard widely to stop more people getting trapped in a cycle of problem debt.

A strong consumer protection framework is the first line of defence and the call in this report for Buy Now Pay Later products to be brought into effective regulation should serve to remind policy makers that this is an urgent need.

The focus on good consumer outcomes at the heart of the FCA's forthcoming Consumer Duty should be embraced and developed as a 'how to' guide for all lenders who put responsibility at the heart of their business model. People seeking credit need to know that their financial vulnerabilities and behavioural biases will not be exploited.

This can create a space for responsible finance providers to flourish and innovate to meet the credit needs (but crucially not the income needs) of consumers who need to smooth lumpy purchases in a period of increasing pressure on household budgets. However we all know that the mismatch of risk and ability to pay makes it impossible for responsible lenders to serve all the people who approach them. This is why we need government and the regulator to underpin the expansion of a socially-minded lending sector that can safely meet the credit needs of people hit by this cost-of-living crisis.

Introduction

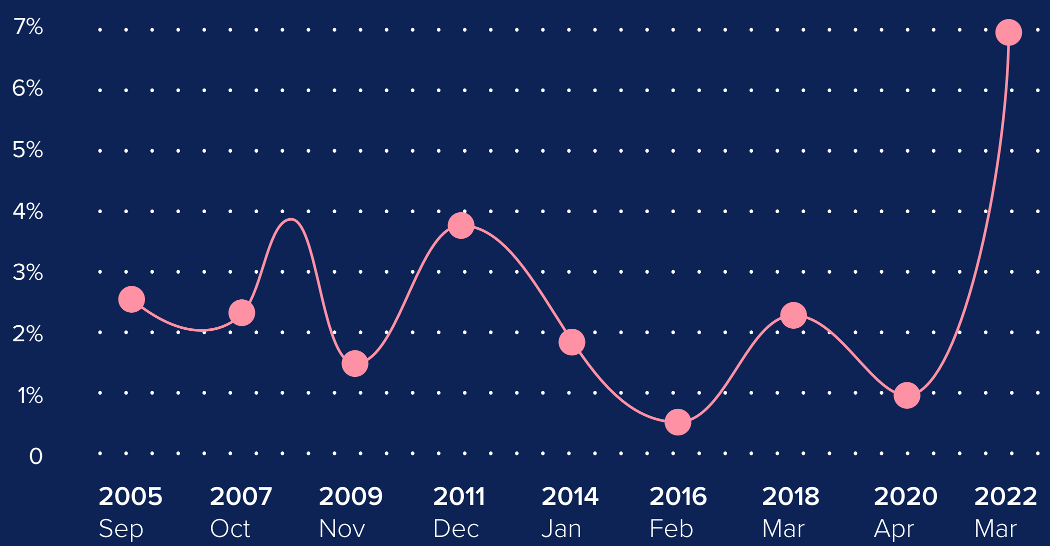
Storm clouds gather over the UK's finances

By Neil Kadagathur, Co-Founder and CEO, Creditspring.

Things are tough right now. With household finances across the UK already stretched paper-thin in the aftermath of the pandemic, **the rise in energy prices and spiralling inflation really couldn't have come at a worse time.**

The cost of living crisis is gathering pace too, with inflation sitting at 7% - the highest rate in 30 years. And the Bank of England has warned that it could peak close to 10% later in the year. The Resolution Foundation, meanwhile, has reported that record-high energy prices amidst the Ukraine conflict could lead to a hit worth £1,000 per household.

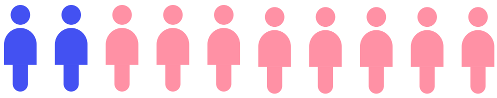
Inflation in the UK



10%

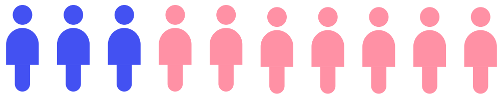
The Bank of England has warned that this is what inflation could reach by the end of the year.

21%



of people in the UK believe that external financial pressures will drive them into problem debt this year.

31%



of people in the UK are expecting to struggle to pay for essentials, such as clothing and a healthy diet.

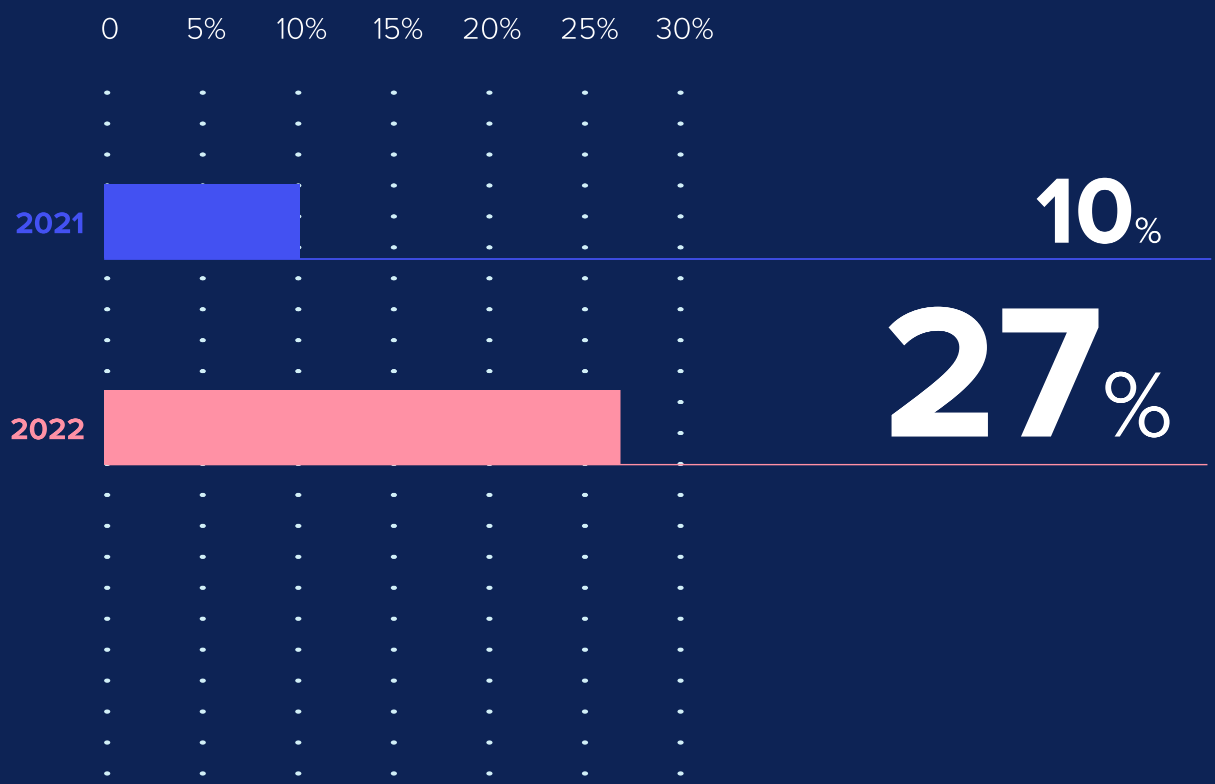
According to debt charity StepChange, one in five (21%) of people in the UK believe that external financial pressures will drive them into problem debt this year. Three in 10 (31%) are expecting to struggle to pay for essentials, such as clothing and a healthy diet.

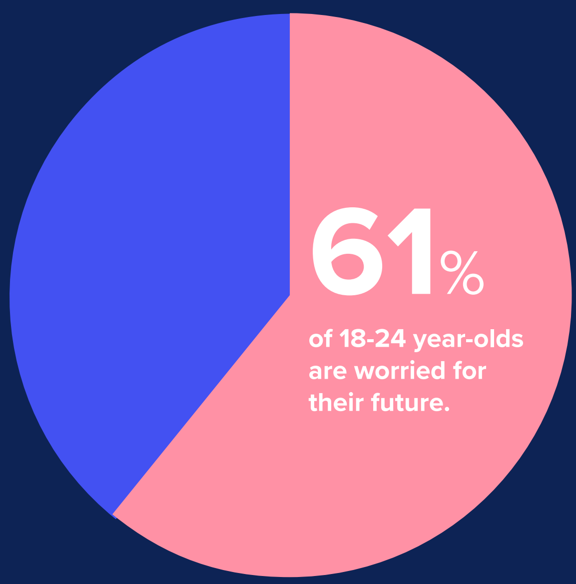
Against this volatile backdrop, people will need to borrow more. Our calculations show that the UK's credit card debt will rise by £1.5bn – to almost £60bn – as households become increasingly reliant on credit cards to meet rising living costs. Unfortunately, we're increasingly seeing the impact of increased borrowing from those approaching Creditspring for financial support. Applicant monthly debt repayments are up 9% in a year whilst the total balance of unsecured loans has jumped 13% over the same period.

It's essential that borrowers are protected during this challenging time. This is particularly true for the UK's 12-15 million near-prime borrowers, who often struggle to access affordable credit options.

In February 2022, we commissioned Opinium to survey 2,000 UK adults to inform our latest Financial Stability Tracker, a project we first introduced last year to better gauge people's financial situation, level of understanding and concerns.

People feeling financially unstable





The results are eye-opening. When it comes to people's financial lives, the cost of living crisis is having a much bigger impact than the pandemic. For example, whilst last year just 10% said the pandemic made them feel more financially unstable, this year 27% feel financially unstable due to the rising costs of living. Young people are the most anxious about their finances, with 61% of 18-24 year-olds worried for their future.

People who don't know that BNPL is not regulated.

81%

People unaware that BNPL providers can add a late payment fee.

43%

Our research also highlighted a worrying lack of financial literacy, with people struggling to make the right decisions to boost their financial stability because they don't understand, or are simply unaware of, the various options.

We know that when money is tight, people often turn to forms of credit to help them get by and weather the storm.

But people aren't aware of the rules and regulations surrounding different types of lending. Buy Now Pay Later (BNPL), often viewed as the new Wild West of the lending industry, is one area of significant confusion for borrowers – 81% don't know that BNPL isn't regulated, while 43% are unaware that BNPL providers can add a late payment fee. The UK's beleaguered borrowers are in desperate need of support. It's on financial services providers to step up and provide this support - whether it's providing better financial education or harnessing the power of new technology.

I would urge lenders to continue exploring open banking, for example, which is game-changing in terms of affordability assessments and ensuring that those we lend to will not get into financial difficulty.

With the UK's financial situation so precarious, never has the concept of responsible lending been so crucial.

Chapter 1.

A bleak financial outlook shaped by the cost of living crisis

The current cost of living crisis is well publicised and weighing on the nation's collective consciousness. Across the UK, people are becoming increasingly anxious as they face rocketing energy bills, record inflation and rising prices.

It's taking a heavier toll on people than previous financial concerns amidst the pandemic. Our research revealed that **27% feel financially unstable as a result of rising living costs**, with the figure standing at 23% for men and 32% for women.

This represents a nearly **threefold increase on the 10% who last year said the pandemic made them feel more financially unstable than ever before**.

In total, **44% feel anxious when they think about their finances** (47% for women, and 41% for men). This anxiety is more pronounced amongst young people, who may be leaving education or entering the workplace amidst huge uncertainty, often without savings to fall back on and already facing thousands of pounds of student loan debt. **Over three in five (61%) 18-34 year-olds said they felt anxious about their finances, compared with 25% of those aged 55+**.

The biggest financial concern for people is rising utility bills (63%) followed by the rising cost of living (55%). The price hike for utilities has been caused by an increase in wholesale gas prices, which have seen a steep rise since October 2021. Gas prices have hit a record high as the world emerges from lockdown, and the war in Ukraine is likely to exacerbate the issue.

1. A bleak financial outlook shaped by the cost of living crisis

44% **feel anxious when they think about their finances.**

41% of men

47% of women

61% among 18 to 34 year-olds

25% among 55+ year-olds

People who feel more financially unstable than ever before, due to the pandemic.

10%

2021

People who feel financially unstable as a result of rising living costs.

27%

2022

23% of men feel financially unstable as a result of rising costs.

32% of women feel financially unstable as a result of rising costs.

The biggest financial concern for people.

Rising utility bills.

63%

Rising cost of living.

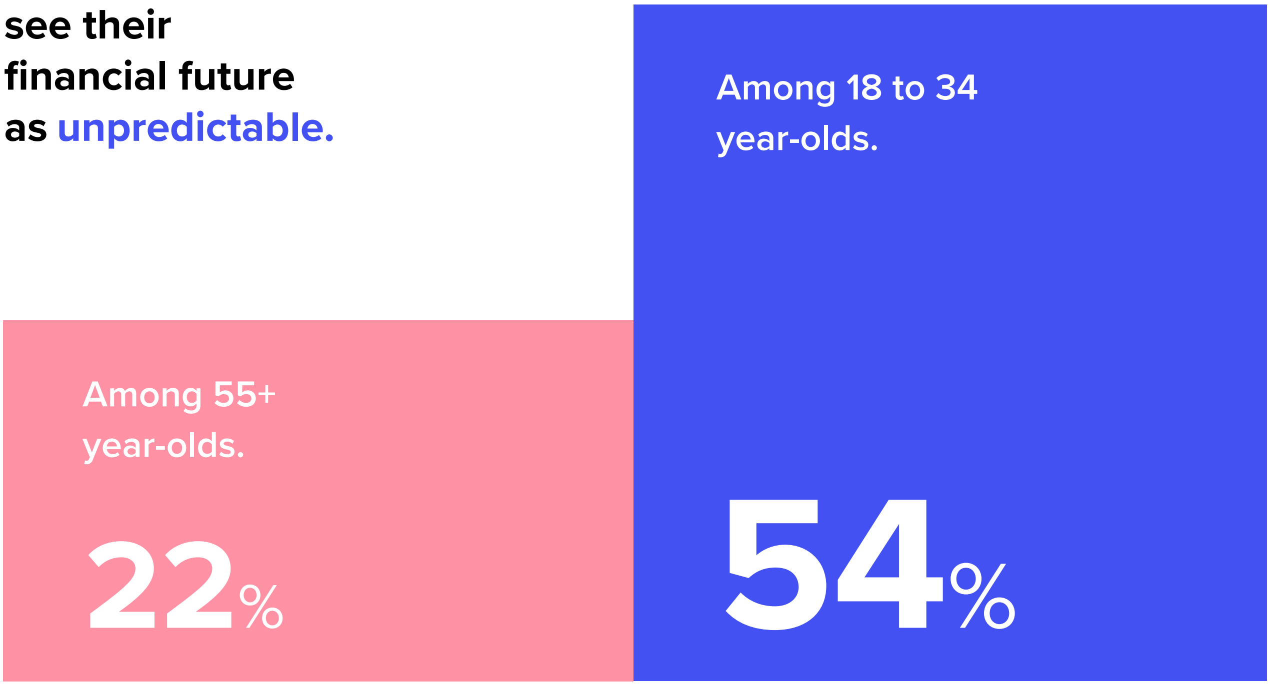
55%

Case study

Anthony is currently on disability benefits for arthritis. His arthritis has meant that Anthony has had to retire early which has already made his lifestyle difficult to maintain. Only now has Anthony started to feel comfortable with his new income, however the rise of inflation and cost of living has caused him to make changes to save money. Anthony's arthritis means that he needs to keep the heat on to help with the pain. That, however, has resulted in his gas and electric bills doubling from £50 to £100 per month. To offset his bills increasing, Anthony now drives less to save on petrol. Anthony would love to have a little bit of money left over for the end of the month if needed but worries that this isn't possible with the rise of the cost of living and utility bills.

38% +9% from 2021

see their financial future as unpredictable.



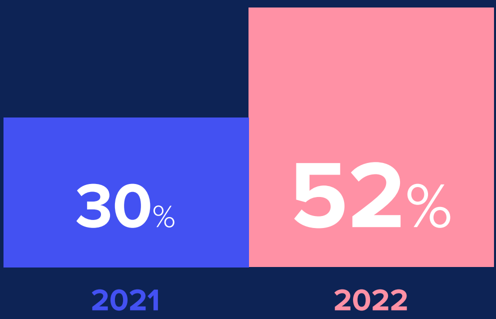
The government has introduced a number of measures designed to help people stay afloat. Earlier this year, for example, the Chancellor announced that households paying Council Tax in bands A to D would receive a one-off £150 Council Tax Energy Rebate to support families as food and energy prices rise rapidly. In the Chancellor's recent Spring Statement, it was announced that households would receive a £200 loan to lessen the financial impact of rising energy bills. However, as the energy cap jumped by almost £700 at the start of April, and Investec analysis suggests annual bills could exceed £3,000 by October, many are calling for more to be done. The Labour Party has proposed a windfall tax on companies pumping oil and gas from the North Sea that would help further offset rising prices. As a result of the continued uncertainty building up around them, **38% said they see their financial future as 'unpredictable'**, up from 29% in last year's **Financial Stability Tracker**. Again, young people are suffering the most, with **54% of 18-34 year-olds facing an unpredictable financial future compared with 22% of the 55+ group**.

29%

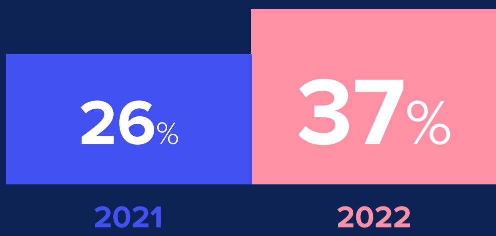
are terrified for their financial future.

+9% from 2021

25-34 year-olds who are terrified for their financial future.



Single people who are terrified for their financial future.



Most worryingly, the proportion of those who said they are 'terrified' for their financial future is up by almost 10% (29% versus 20% last year).

We're seeing the situation steadily worsen across different demographics. For example, the figure now stands at 52% of 25 to 34 year-olds (30% in 2021), and 37% for single people (26% in 2021). Londoners are particularly stressed, given the already high cost of living in the capital, with 42% saying they feel terrified when it comes to their finances, compared with 24% in Scotland.

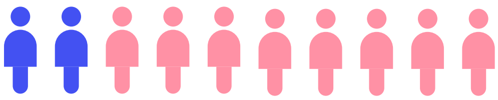
24%

are terrified for their financial future in Scotland.

42%

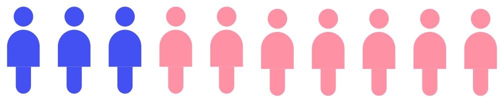
are terrified for their financial future in London.

16%



plan to borrow money in the coming six months.

33%



18 to 34 year-olds plan to borrow money in the coming six months.

Over the next six months, UK credit card borrowing set to increase by

£9bn

In the next six months the total credit card bill is predicted to hit

£68.9bn

Unsurprisingly, more people will need to turn to borrowing to cope. The research has highlighted that **nearly one in five (16%) plan to borrow money in the coming six months**, up from 13% last year. The figure rises to a third (33%) of 18-34 year-olds, which is a 10% increase from last year (23%).

Many of these people will be amongst the UK's 12-15 million near-prime borrowers, who have limited access to mainstream lending products due to thin credit files. They are therefore more susceptible to unscrupulous, unregulated lenders and are at greater risk of becoming trapped in a cycle of debt.

"Any one of the cost of living crisis, recovering from the financial impact of the pandemic and the explosion of unregulated Buy Now Pay Later products would have sent shockwaves through society. All three together are causing a seismic shift in the consumer credit market.

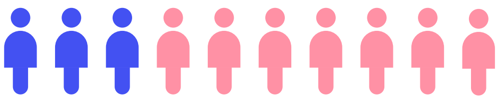
It is clear from the customer insights in the Financial Stability Tracker that it has never been more urgent to scale up responsible lending. **More than 7 million people are financially excluded and their financial resilience is in peril.** Responsible lenders offer them a better, fairer alternative when they need to borrow, so will be absolutely critical over the coming months of uncertainty."

Theodora Hadjimichael
CEO, Responsible Finance

Chapter 2.

A pressing need for better financial education

34%



of people feel stuck financially and there is nothing they can do to improve their financial situation.

People are worried about their financial future but they don't know what to do because they lack the financial education and support required to make informed decisions that will benefit their long-term financial health.

This has been a longstanding issue, with the World Bank highlighting that one in three people in the UK can be classed as financially illiterate. The UK also lags behind the OECD average in terms of mathematical skills, with more than half of working-age adults estimated to have low basic numeracy which means they can't properly read a payslip or convert a weekly bill into a monthly or annual amount.

Our research found that more than **a third (34%) of people feel stuck financially** and that there is nothing they can do to improve their financial situation, with this figure rising to 50% of 25-34 year-olds.

Financial education is vital and more support is required to reach those who need affordable credit. As touched upon in the last chapter, there are up to 15 million people in the UK who struggle to access mainstream credit options.

These are the individuals who are most at risk from predatory high-cost lenders, especially in the current climate.

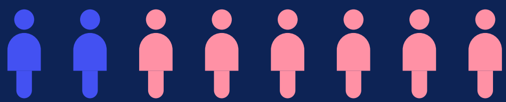
The **Financial Stability Tracker** shows that a widespread lack of understanding and misconceptions around borrowing are putting people at increased risk. Whether developing the skills needed to manage finances or providing more opportunities to avoid high-cost credit options, boosting the UK's level of financial literacy will be a huge step towards supporting households in one of the most financially-challenging times in living memory.

Case study

Jumar is a software engineer who has had trouble saving money. Previously, he has had a very low credit score after borrowing money he struggled to pay back. He needed a lender that will provide small loans with manageable repayments so he can improve his credit score and manage his spending.

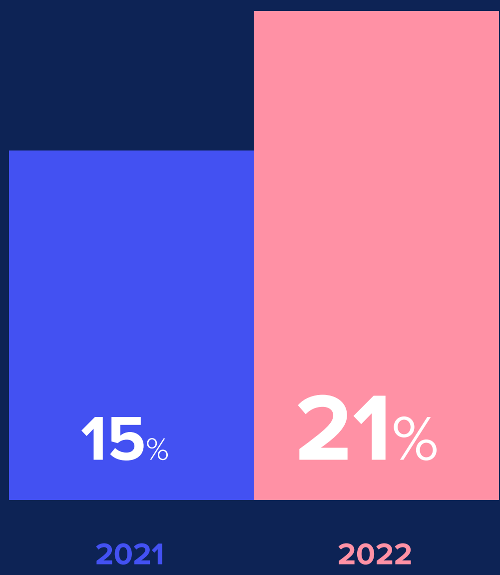
In the past, Jumar immediately opted to use credit cards when struggling with his finances, however this often created a misleading view of his financial position and meant he couldn't always meet repayments. Jumar believes that he needs more discipline in order to be fully in control of his finances - he knows that inflation will start impacting him soon but is yet to see the effect of it at the moment. Jumar wants financial advice and support to help him to learn how to pay off his current debts and start to save money for the future.

23%



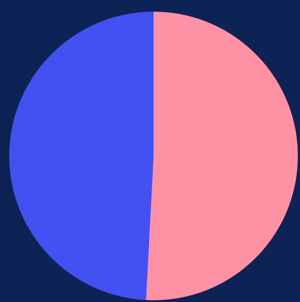
of people who turned to high-cost lenders face higher charges than expected.

People who have struggled to make repayments.

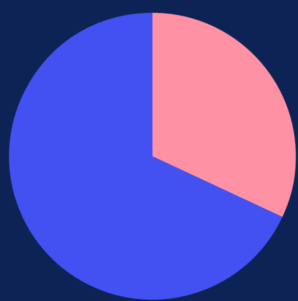


Fewer than half (48%), for example, know that their partner's credit score also impacts theirs and can reduce their credit options. Just **5% check their credit score once a year** and 16% admit that they check even less frequently than that.

Of those who turned to high-cost lenders, such as guarantor loans and catalogue credit, nearly **a quarter (23%) face higher charges than expected**, whilst **21% have struggled to make repayments** (up from 15% last year). **Only half of people (51%), meanwhile, realise that BNPL can impact their credit score, with a third (32%) unaware that BNPL is a form of borrowing** and therefore comes with associated risks.



51%
realise that BNPL can impact their credit score.



32%
are unaware that BNPL is a form of borrowing.

Another problem is how lenders are perceived by consumers. Over a quarter of people (29%) consider lenders to be dishonest and deceitful, a figure which rises to nearly half (45%) in the 25-34 age group. And 75% believe that lenders are only out to make a profit, a view that's particularly prominent amongst those aged 55+ (81%).

Whilst borrowing has a bad reputation, it can be a necessary and valuable financial tool, so long as it's used in a safe and considered way. It can make buying a car, going to university or covering an emergency possible. Credit can also enable people to build long-term financial security when it's used to purchase an asset like a house. And, as we saw in the previous chapter, during the cost of living crisis it's also providing a lifeline for many households.

75%

believe that lenders are only out to make a profit.

81%

in the 55+ year-old age group.

29%

consider lenders to be dishonest and deceitful.

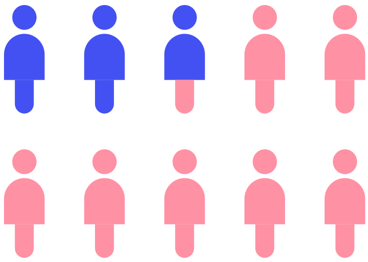
45%

in the 25 to 34 year-old age group.

Case study

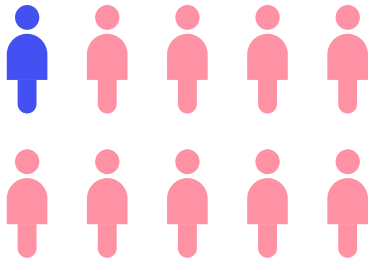
In the past, Louise accumulated minor debt which made her nervous to borrow as she was worried that she wouldn't be approved for larger loans in the future. Louise has previously felt misinformed when borrowing because of additional charges appearing as she was repaying the initial loan. Louise felt overwhelmed once she turned 18 and had a lot of new financial terms and opportunities thrown at her, which she was not ready for. This included using an overdraft and having more credit opportunities available to her. Louise borrows to deal with unexpected expenses, therefore needs her lender to be upfront about any costs associated with the loan.

32%



of people acknowledge that borrowing money has helped them to access a wider range of experiences.

17%



of people consider lenders to be responsible businesses who truly care about their financial wellbeing.

Our research highlighted that **a third (32%) of people acknowledge that borrowing money has helped them to access a wider range of experiences** than they would have otherwise been able to afford. This is the case for more than half (51%) of 25-34 year-olds. It's up to lenders to better educate people about borrowing, and to ensure they are offering transparent, affordable options to those who really need them. Currently, much more needs to be done. Lenders urgently need to address the lack of trust in the sector – only 17% of people consider lenders to be responsible businesses who truly care about their financial wellbeing. This falls to 13% for women. This must change, and fast.

Chapter 3.

BNPL, a ticking time bomb

Ever since payday loans were driven out of the mainstream, there have been fears that another crisis will hit the industry - and many now worry this could be BNPL.

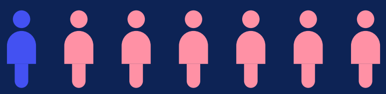
According to the FCA, there were £2.7bn worth of BNPL transactions in 2020, with subsequent studies suggesting the market more than doubled to £5.7 billion last year.

The cost of living crisis and increasing reliance on credit suggests that this will further grow in 2022. StepChange has warned that BNPL is being widely used by people already experiencing financial difficulties, highlighting that around 5.2 million people now own one or more BNPL items.

As briefly mentioned in the last chapter, BNPL is dangerously misunderstood. Our **Financial Stability Tracker** has revealed that **81% of people across the UK still don't know that BNPL is unregulated**, with **more than half (47%) unaware that BNPL schemes can lead to debt if scheduled payments are missed.** And **43% also don't know that BNPL providers can add a late payment fee** in the event that repayments are missed.

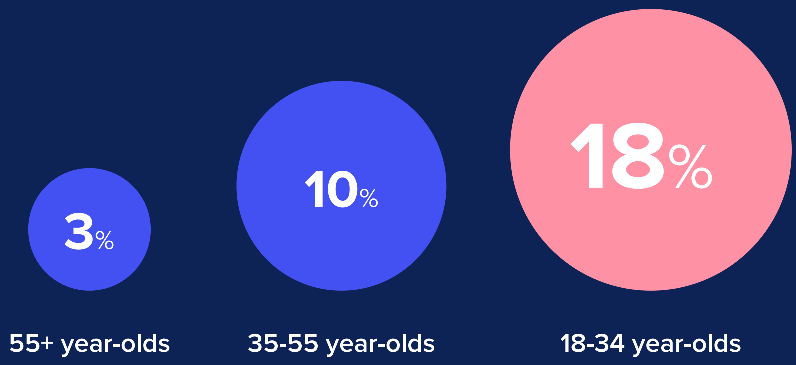
Even more worryingly, **one in seven (14%) believe that it's actually impossible to get into debt from using BNPL**, and this rises to 26% amongst 18-34 year-olds. And this age group are almost twice as likely to have used it recently. We found that 18% of 18-34 year-olds have used BNPL since January 2021, compared to 10% of 35-54 year-olds and just 3% of those aged 55+.

14%

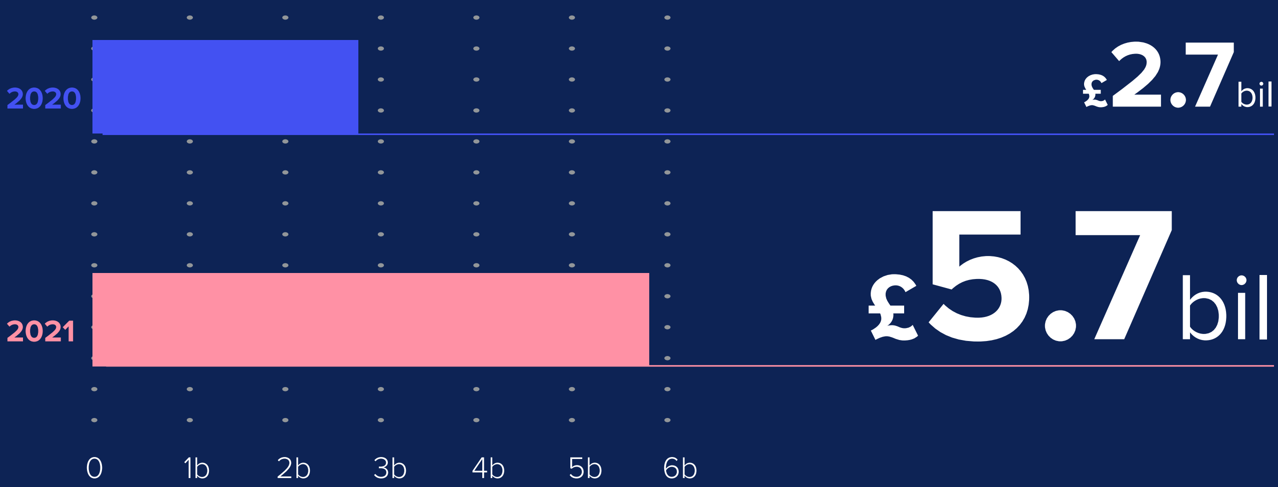


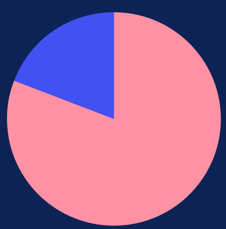
believe that it's actually impossible to get into debt from using BNPL

Age groups who used BNPL since January 2021

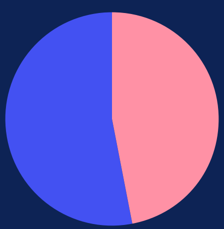


Amount spent in BNPL transactions

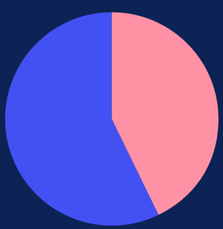




81%
don't know that BNPL is unregulated



47%
don't know that BNPL schemes can lead to debt if scheduled payments are missed



43%
don't know that BNPL providers can add a late payment fee if repayments are missed

Top 5 forms of new credit in the UK

1. **Credit Cards**
   used by 16%
2. **BNPL**
   used by 10%
3. **Mortgage**
   used by 6%
4. **Catalogue credit**
   used by 4%
5. **Car finance**
   used by 3%

The research also showed that, since January 2021, **BNPL is now the UK's second favourite form of new credit**, behind credit cards. Since January 2021, more people have used BNPL than taken out a mortgage, used car finance or secured a bank loan. This is a big concern, with the major misconceptions about BNPL meaning that millions of UK borrowers are at a real risk of hurting their credit reports and potentially falling into a damaging debt spiral.

We're also seeing the initial signs of borrower regret creeping in, with **9% of UK BNPL users saying that they wish they'd never used BNPL**. Despite this, more than a quarter (26%) of BNPL users are using it at least once a month, which is indicative of persistent debt.

Much more needs to be done to protect consumers from the potential pitfalls of BNPL. This includes raising awareness of the issues associated with it. As things stand, the UK's borrowers are in danger of falling into another credit trap, relying on BNPL as a crutch to struggle through until payday.

One of the worst-case scenarios is that borrowers can end up receiving a knock on the door from a debt collector, but the majority of people are completely unaware that this is even a possibility. What may initially appear to be a harmless purchase before payday can quickly escalate into a problem that can hamper someone's ability to borrow in the future.

The upcoming regulation of the BNPL will provide some consumer protections, however, it's unlikely to go far enough to fully rein in what has become a huge market. Affordability checks in the BNPL sector simply aren't robust enough. BNPL providers aren't required to report repayment history to credit reference agencies, meaning other lenders won't know how much BNPL debt an applicant may have. This reduces the likelihood of responsible lending, and puts borrowers at a greater risk of falling further into debt.

Case study

James uses BNPL mainly for clothes as he appreciates the flexibility of being able to try them on and return them without having to immediately pay the whole amount. He also uses BNPL for larger purchases to space out his payments. In the past he has been penalised due to missing a payment. James believes that BNPL is a positive addition to shopping and finances, as it challenges high-cost lenders who take advantage of borrowers.

"It is unsurprising that BNPL usage has soared - simple to use and interest-free. For someone who only wants to use it a couple of times a year, it can be a great financial tool. But it becomes complicated and expensive to repay if you borrow a lot and from different lenders. So the challenge for regulators is how they can help customers by retaining the advantages of BNPL, but **stopping it becoming a slippery slope into debt for many people**. BNPL will start to be added to credit records from this summer - that is a key first step."

Sara Williams
CEO and Founder, Debt Camel

Chapter 4.

Looking to the future of lending

It's widely accepted that there's an urgent need to appropriately regulate the BNPL market to protect consumers against the dangers of unmanageable debt.

In January 2022, the UK Treasury closed an extensive public consultation on BNPL, which paves the way for a regulated legal framework that providers will have to abide by in the future. The Treasury has made a number of welcome proposals, including the need for BNPL firms to better assess a customer's ability to pay and repay.

This is crucial to protect consumers, but will also help to protect lenders from missed payments or future fines, and will promote responsible lending by enabling them to offer transparent options to those who can afford them.

In the aftermath of the Treasury's attention, things are slowly beginning to change. In February 2022, for example, the credit reference agency TransUnion announced that it will start including people's BNPL borrowing data on its credit reports later this year. This is a welcome step and shows the path that the rest of the industry should take ahead of regulation.

Once regulation kicks in, BNPL firms will all be required to perform the same stringent affordability and credit checks as their peers across the wider lending industry. But with no date on the horizon yet, they can still accept customers who may struggle to meet repayments. Regulation is undoubtedly needed, but the misconceptions amongst borrowers that BNPL is risk-free or isn't a form of borrowing that can lead to debt

are a much more expansive issue.
The financial industry must support consumers to develop their knowledge and understanding. Lenders in particular must promote and participate in financial education initiatives.
There is much to be done to support borrowers and improve their financial literacy. A recent initiative introduced by the United Nations (UN) should provide some inspiration. Globally, 28 banks have now signed up to a new project launched in December 2021 by the UN Environment Programme Finance Initiative, which encourages the banking sector to embed, set and report on targets related to financial inclusion and financial health.
Financial inclusion isn't just an issue in the developing world. LexisNexis research highlighted that more than seven million people in the UK fall into the definition of 'financially excluded', meaning they could find it difficult to access mainstream financial products from banks. For many of them, high-cost or unregulated lenders are a slippery slope to reducing their options even further in future, pushing them towards even higher cost borrowing.
With the cost of living set to further ramp up, people will continue to need more support when it comes to managing their finances. Short-term, high-cost borrowing isn't a sustainable option, especially for the UK's 12-15 million near-prime borrowers who face more expensive, and more limited, options.

It's important that lenders also harness the latest technological developments, such as open banking, which passed the milestone of five million active users earlier this year.
By providing access to alternative, real-time data sources, open banking allows lenders to responsibly extend financial products and services to near-prime borrowers and other underserved groups. They can go a step beyond traditional credit bureaus, collecting information from the multiple data sources available in the rich open banking environment to build a more real-time and holistic picture of someone's creditworthiness.

Case study

Neringa is a nursery teacher who wants to improve her overall credit and be able to save for a holiday. Whilst supporting her young daughter, Neringa also wants to have extra money available each month to treat herself and her daughter. To achieve this, she knows that she needs to be more in control of her finances and learn how to build her credit report.

Neringa needs more support from lenders to keep her finances on track and feel in control of her credit.

When it comes to holidays and 'fun' spending, she feels obligated to keep up with the people around her. In the past she has tried to use budgeting sheets and apps to help her save and learn about her finances, however, she ended up deleting them because she didn't believe that these techniques worked for her.

"The insights from the Financial Stability Tracker are a timely reminder that **millions of families are living with the daily realities of financial exclusion, unable to access the mainstream products and services others rely on**. The FCA's new Consumer Duty will raise the standards of care that people can expect from financial services providers. It also creates an opportunity for more proactive activity to foster innovation and increase the provision of products and services to excluded customers in vulnerable circumstances."

Tom Lake
Director of Policy and Strategy, Fair4All Finance

"Community finance providers like credit unions and community development financial institutions (CDFIs) have fantastic expertise in serving customers sustainably and ethically in a way that helps people to a better financial position. Helping these organisations grow and reach more customers has never been more important, however the problem is too big for just one part of the sector to solve. There's a widening gap that big retail banks and large lenders can fill by either supporting community finance providers or serving more customers in vulnerable circumstances directly. **Doing that right can make a huge difference to the lives of millions of people**."

Tom Lake
Director of Policy and Strategy, Fair4All Finance

Conclusion

The UK's fintech sector offers hope

Our **Financial Stability Tracker** paints a rather bleak picture of the nation's finances, with the proportion who claim to be 'terrified' for their financial future up by nearly 10% from last year.

There is widespread misunderstanding when it comes to BNPL and other forms of borrowing, a problem further compounded by a deep mistrust of lenders.

Lenders need to act now to reverse this trend. They need to provide their customers with transparent options, find better ways to assess affordability, and contribute to improving the nation's financial literacy.

The UK's thriving fintech sector can help. With investment in UK fintech rising from $5.2bn in 2020 to $37.3bn in 2021, new solutions are being developed by the day. Fintech companies are changing how people bank and manage their transactions, which is helping to level the playing field and increase financial inclusion.

Open banking has a crucial role to play, powering solutions that can help people with little knowledge of the financial world to find products better suited to their circumstances. Lenders can draw on open banking to better assess affordability, and thanks to the interconnected datasets they can identify groups that are financially underserved and provide a roadmap to alternative solutions.

One good example is Fronted, a socially-minded fintech that has identified low-capital renters as a group in need of a better option when it comes to pulling together a deposit. Another is Serve and Protect Credit Union, which caters for the military and police, groups who typically have a thinner credit file and often find it hard to access affordable credit. By leveraging open banking, the credit union is offering a rewards loan programme – users can sign up and access credit at a certain interest rate, but if they show positive financial behaviour they get a rebate at the end of the term of their loan.

It's encouraging to see forward-looking lenders begin to prioritise consumer wellbeing and protection, especially as the cost of living crisis intensifies. More fintechs are also working with financial charities to understand more about the issues at play and how they can create a new generation of products and services that provide appropriate levels of support.

At Creditspring, we're keen to play our part. We've been using open banking for years to enhance our affordability assessments but we also recently launched Step, the industry's first credit builder product where the issuer takes on risk through loans borrowed. Step offers our members a small, no-interest loan in exchange for a fixed monthly fee, and – with an individual's permission – shares information on their borrowing data with credit rating agencies to help them build their credit score in a low-risk way.

We want to empower near-prime borrowers with the tools to make more informed financial decisions that contribute to better overall long-term financial health. It's our goal to help our members get improved access to mainstream, affordable credit products after using Step to improve their credit file. Because our job is done when our customers don't need us anymore.

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