Specialist Lending Study *2024*

Adverse credit, cost-of-living crisis, first-time buyers, self-employment & complex income, second charge mortgages, Buy to Let, and more.

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Welcome to the Study. To navigate this document, click any area of interest below. Whenever you see the phrase, **Click to be *in* the know**, you can find a deeper insight into that topic.

Laurence Morey

CEO,
Pepper Money

We are pleased to present the eighth edition of our landmark Pepper Money Specialist Lending Study. The Study was originally launched as an Adverse Credit Study in Autumn 2019, with the primary objective of providing a definitive insight into the number of people in Britain who have recorded missed credit payments on their credit file. We also wanted to understand the reasons behind these missed payments and their plans, concerns, and experiences in applying for a mortgage.

To do this, we worked with YouGov to carry out research amongst a demographically representative sample of the British adult population to ensure our results were statistically robust, and we've continued with this thorough approach, surveying more than 4,000 people this year.

Over the years, the Study has grown in scope and reach, with this year's edition, we have now surveyed more than 30,000 British adults on a range of topics. These include adverse credit, unsecured debt, employment types, and income sources, Buy to Let, prospects for home ownership, second charge mortgages and attitudes towards sustainability.

A primary focus for the Autumn 2024, Specialist Lending Study, as it was with last year's Study is the cost-of-living and its ongoing squeeze on household finances. The ongoing economic situation is not only driving more people to turn to credit and leading to more missed payments but also encouraging workers to take on additional work to maximise their income and counteract rising costs. Furthermore, despite the growth in consumers with financial difficulty, we've seen a positive increase in customers with ambitions of homeownership.

This is set against a backdrop where mortgage customers are increasingly thinking about the energy efficiency of their homes, but whose aspirations in achieving greater efficiency are impacted by financial pressures.

At Pepper Money, our role is to deliver positive societal outcomes which we seek to achieve by providing good outcomes for our customers and broker partners – whatever the environment. This comes to the fore during times when customers need a more sympathetic, hands-on approach to their mortgage applications.

We measure our effectiveness in delivering this in our lending, the new opportunities that we deliver to our customers and how we support them as their circumstances change, but also in the wider contribution we make to society. Our well-established ESG programme is an integral part of our business, as is our approach to Diversity, Equity and Inclusion.

We believe that this Study, and our significant investment in research provides invaluable insights into the circumstances, thoughts, and aspirations of the nation's mortgage customers, and they provide a very clear takeaway – the importance of professional financial advice. Mortgage brokers play a vital role in helping people across the UK and there's an opportunity for advisers to make an even greater positive impact. To support brokers in making the most of this opportunity, we've included key findings within each section of the Study, from sector experts across Pepper Money.

My hope is that you take something away from the findings and that they give you food for thought. More than this though, I hope that you come away from the Study with actionable hints and tips that you can use in your business and that, in doing this, you can join us at Pepper Money in helping to deliver positive societal outcomes.

Key *findings*

Selected by **Paul Adams,** First Charge Sales Director, Pepper Money

8.38m

Increasing Adverse Credit

8.38 million people (16%) have experienced adverse credit in the last 3 years. This is the highest level since we launched our regular study.

Missed credit payments

46%

Of all those who say they've missed a credit payment, nearly half (46%) say they have gone on to miss more than one payment.

Homeownership ambitions

64%

Nearly two thirds (64%) of people with adverse credit, who don't currently own their own home, say they would like to do so in the future.

Future buying plans

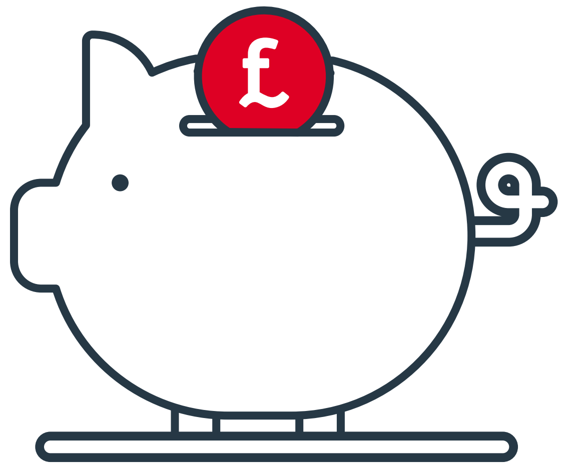
1.76m

1.76 million people with adverse credit are planning to buy a property in the next 12 months.

*All percentages and population calculations are based on the ONS projection for the UK adult population of 52.4 million

COST-OF-LIVING CRISIS

57%



Over half (57%) of all respondents said they're continuing to see a decrease in their amount of disposable income.

73%

Nearly three quarters (73%) of all respondents say that an increase of £100 to monthly bills would have a significant impact on their finances, and this increases to 82% for those with adverse credit.

FIRST-TIME BUYERS

69%

Nearly seven in 10 (69%) people who don't currently own their own home say that they would like to in the future.

REMORTGAGING

4.2m

4.2m (8%) people have an existing mortgage deal that is coming to an end in the next 12 months.

SELF-EMPLOYMENT

72%

Just under three quarters (72%) of self-employed people think that self-employment makes it more difficult to get a mortgage.

Richard Spinks

Chief Commercial Officer,
Pepper Money

We all know the economic environment is challenging and people are struggling. Inflation may now seem to be under control, but the impact of higher costs of living and borrowing is affecting people across the country.

The Pepper Money Specialist Lending Study 2024 Autumn edition shines a spotlight on how these challenges are impacting the concerns of the nation's households and mortgage aspirations. As always, there's a particular focus on those with a history of missed payments on their credit record, but this year's Study goes wider than that.

It identifies some encouraging trends such as the significant growth of people planning to buy a home in the next 12 months.

This is despite over half (57%) of all respondents have reported a continued decrease in their disposable income. Although financial strain is causing widespread concern, with 61% worried about their financial situation due to the cost-of-living crisis, and 78% believing that the current economic conditions will make it more difficult to obtain a mortgage in the future. The impact of rising costs is stark, as 73% of respondents state that a £100 increase in monthly bills would significantly affect their finances. This figure rises to 82% for those with adverse credit histories.

The Study highlights the coping strategies individuals are adopting to manage their financial burdens. One-third of respondents (33%) have used credit cards or other borrowing methods for essential expenses like food shopping or utilities in the past year, while 6% have borrowed money to pay rent or mortgage. Additionally, 32% have considered moving to a cheaper area, and 21% have contemplated downsizing. These considerations are even higher for those with adverse credit in the last three years, with 37% thinking about relocating and 29% considering downsizing.

Another approach people are taking is by looking to increase their income. The Study found that 7.34m people (14%) say they earn income from more than one job as a result of the cost-of-living crisis, which is up from 5.77m (11%) in last year's report.

A consequence of the economic environment is that 34% of respondents report their financial situation is negatively impacting their mental health.

Adverse credit continues to be a significant issue, affecting 8.38 million people (16%) in the past three years, marking the highest level since the initiation of our regular Study. Among those who have missed a credit payment, nearly half (46%) have gone on to miss multiple payments. Despite these challenges, there's still a strong desire for homeownership among those with adverse credit, with 64% of those with adverse credit, who don't currently own a home, saying that they aspire to do so in the future. Perhaps surprisingly, 1.76 million people with adverse credit are planning to buy a property in the next 12 months.

Amidst these challenges, there's a significant opportunity for brokers to make a real difference in people's lives. The findings of this study provide valuable insights for UK mortgage advisers, helping them to better support potential homebuyers and address their unique needs in an increasingly complex financial landscape. In these trying times, brokers can guide clients through the mortgage process even when mainstream lenders might turn them away, showcasing the vital role of specialist lenders.

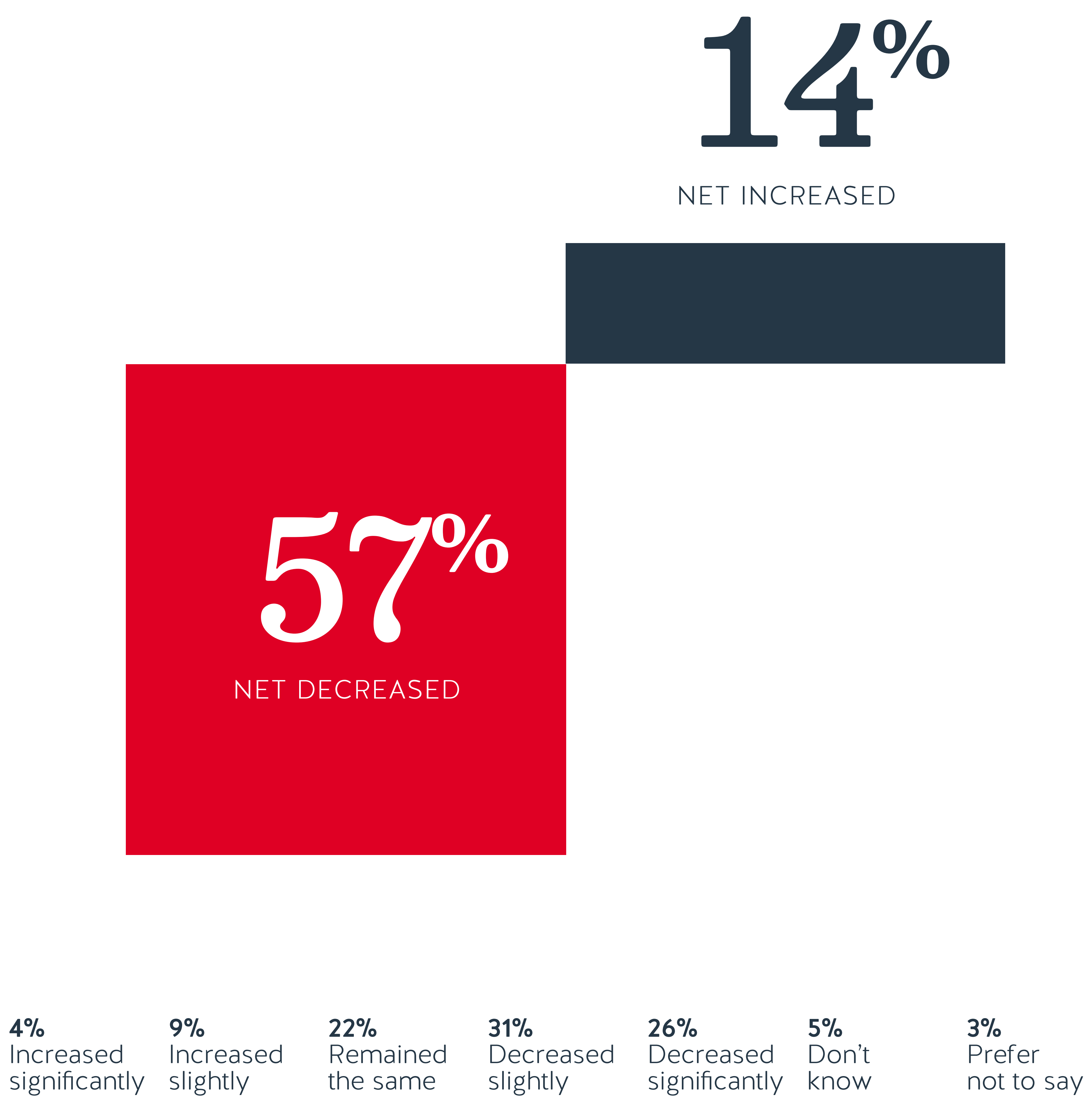
Cost-of-living *crisis*

The results from the latest wave of the Study show the cost-of-living crisis has done little to relinquish its grip on household's finances across the nation in the last year, with over half (57%) of all respondents saying they're continuing to see a decrease in their amount of disposable income.

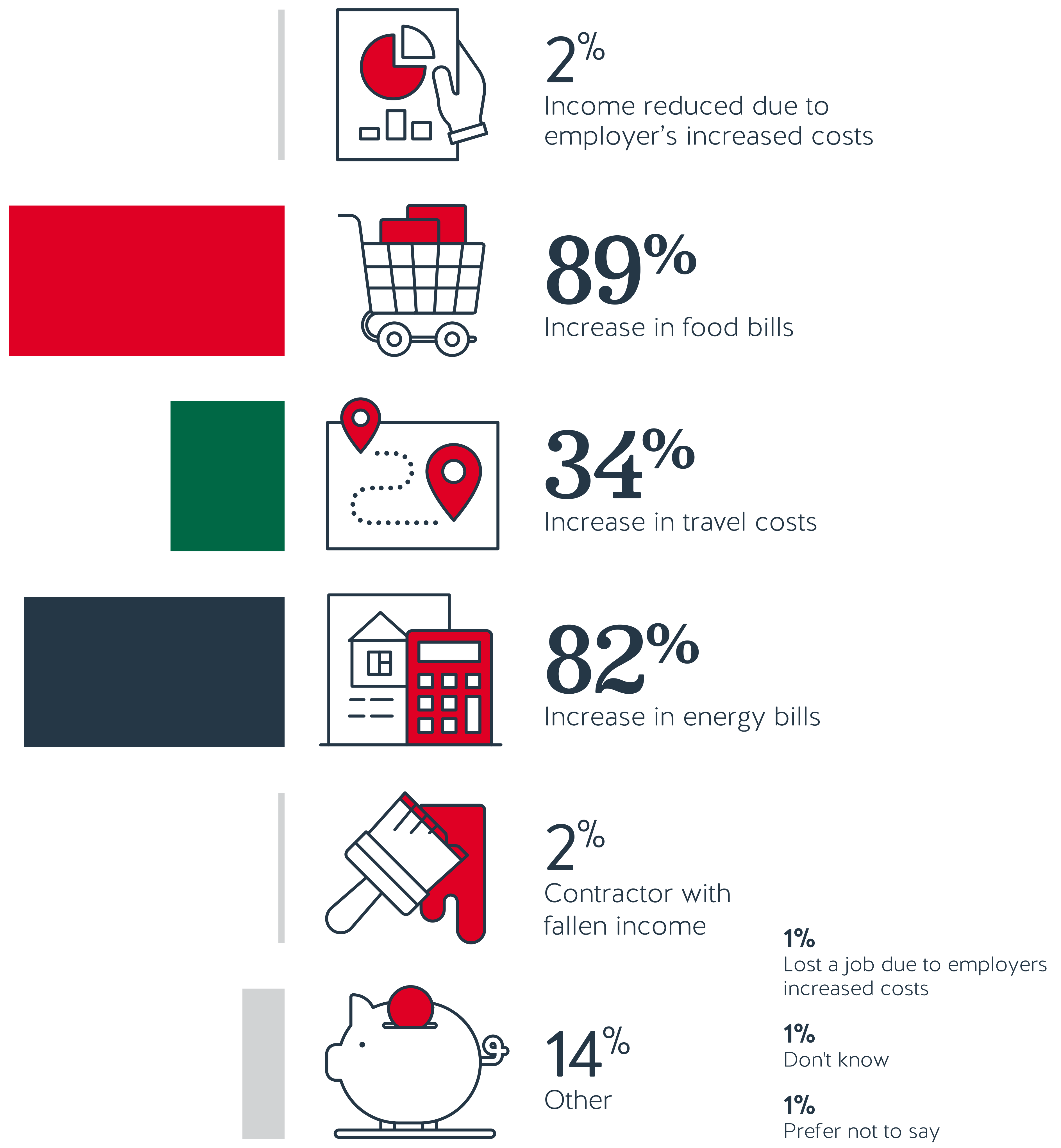
The main driver of this has been increased food and energy bills so, with inflation beginning to settle at a more normal long-term level. People's monthly budget adjustments shouldn't be as significant and could allow people to feel like they have more disposable income as a result.

Similar to the last Study, 61% say they are currently concerned about their financial situation as a direct result of the cost-of-living crisis, and 78% think the current state of the economy will make it harder for them to get a mortgage in the future.

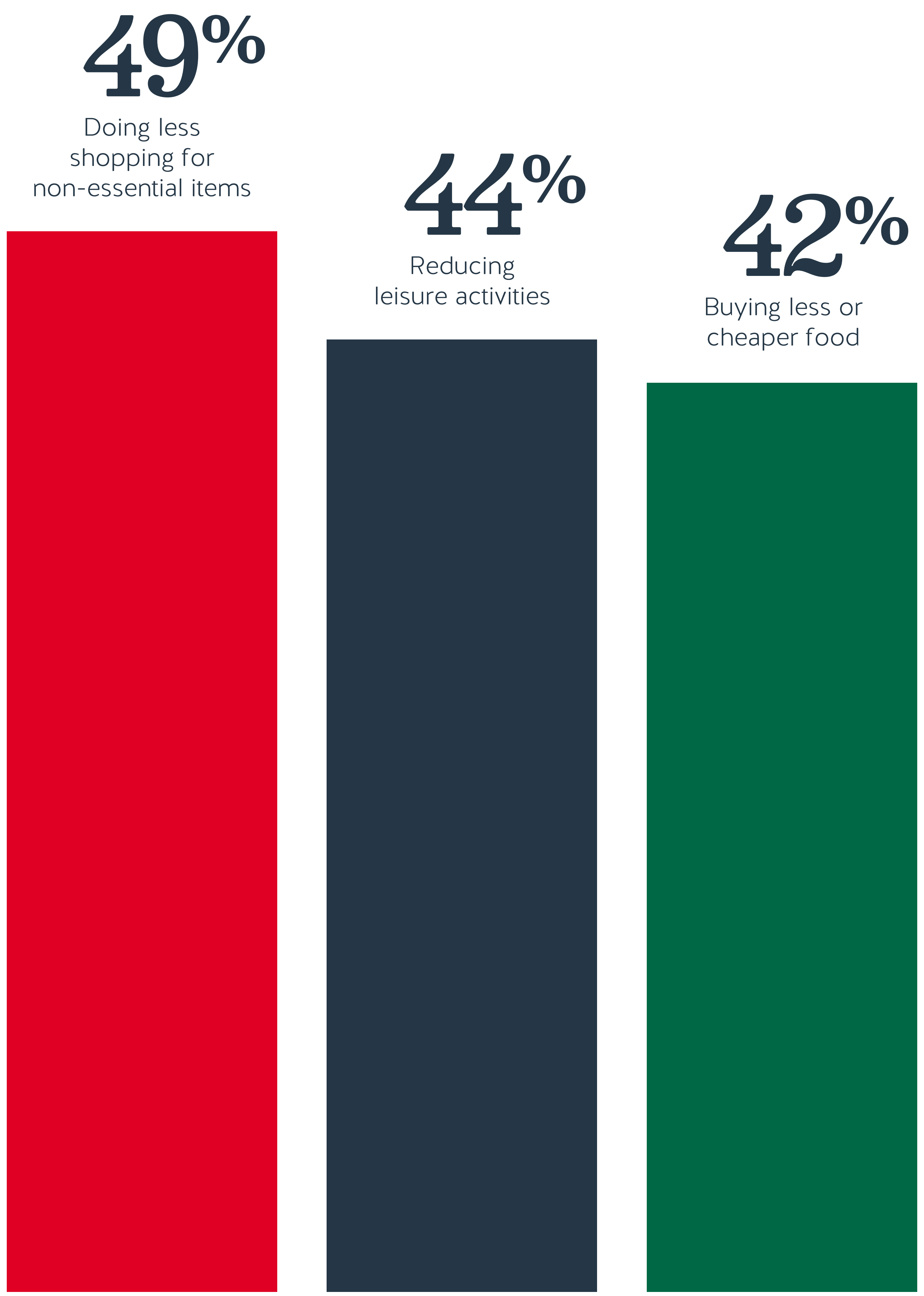
Monthly changes in disposable income[1]



Reasons for decreases in disposable income[2]



Household cut backs[3]



41%
Putting less money into savings or not saving at all

36%
Going on less or no holidays/ trips

34%
Using less utilities

29%
Cancelling subscriptions

20%
Not applicable

11%
Cutting down money spending on insurance

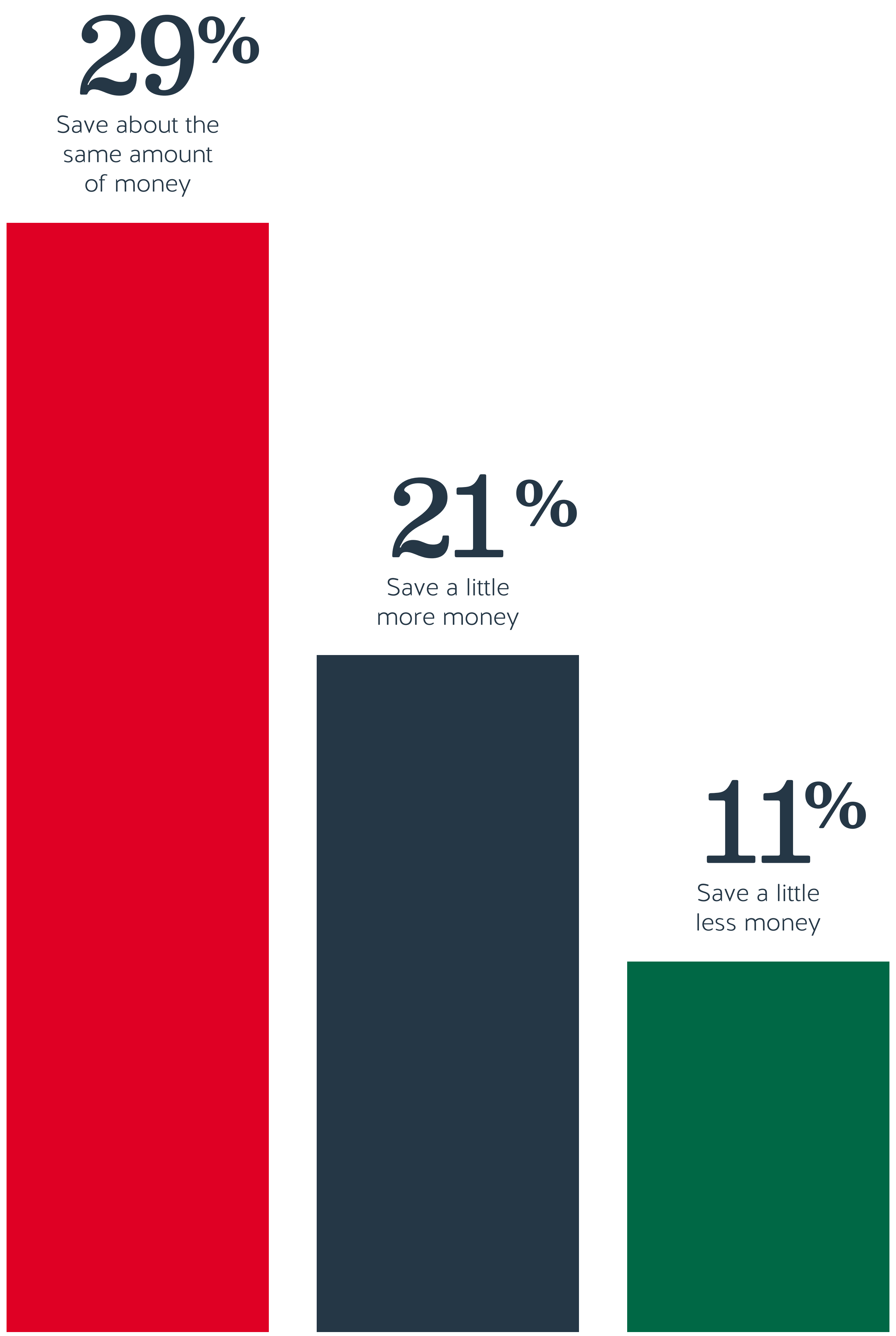
9%
Putting less money into savings or not saving at all

4%
Don't know

3%
Cancelling children's activities

1%
Other

Saving ability in the next 12 months[4]



11%
Don't expect to save any in the next 12 months

10%
Haven't been able to save any money in the last 12 months

9%
Save much less money

30%
Save much more money

Level of concern about the cost-of-living crisis on finances[5]

61%

CONCERNED

19%	42%	25%	10%	2%	2%
Very concerned	Somewhat concerned	Not very concerned	Not at all concerned	Don't know	Prefer not to say

The cost-of-living crisis is making mortgages harder to get[6]

78%

AGREE

33%	45%	6%	1%	15%
Strongly agree	Tend to agree	Tend to disagree	Strongly disagree	Don't know

Frequency of monitoring bills[7]

78%

MONTHLY

78%	3%	5%	2%	2%	2%	4%	3%
Monthly	Bi-monthly	Quarterly	Bi-annually	Annually	Never	Don't know	Not applicable

The impact of a £100 monthly rise in bills for customers' finances[8]

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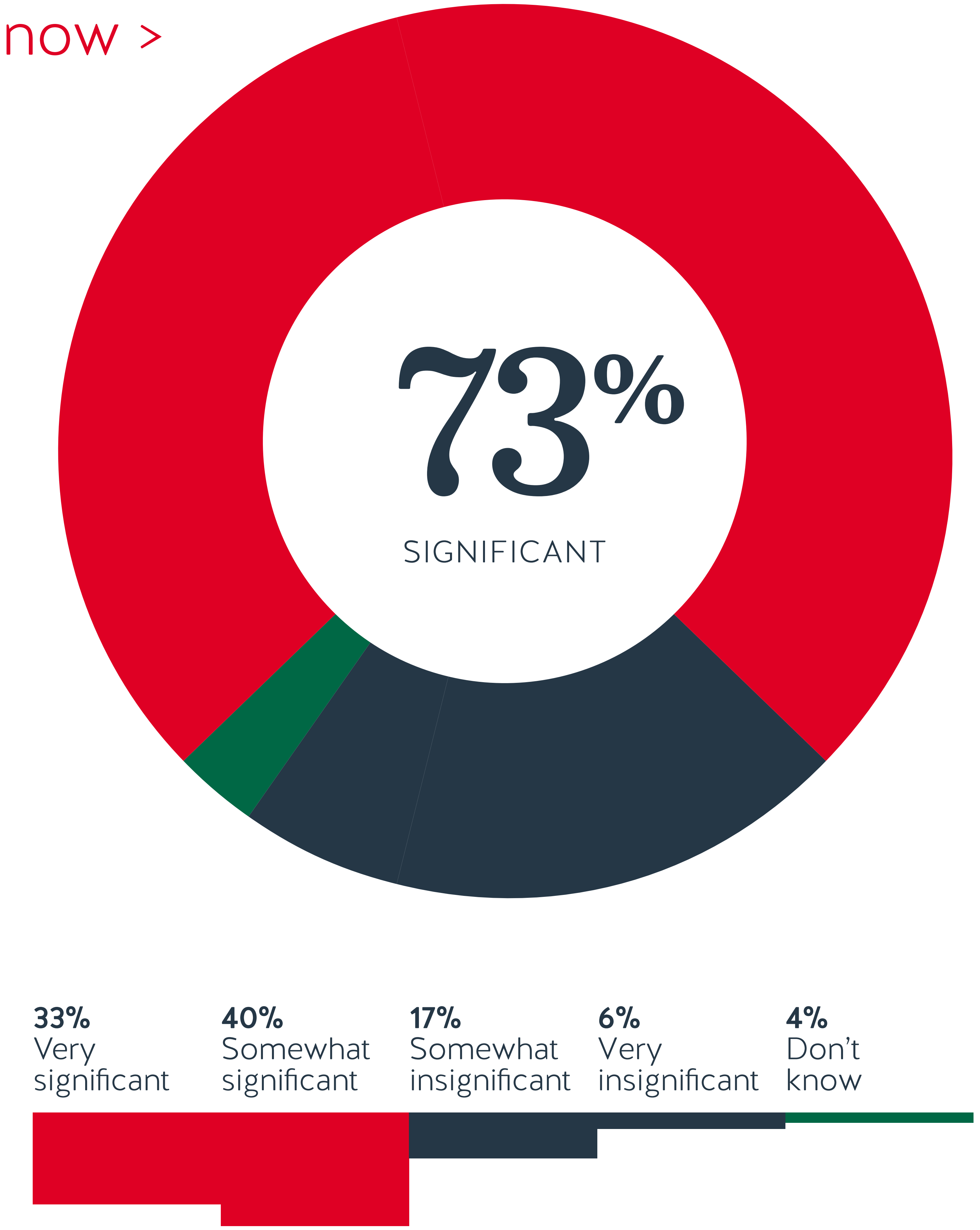
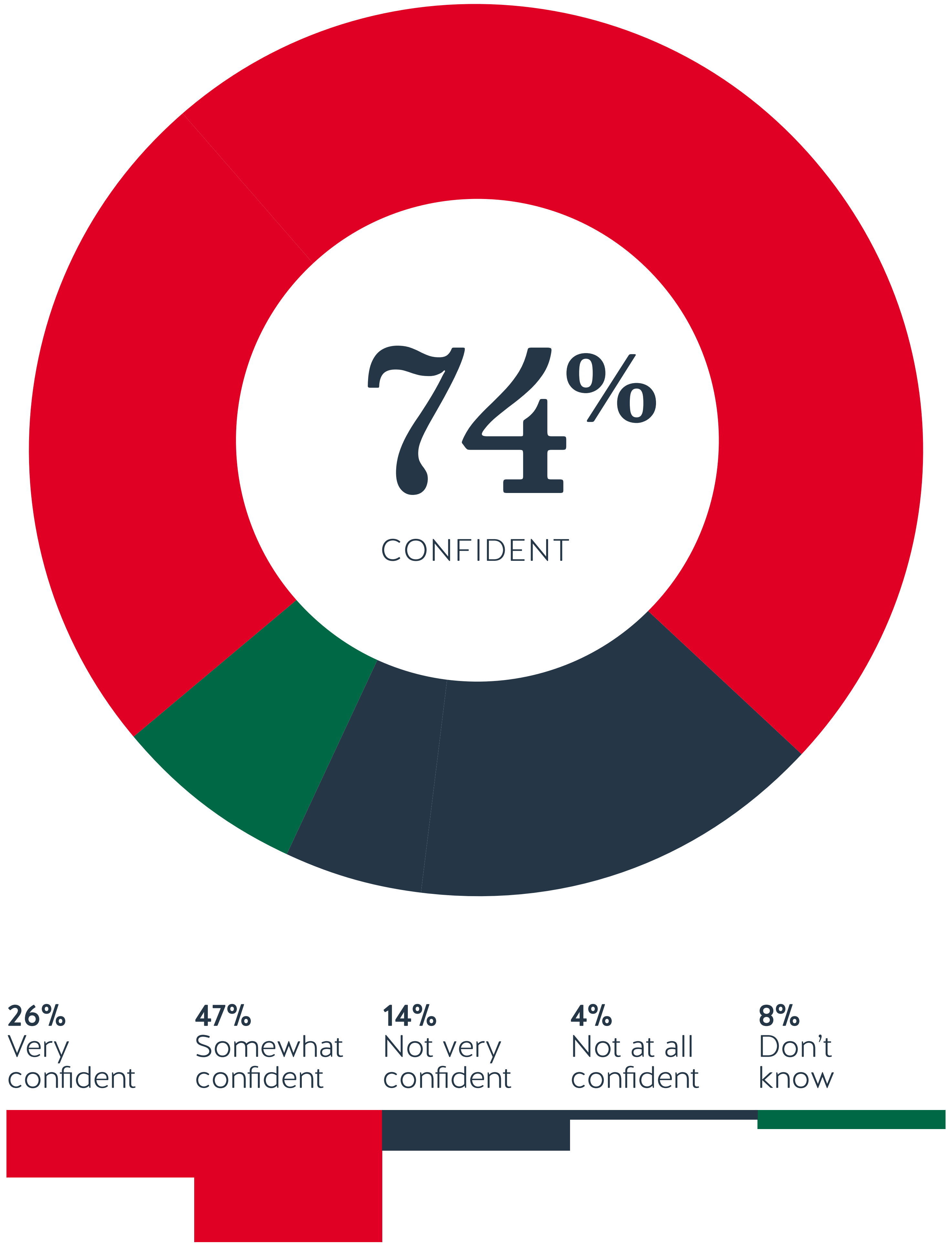


Confidence in maintaining financial commitments[9]



Proportion of those who've borrowed to pay food or utility bills[10]

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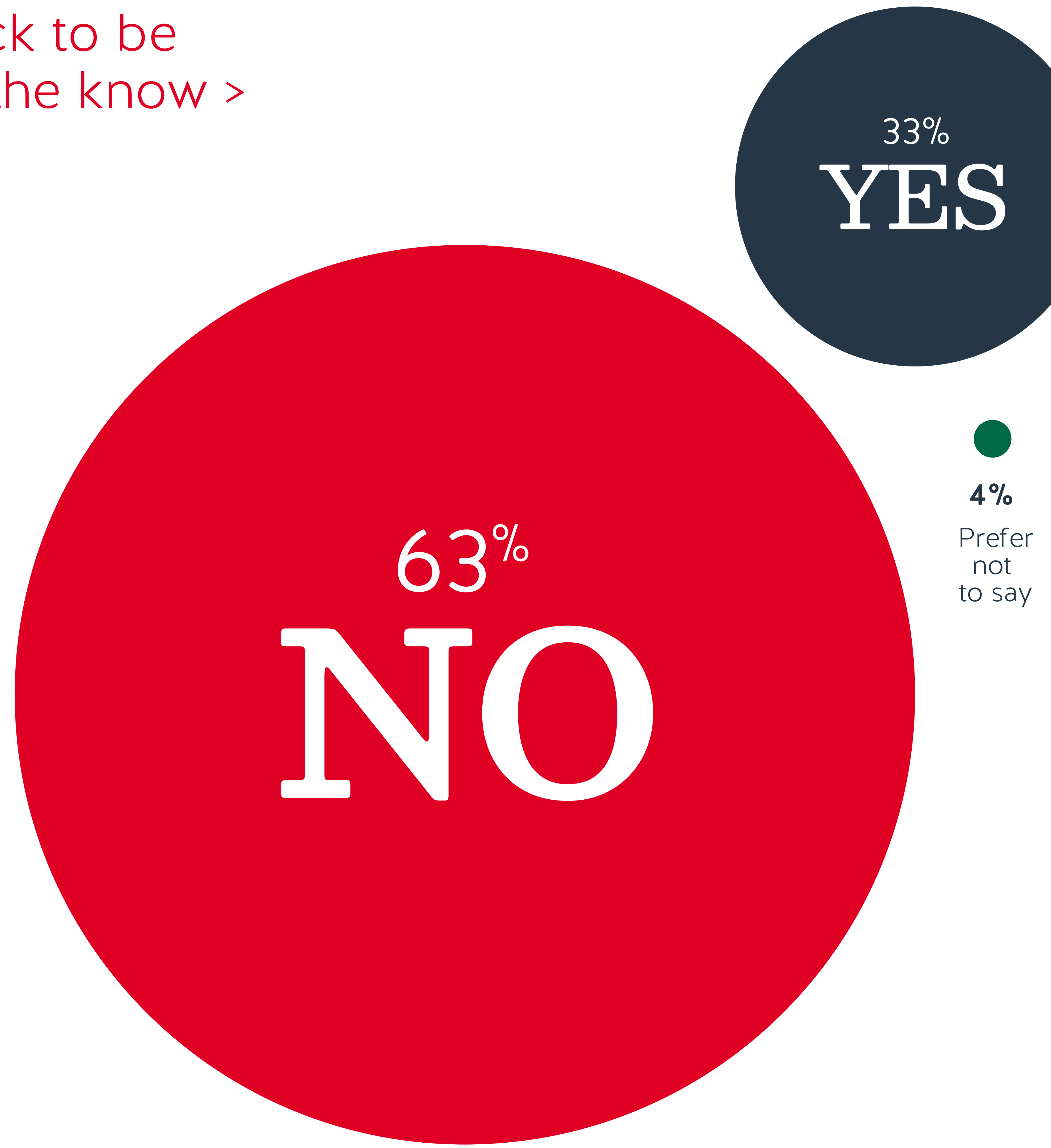
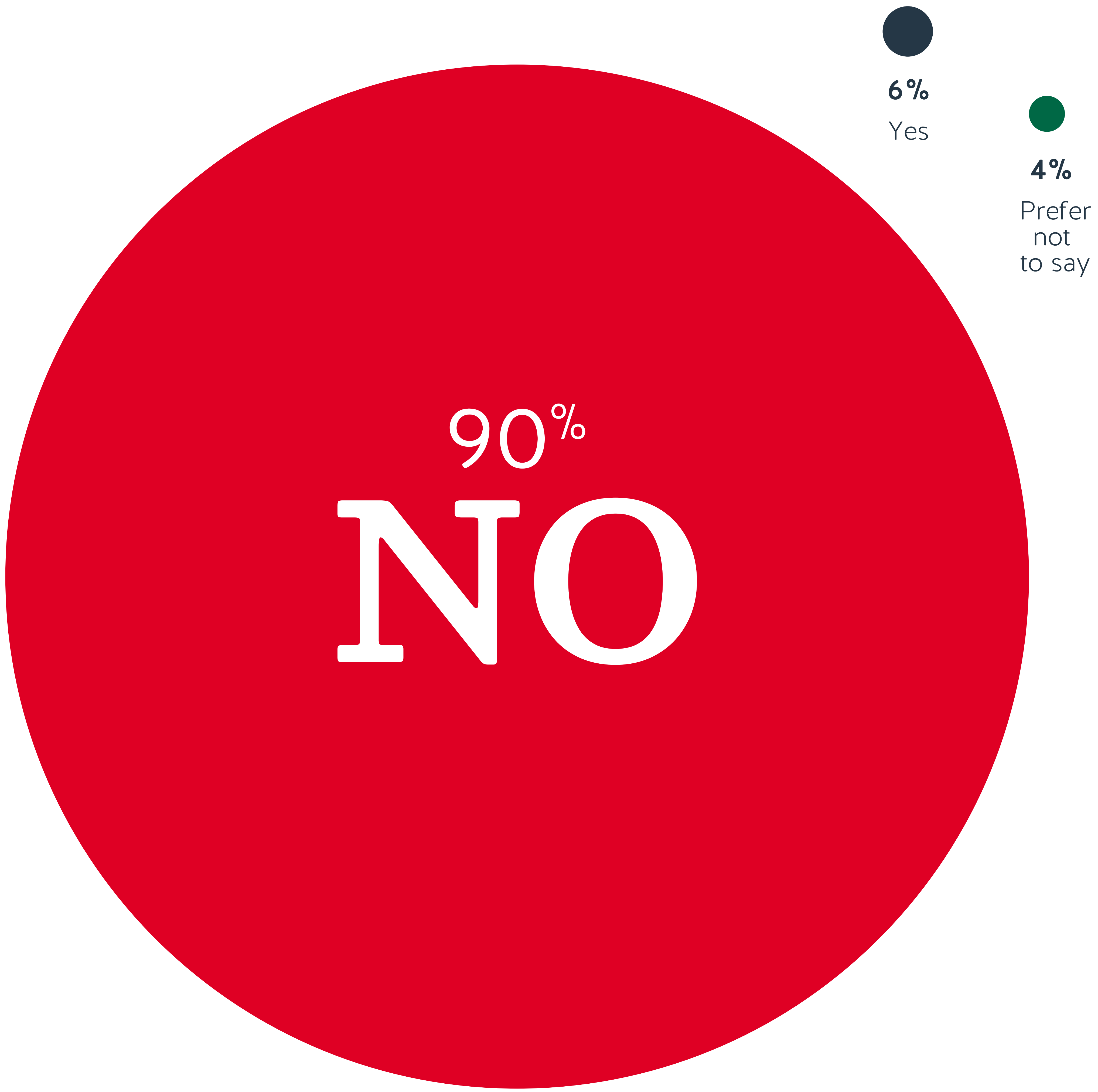
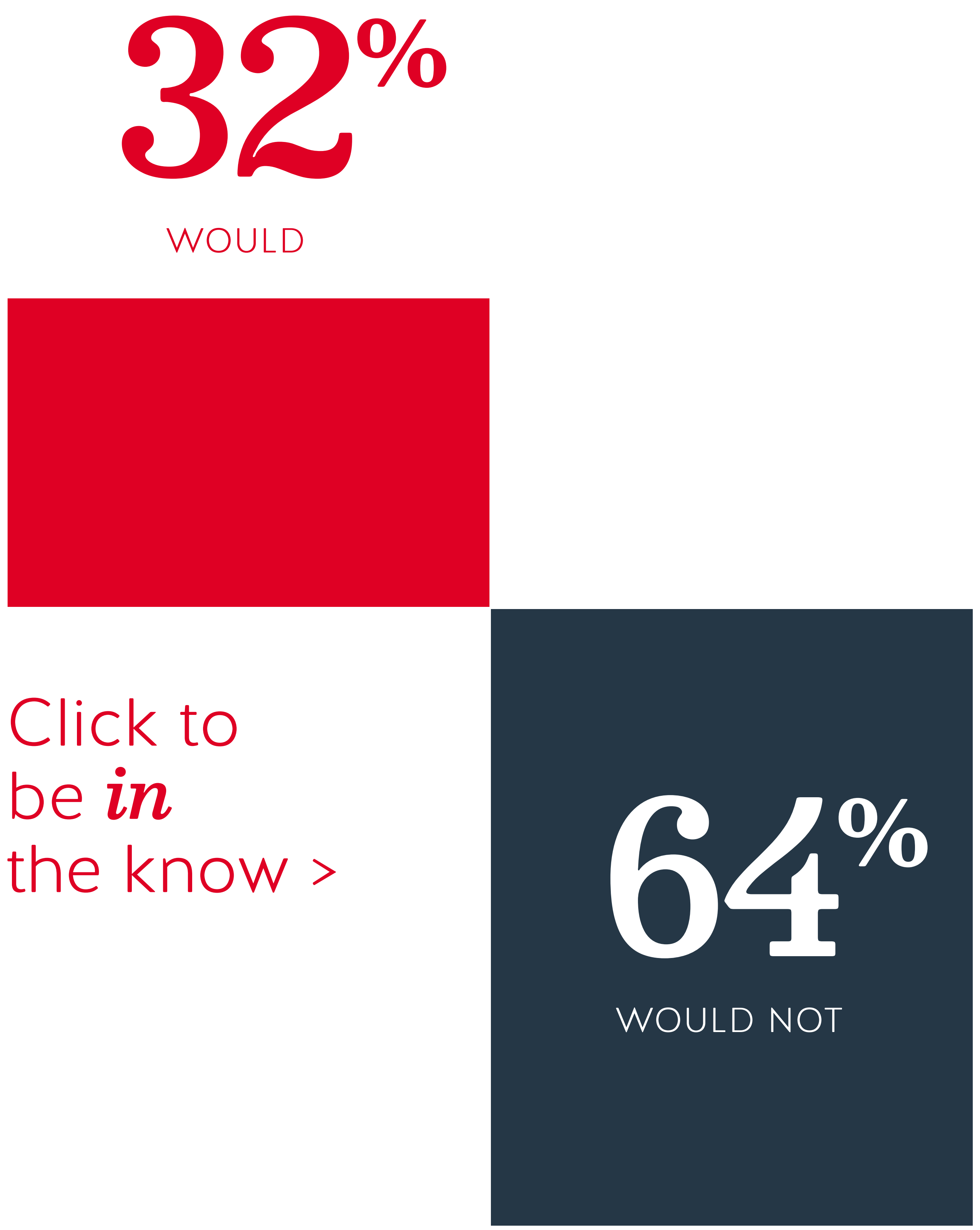


Proportion of those who've borrowed to pay rent or mortgage[11]



Proportion of those who'd move out of their area to save money[12]



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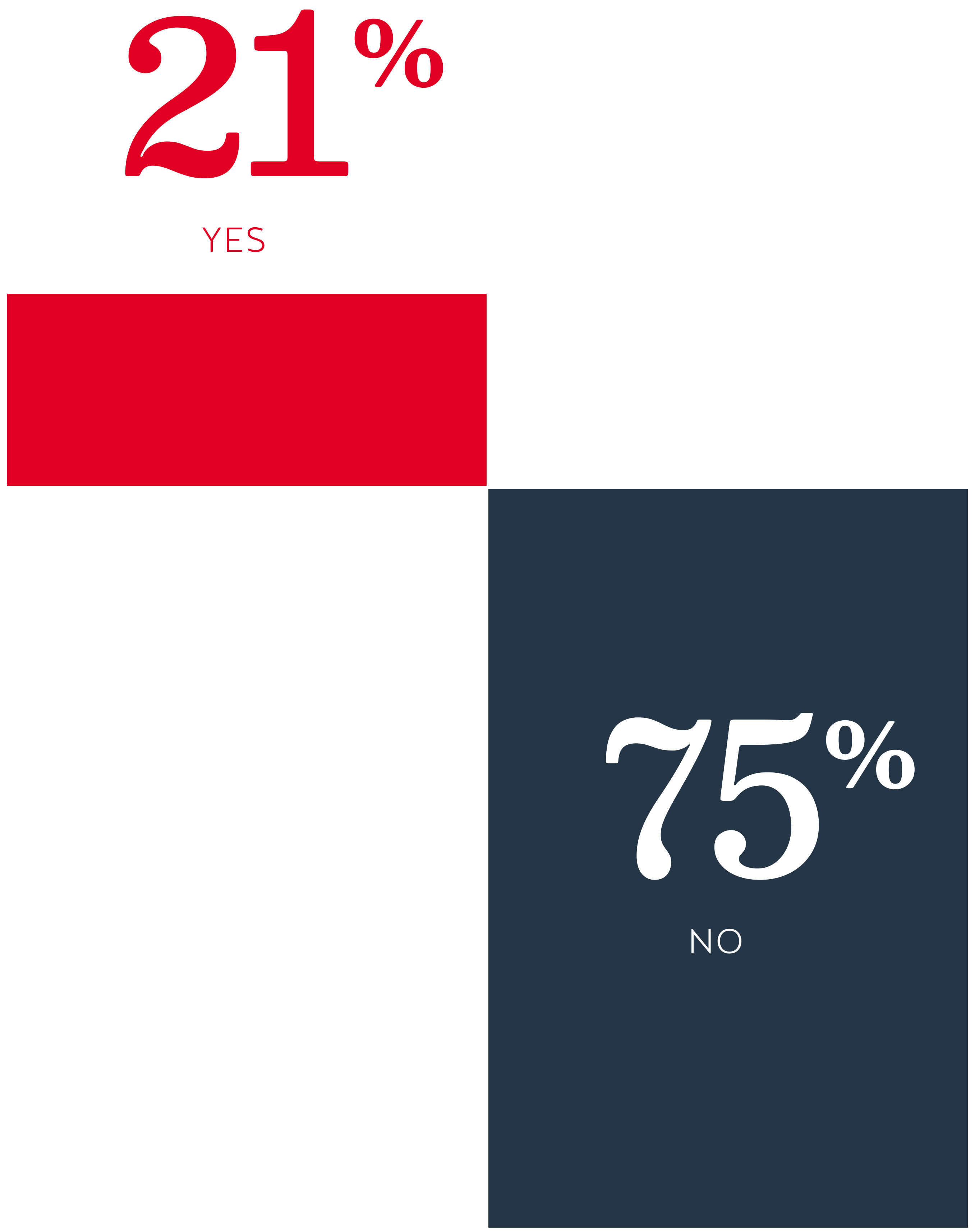
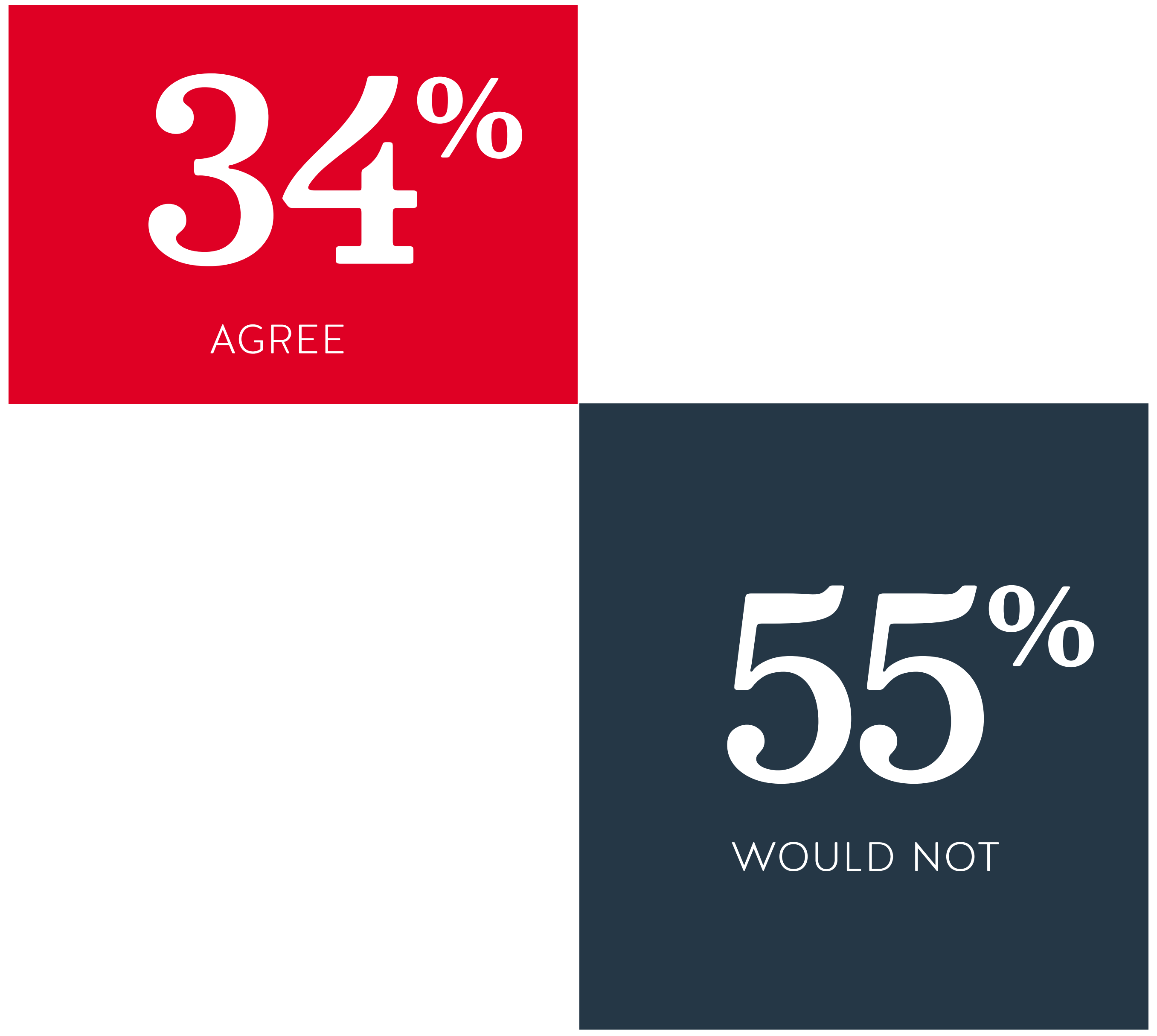
3%
Prefer not to say

Proportion of those considering downsizing to save money[13]



4%
Prefer not to say

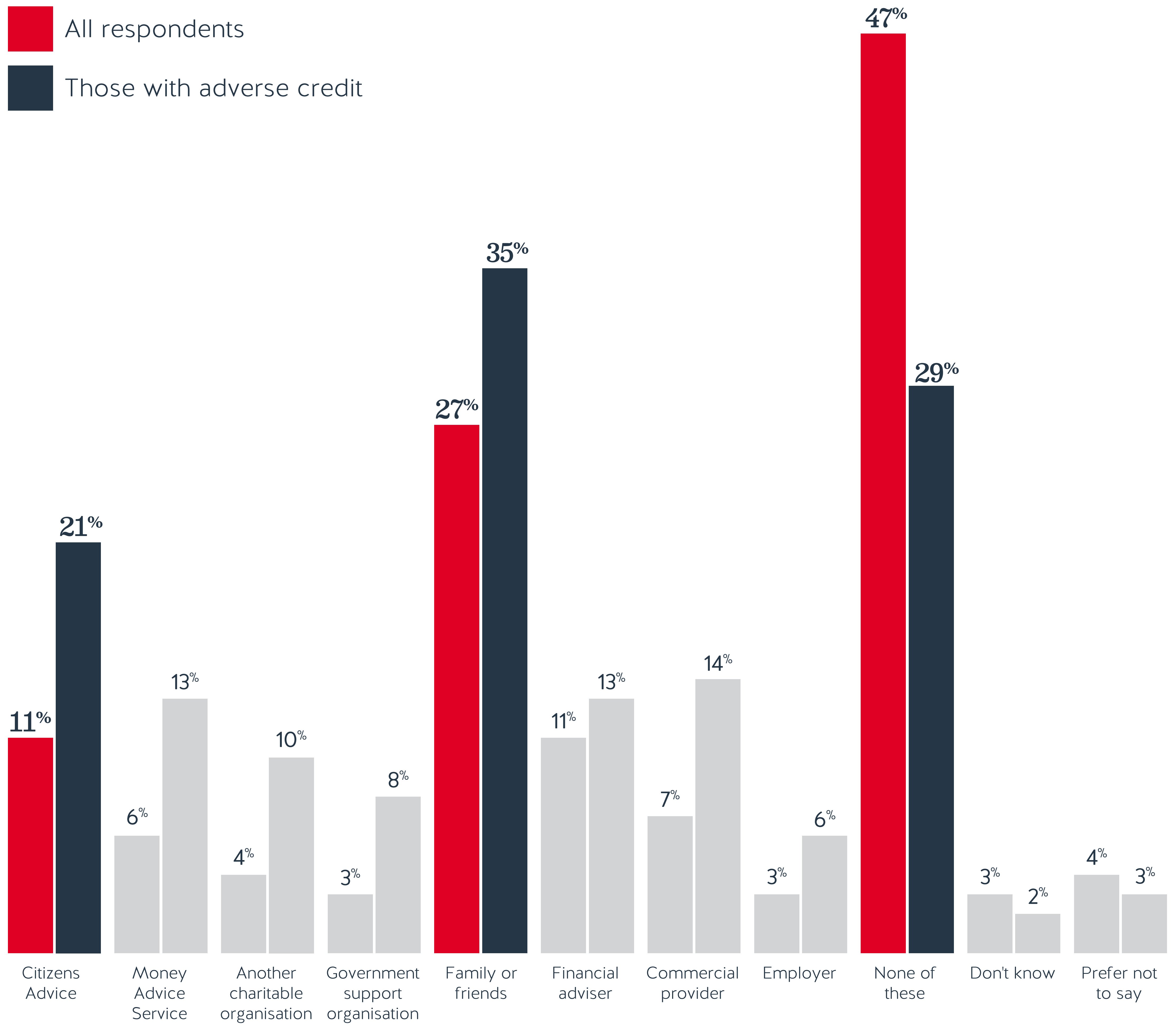
Respondents who feel financial pressures negatively impacts their mental health[14]



10% Strongly agree
24% Tend to agree
27% Tend to disagree
27% Strongly disagree
7% Don't know
4% Prefer not to say

The ongoing financial pressure experienced by households is continuing to take its toll, with more than a third of all respondents saying that it is negatively impacting their mental health.

Seeking help for financial pressures[15]



Willingness to seek help for money problems[16]

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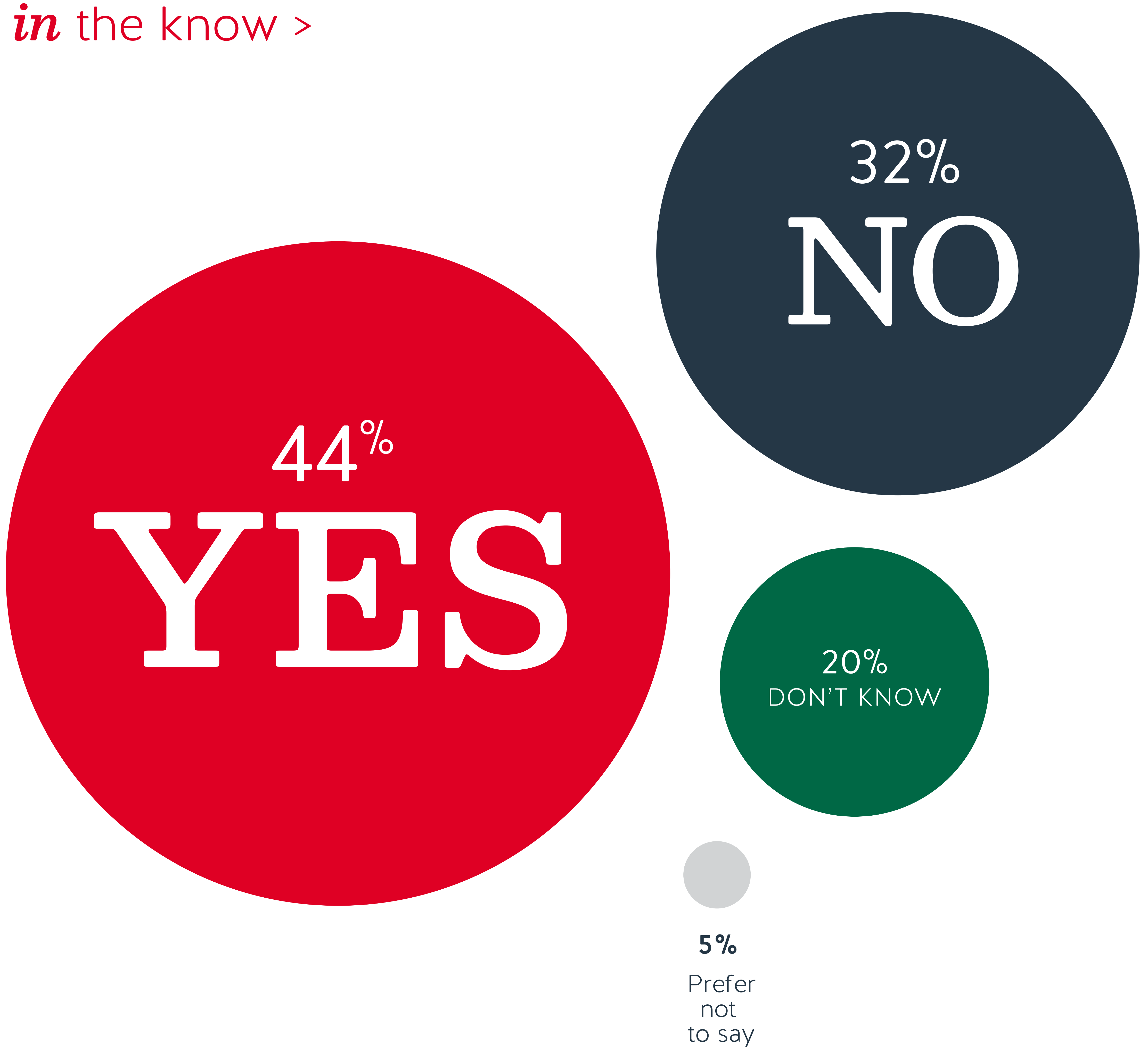
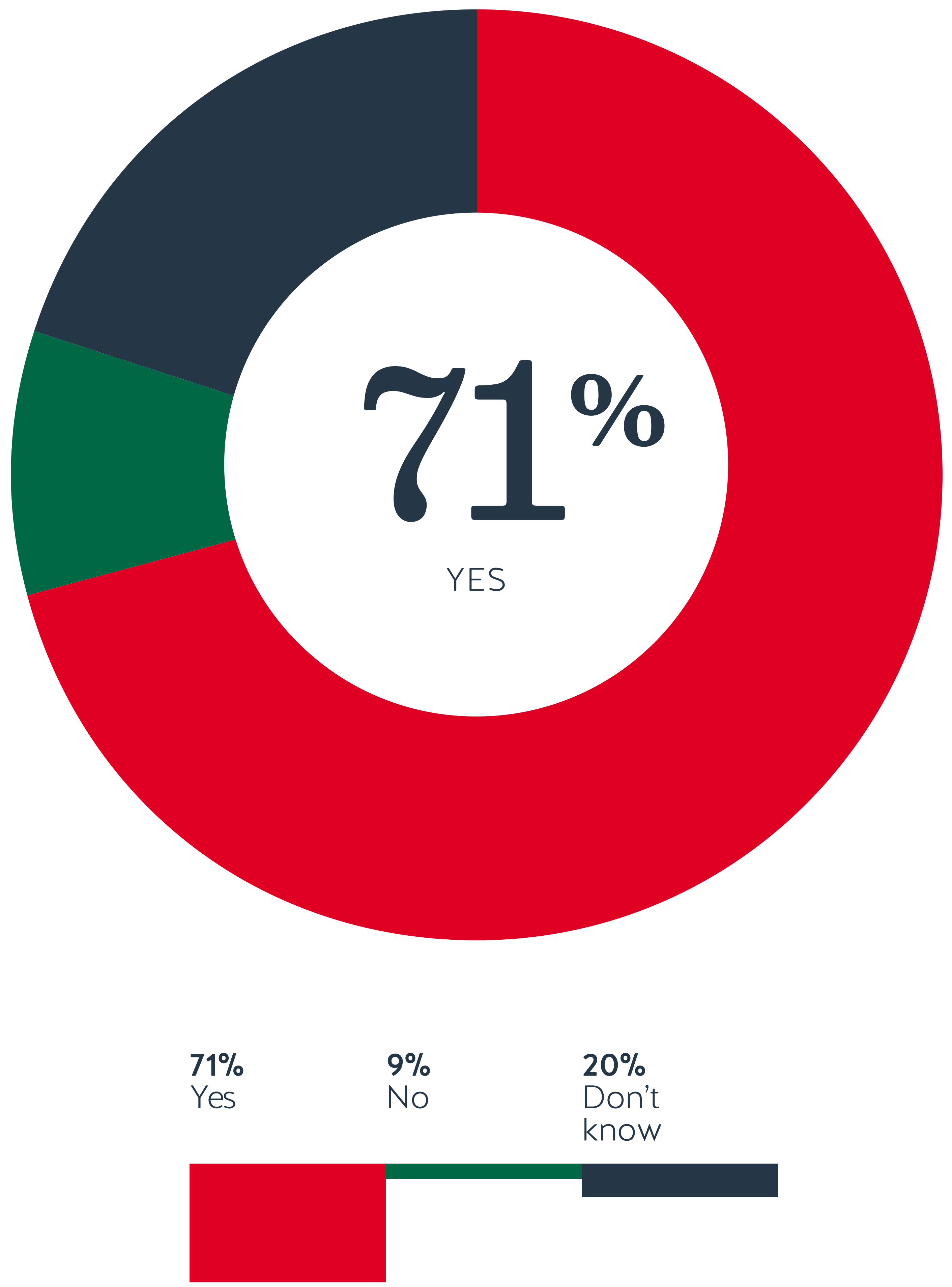


Should companies help customers with money problems?[17]



Overall concern about financial future[18]

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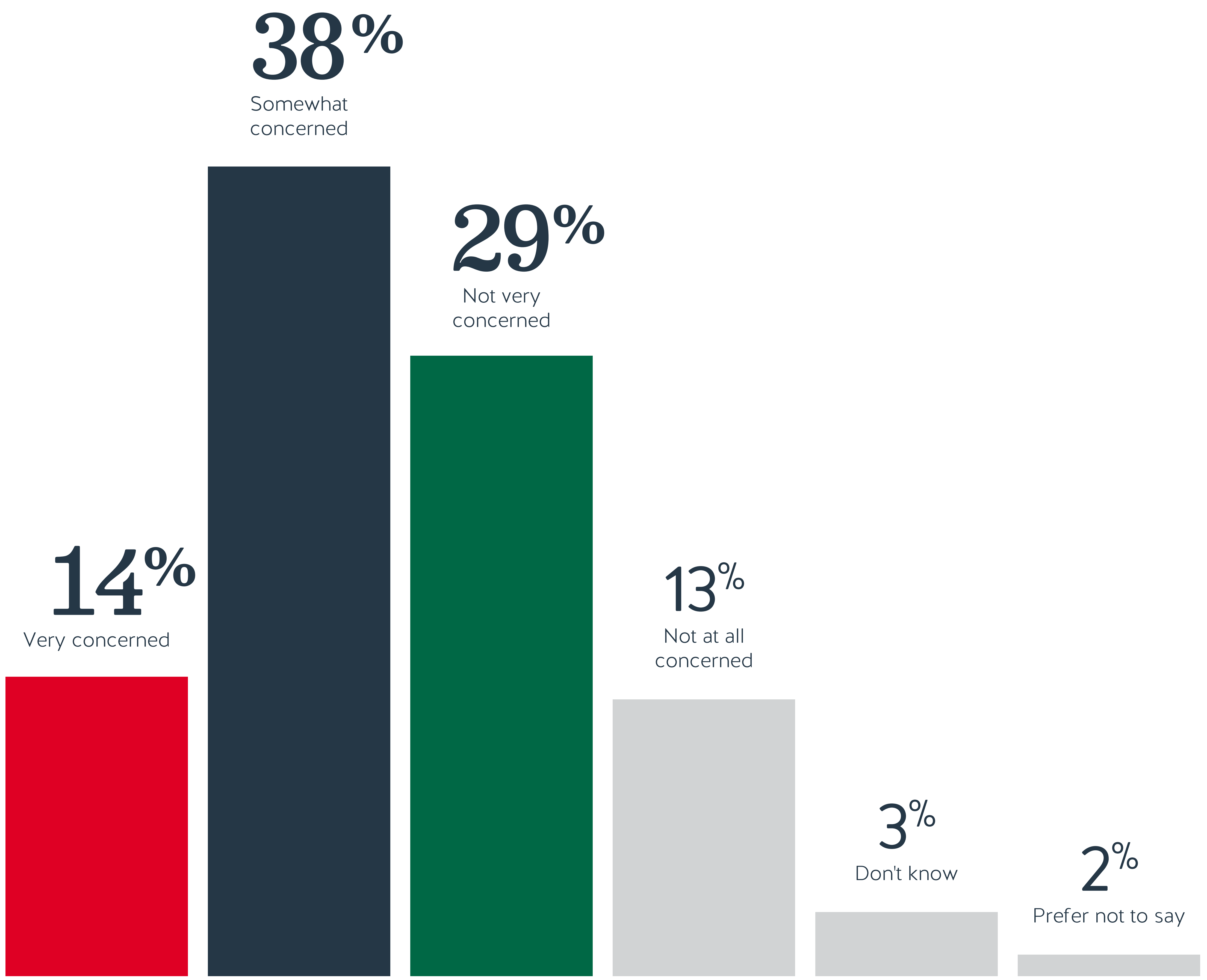


Paul Adams
First Charge Sales Director,
Pepper Money

Cost-of-living crisis - Key *in*sights

1 Monthly household finances are being squeezed to breaking point. There's an opportunity here to work with customers to help restructure their finances and potentially reduce their monthly outgoings. Providers have an opportunity to improve the touchpoint to make it easier for customers to contact them to discuss any financial difficulties.

2 Unsecured debt is being used to cover regular living costs, at the same time as the cost of servicing this debt is rising. Debt consolidation may be a suitable option for some customers.

3 People need reassurance. The economic environment is negatively impacting their mental health and hopes for the future. Brokers have a role to play in offering reassurance.

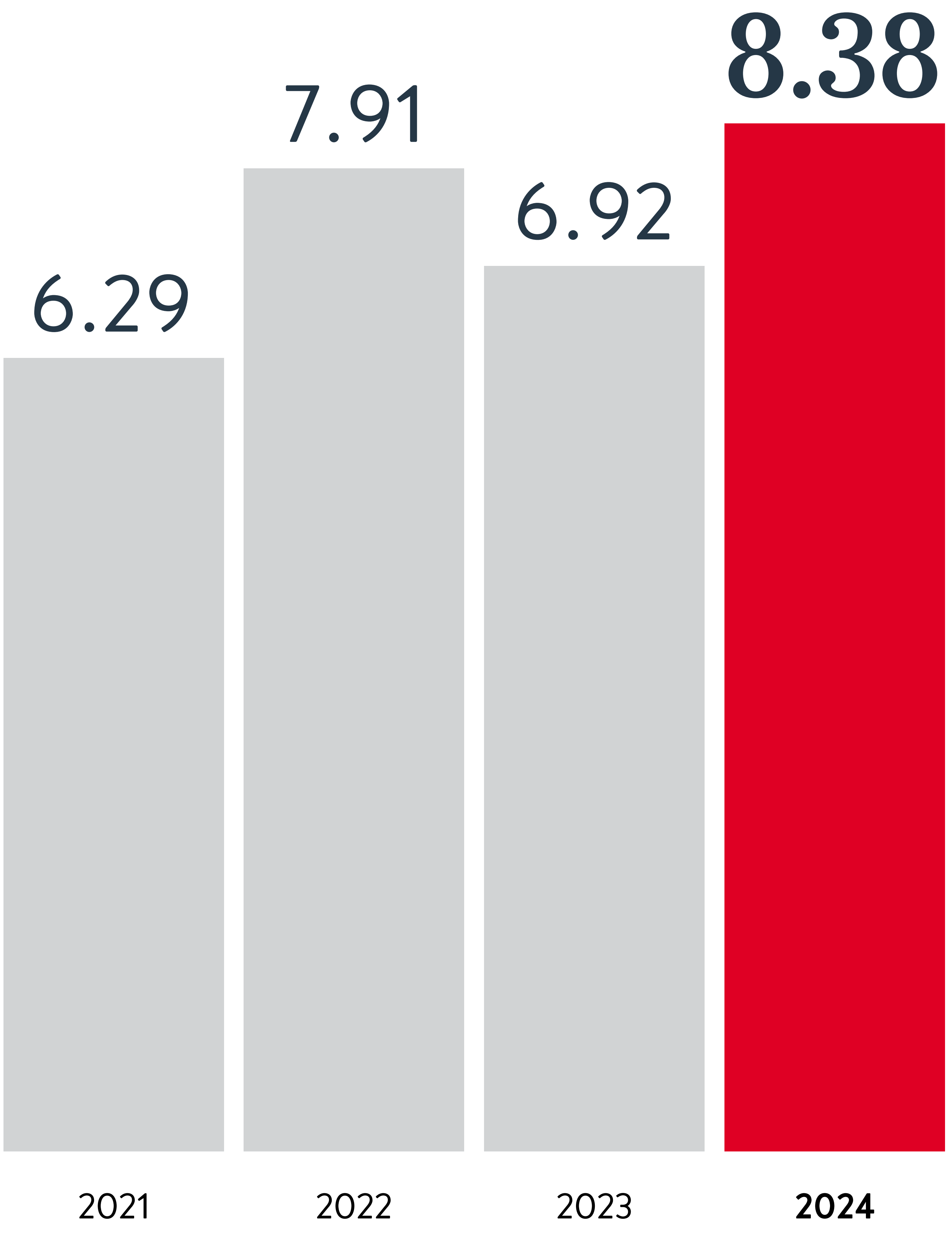
Adverse credit

The latest research for the Pepper Money Specialist Lending Study has found that the highest number of people have recently experienced adverse credit since we started reporting this data. 15.3 million people (29%) have experienced adverse credit at some point in their lives, based on the ONS projection for the UK adult population of 52.4 million.

8.38 million people (16%) have experienced adverse credit in the last 3 years.

1.76 million people with adverse credit are planning to buy a property in the next 12 months.

Number of people (in millions) who have had adverse credit within the last three years



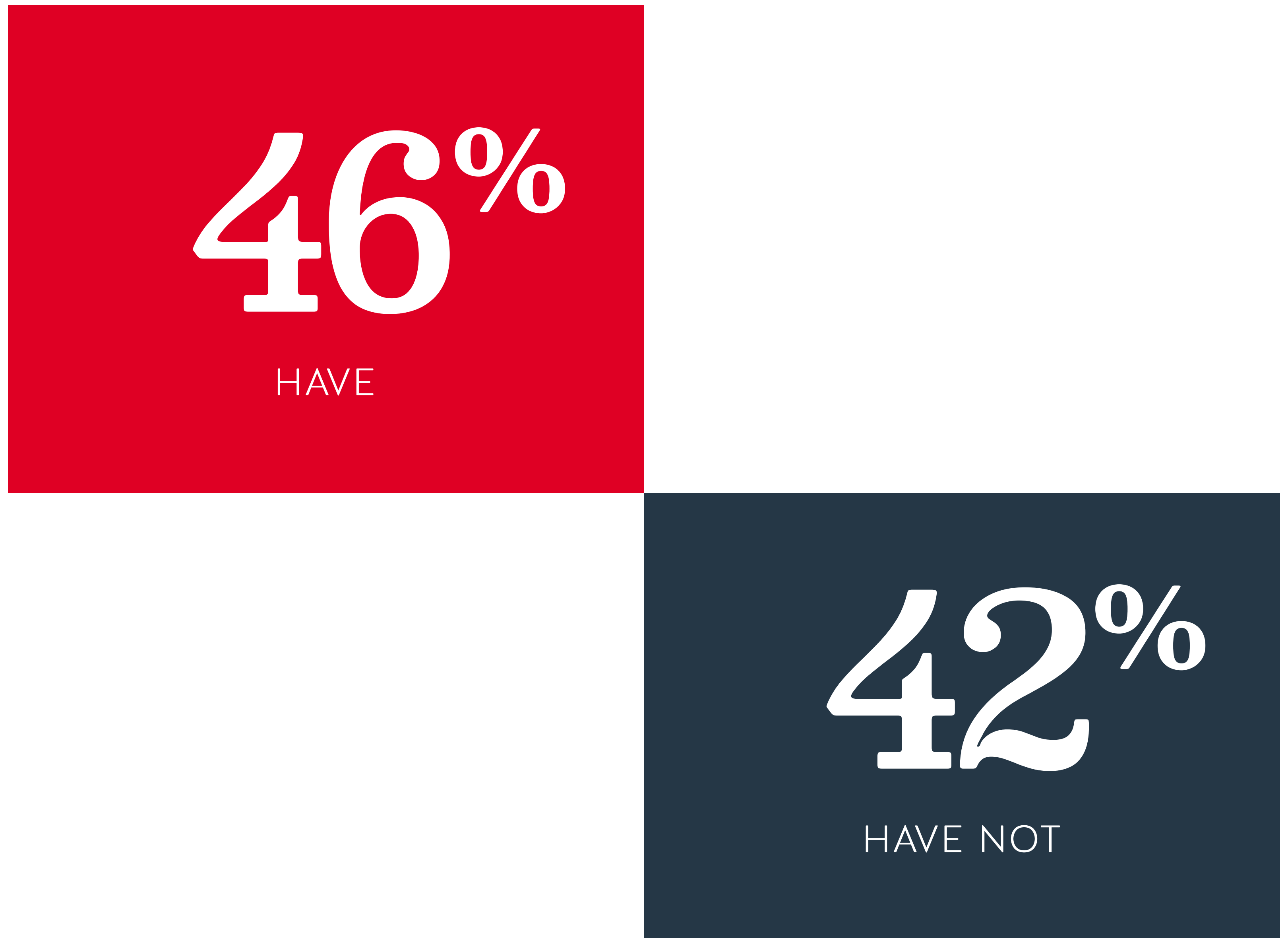
Causes of adverse credit

Rank	Reason	% of the population who have experienced it in the last 3 years	% of the population who have experienced it in the last 3 years (Winter 2023)
1	**Missed a credit payment**	11%	10%
2	Missed several credit payments resulting in a Default	7%	5%
3	Unsecured arrears	7%	4%
4	Entered a Debt Management Plan	6%	3%
5	Secured arrears	5%	3%
6	CCJ registered against them	4%	3%

*When, if ever, was the last time you experienced each of the following? Base: 10,141 GB adults

Respondents who've missed more than one credit payment[19]

Of all those who say they've missed a credit payment, nearly half (46%) say they have gone on to miss more than one payment.



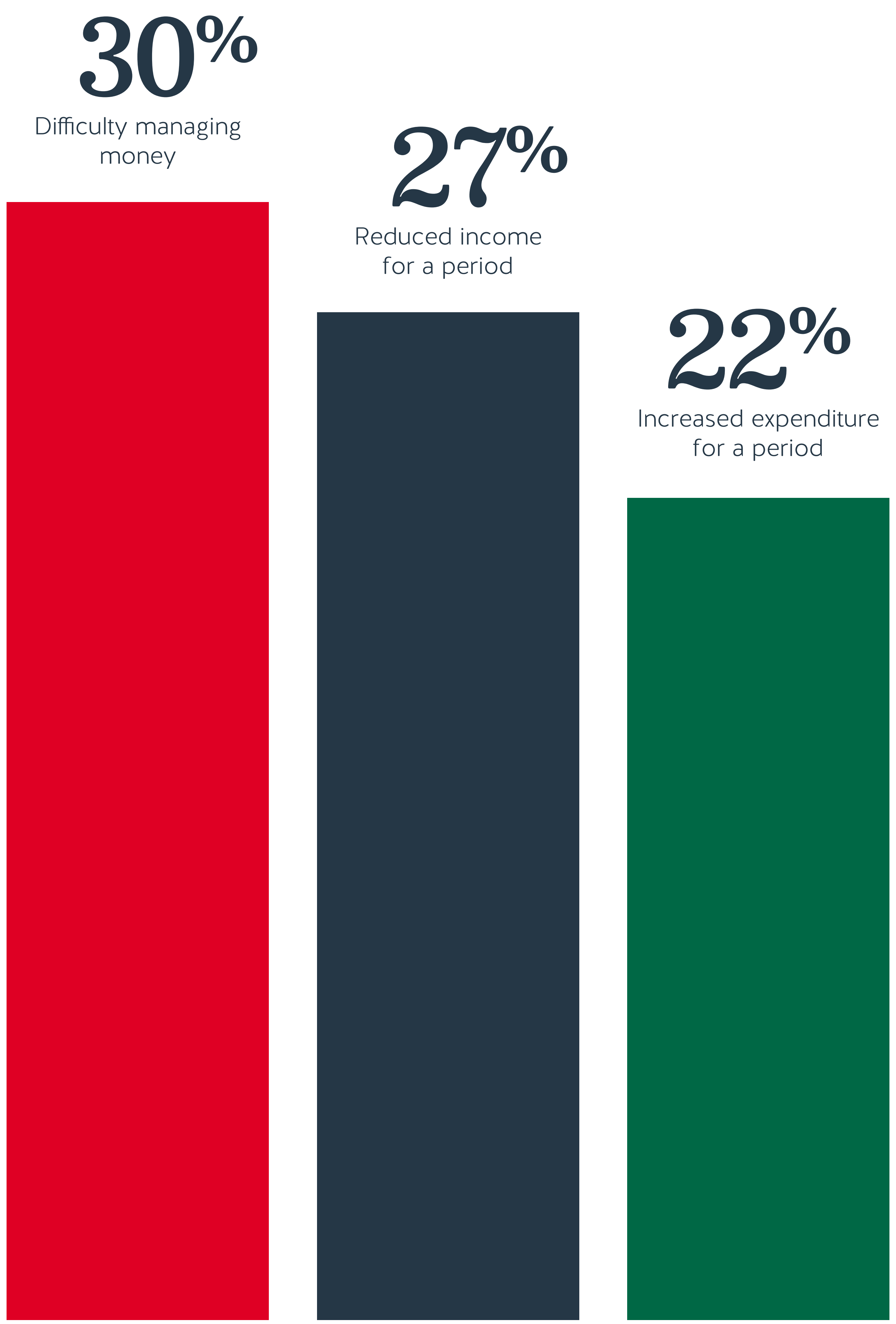
46% Have

42% Have not

10% Don't know

2% Prefer not to say

Reasons for missing credit payments (in the last three years)[20]



15% Lost my job

15% Illness

12% Other

11% Increased caring responsibilities

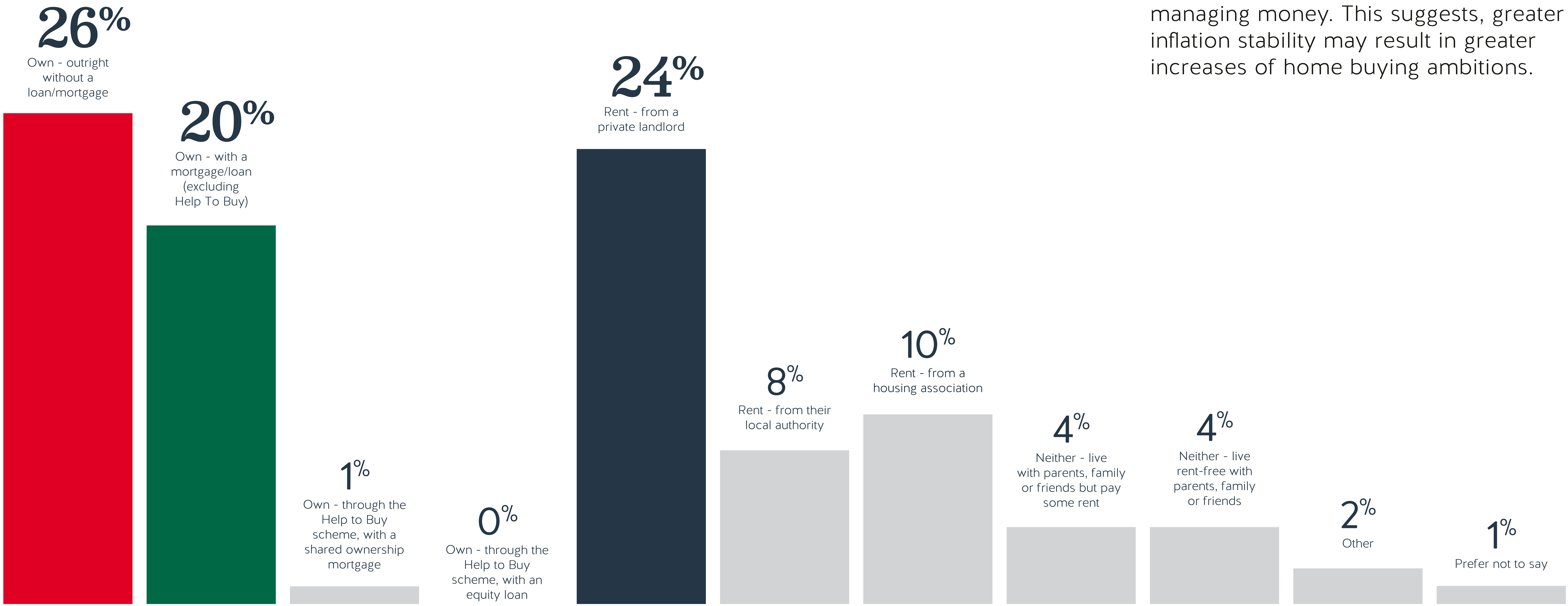
10% Death in the family

7% Don't know

4% Divorce

4% Prefer not to say

Home ownership vs rent or other arrangements[21]



Nearly two thirds (64%) of people with adverse credit, who don't currently own their own home, say that they would like to do so in the future. However, of those that have missed payments there has been a 9% increase in difficulty managing money. This suggests, greater inflation stability may result in greater increases of home buying ambitions.

Buying plans in the next 12 months[22]

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13%

buy a home to live in

13%
Buy a home to live in
(excluding a buy to let property)

8%
Buy a 'buy to let' property

75%
None of these

6%
Don't know

Appetite to buy a home in the future[23]

64%

said yes

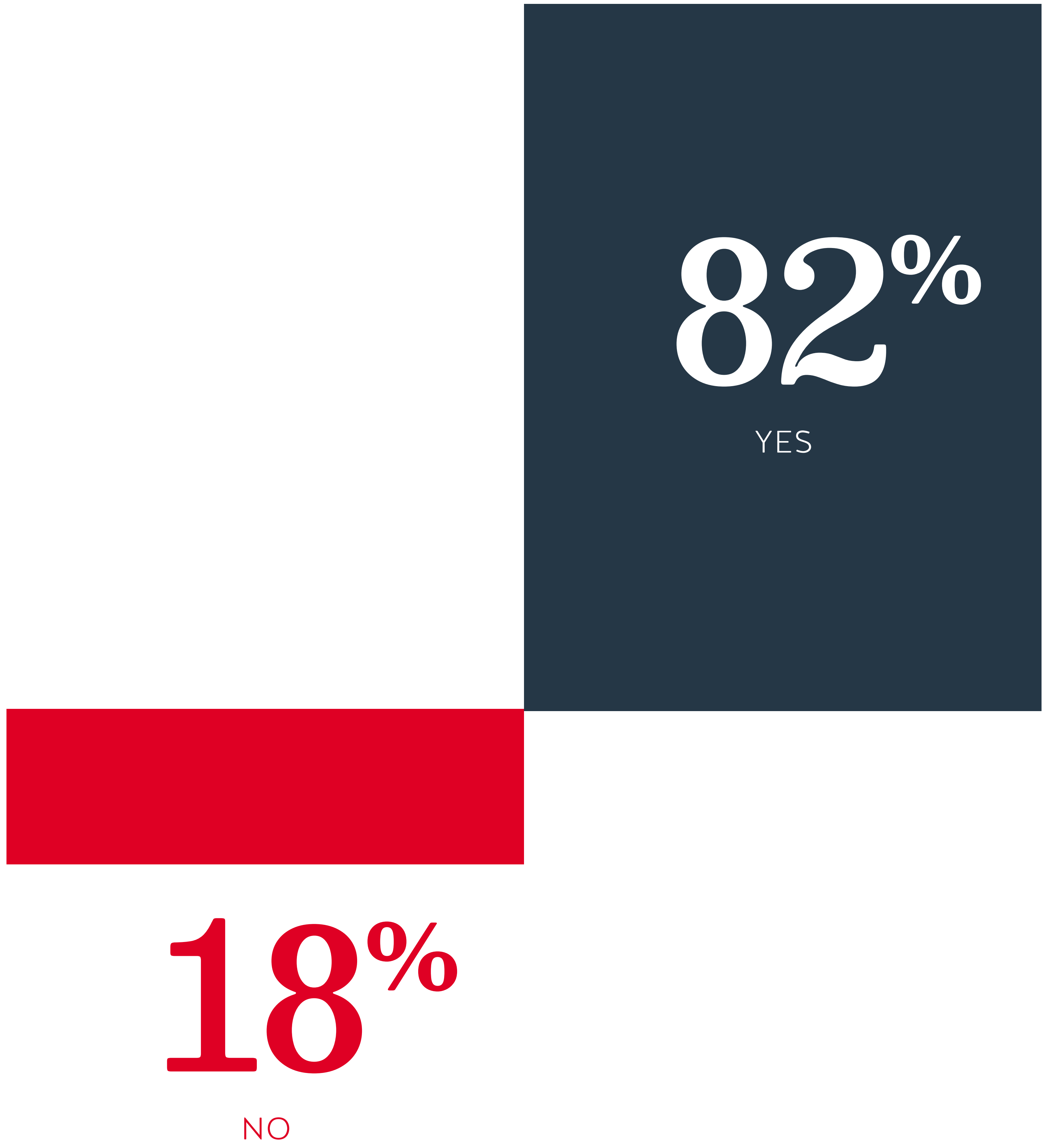
64%
Yes

24%
No

12%
Don't know

Home ownership aspirations[24]

For those people with adverse credit who're planning to buy a home in the next 12 months, 82% say it would be the first home they've ever bought.



Before this survey, have you ever heard the term 'specialist mortgage lender'?[25]

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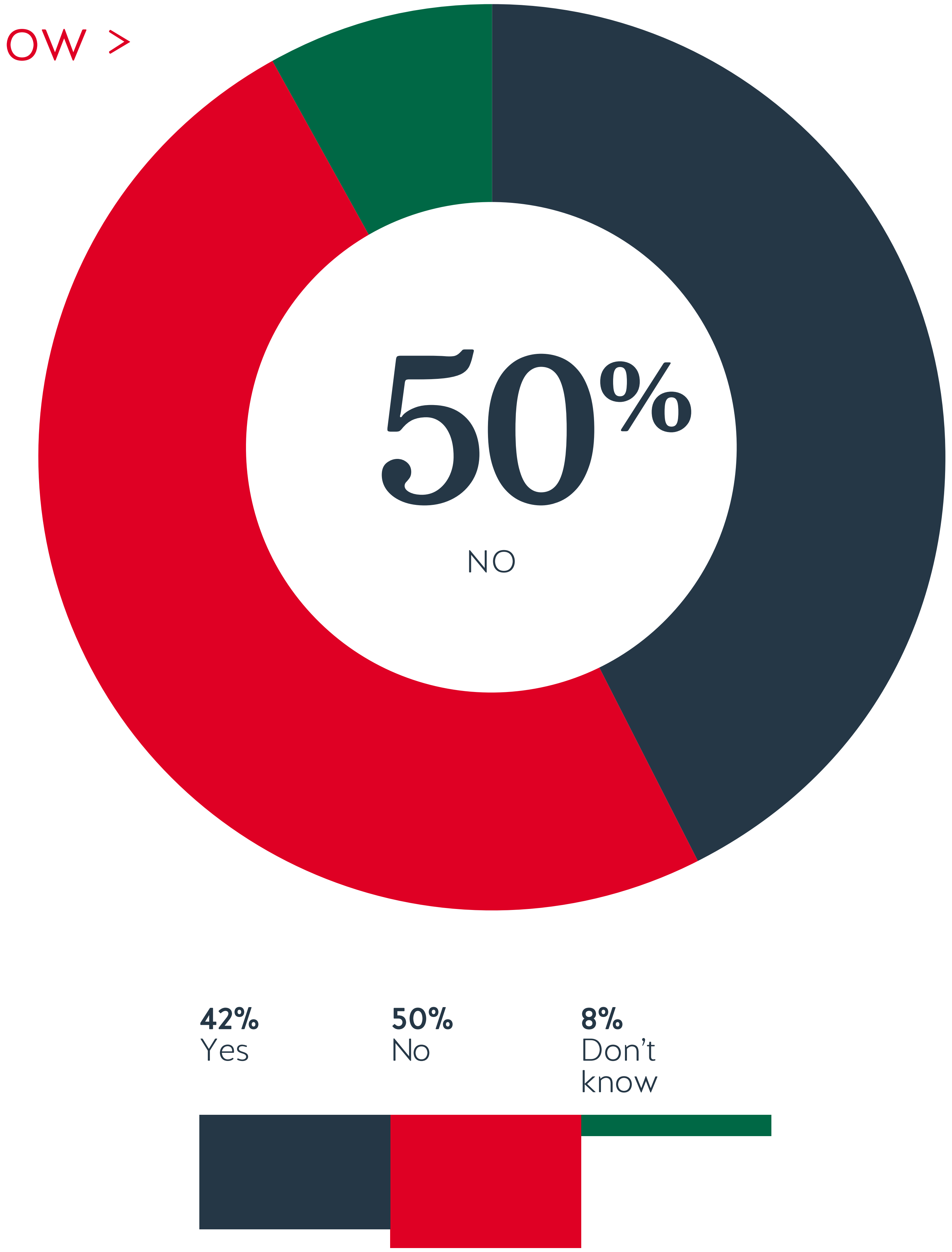
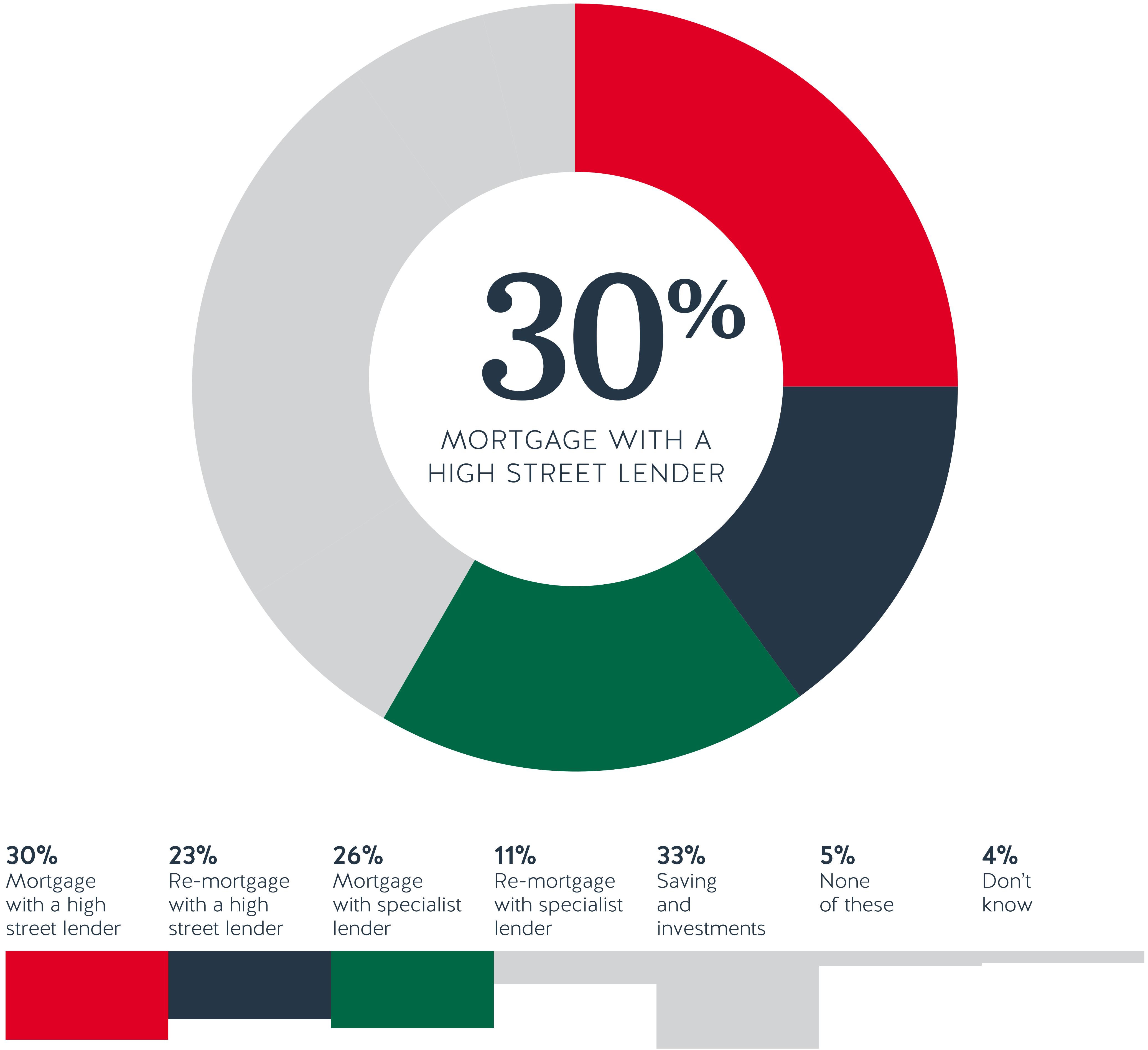
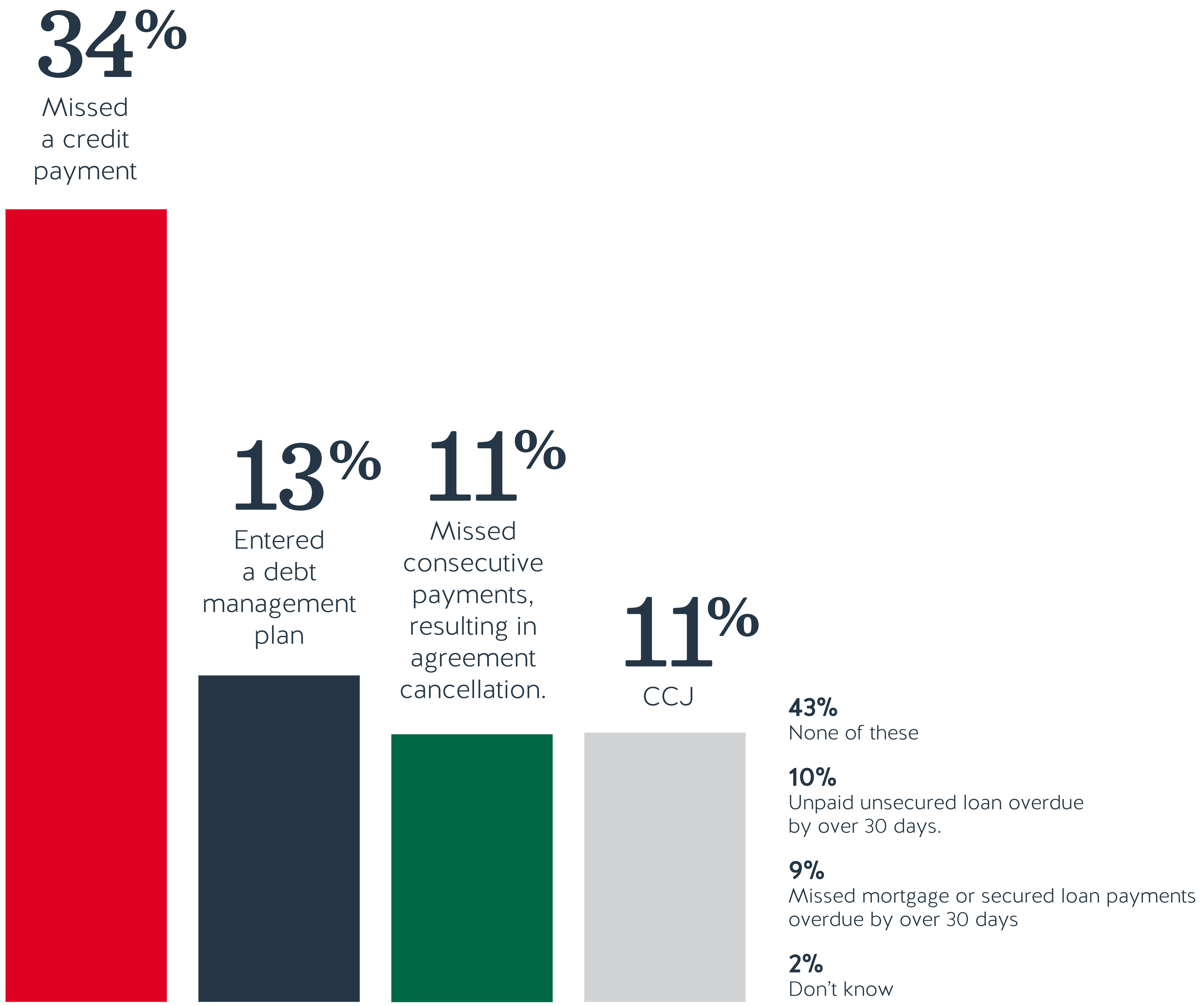


Plans for funding next property purchase[26]



Reason for negative finance experience[27]



How money problems affect mortgage experience[28]

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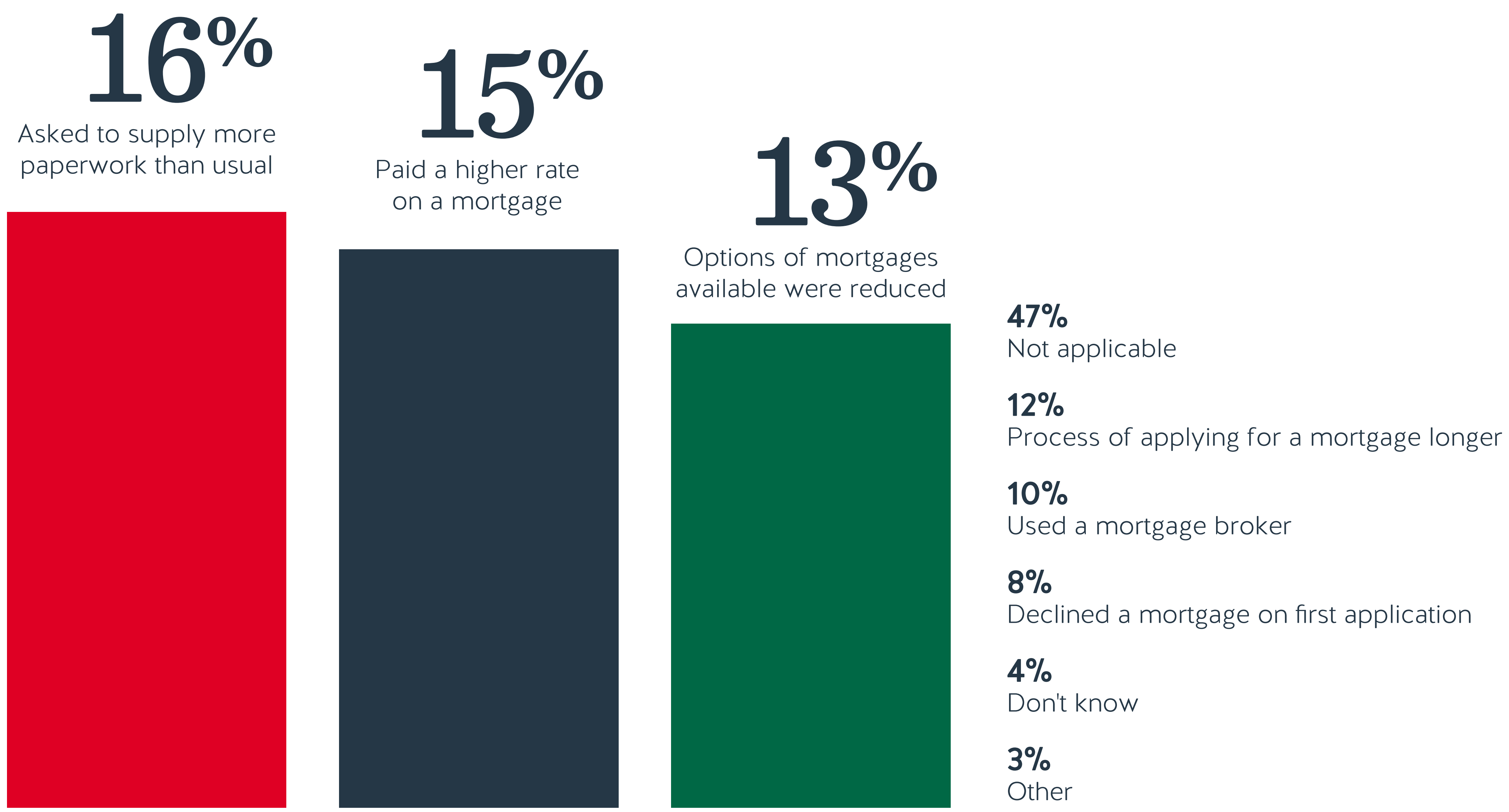
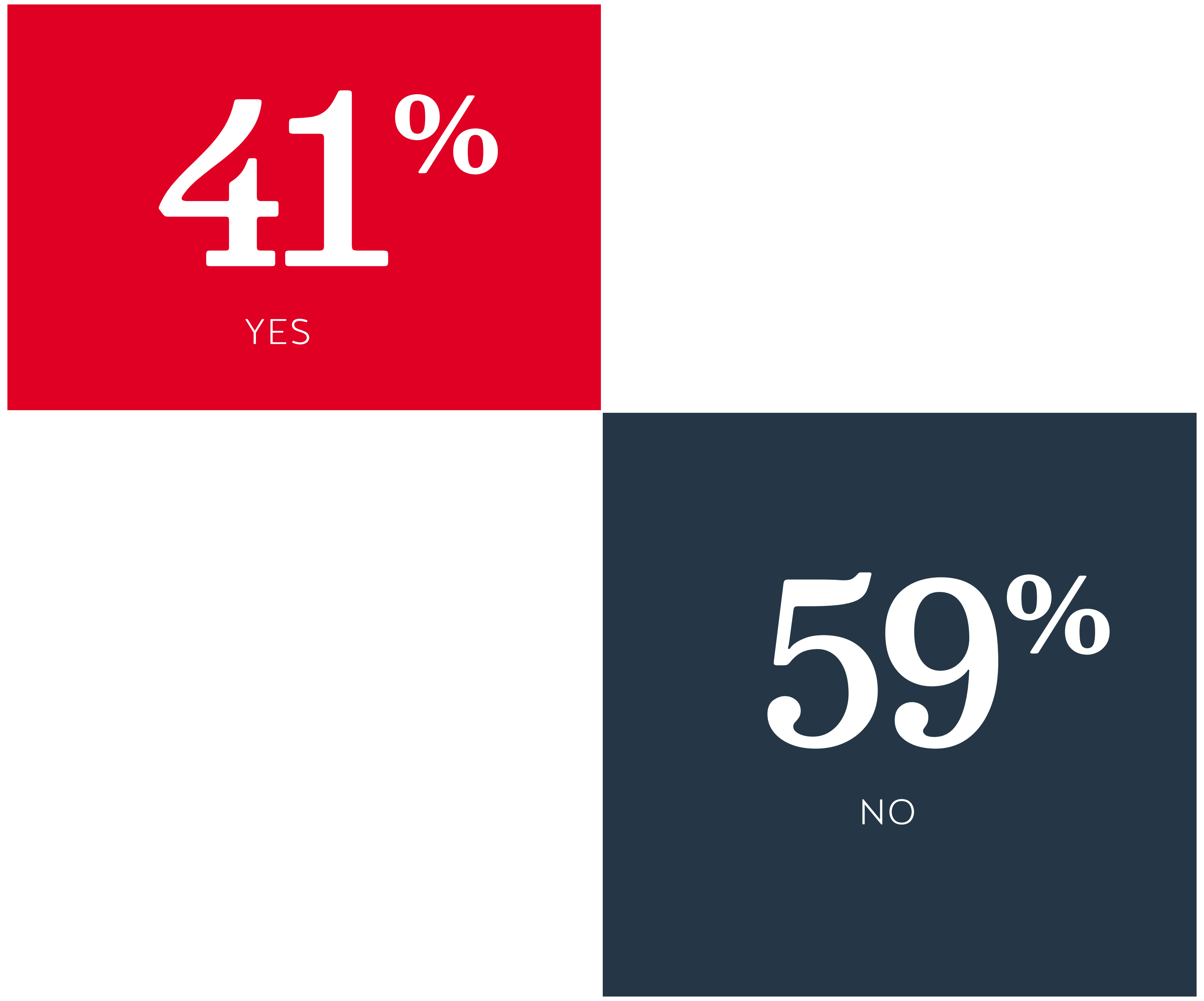


Are affordability issues preventing the purchase of a larger home or moving to a more appealing area?[29]

Click to be
in the know >



Rob Barnard
Intermediary Relationship Director,
Pepper Money

Adverse credit - Key *in*sights

1 A record number of people have recent adverse credit and a significant number plan to buy a property in the next 12 months. Brokers can help more customers by making it clear that there are options available to these potential homebuyers.

2 There's also an aspiration to invest in Buy to Let amongst those with adverse credit. Brokers should familiarise themselves with the options available to these customers.

3 Affordability is a key consideration for those who want to move home. Brokers can help customers achieve their goals by working with lenders that offer opportunities for customers to maximise their affordability in a hands-on, responsible way.

First-time buyers

Nearly seven in 10 (69%) people who don't currently own their own home say that they would like to in the future.

22% think that it will take more than five years for them to be in a financial position where they can own their own home, whilst 36% think they will never be in a position to do so. For those with recent adverse credit, 45% don't think they will ever be in a financial position to purchase their own home.

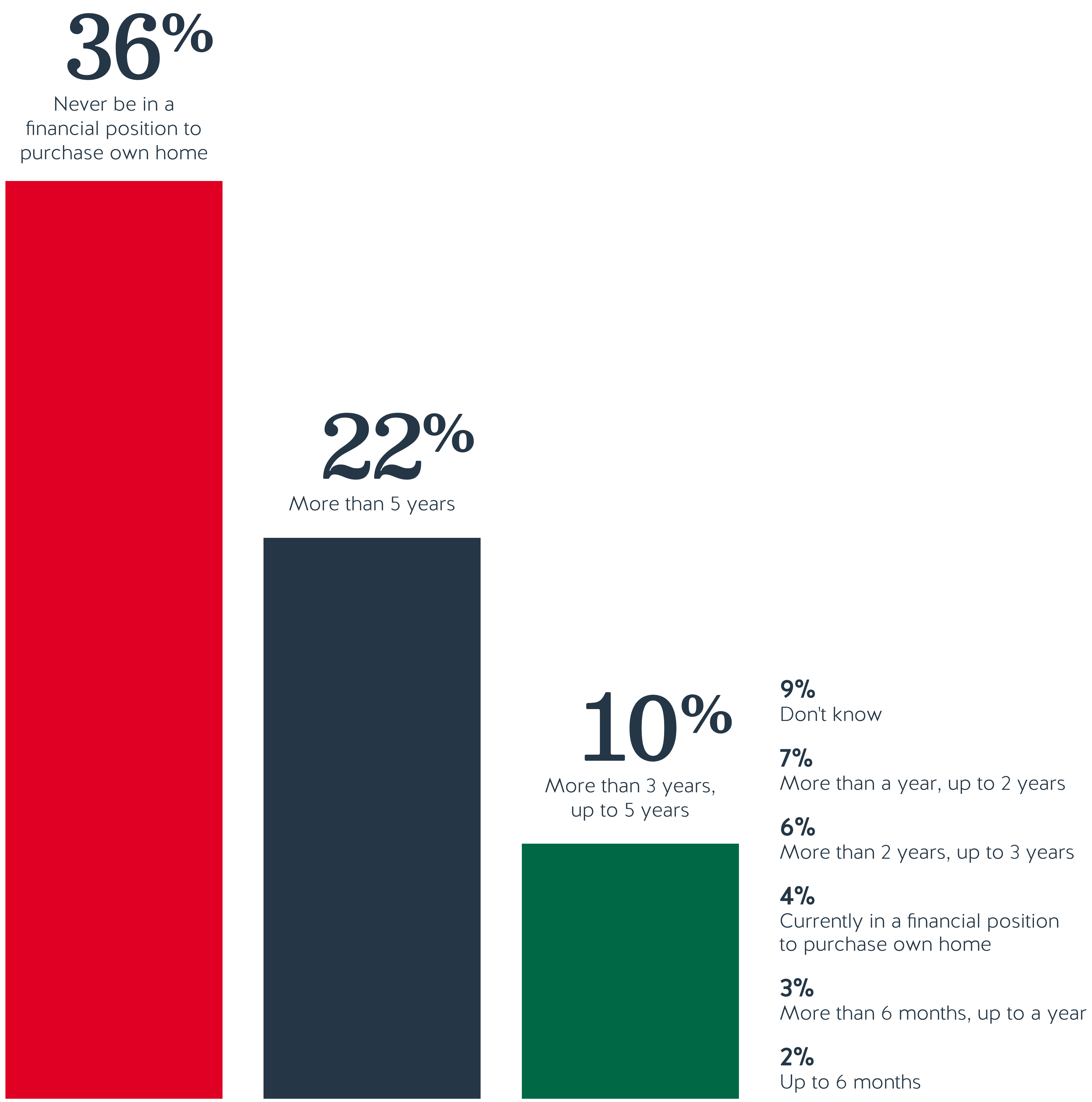
Respondents who'd like to purchase their own home in the future[30]

69% Yes

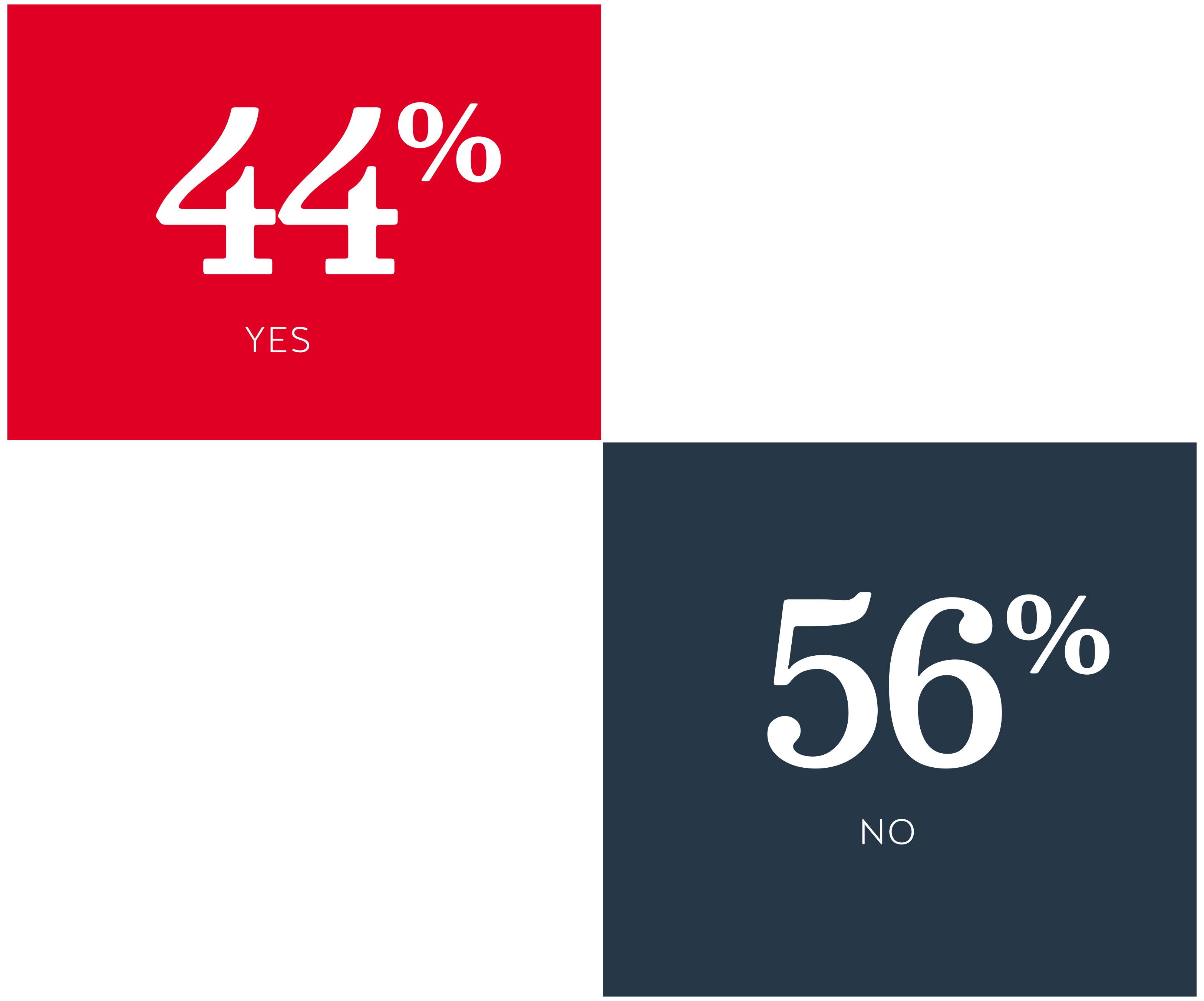
20% No

11% Don't know

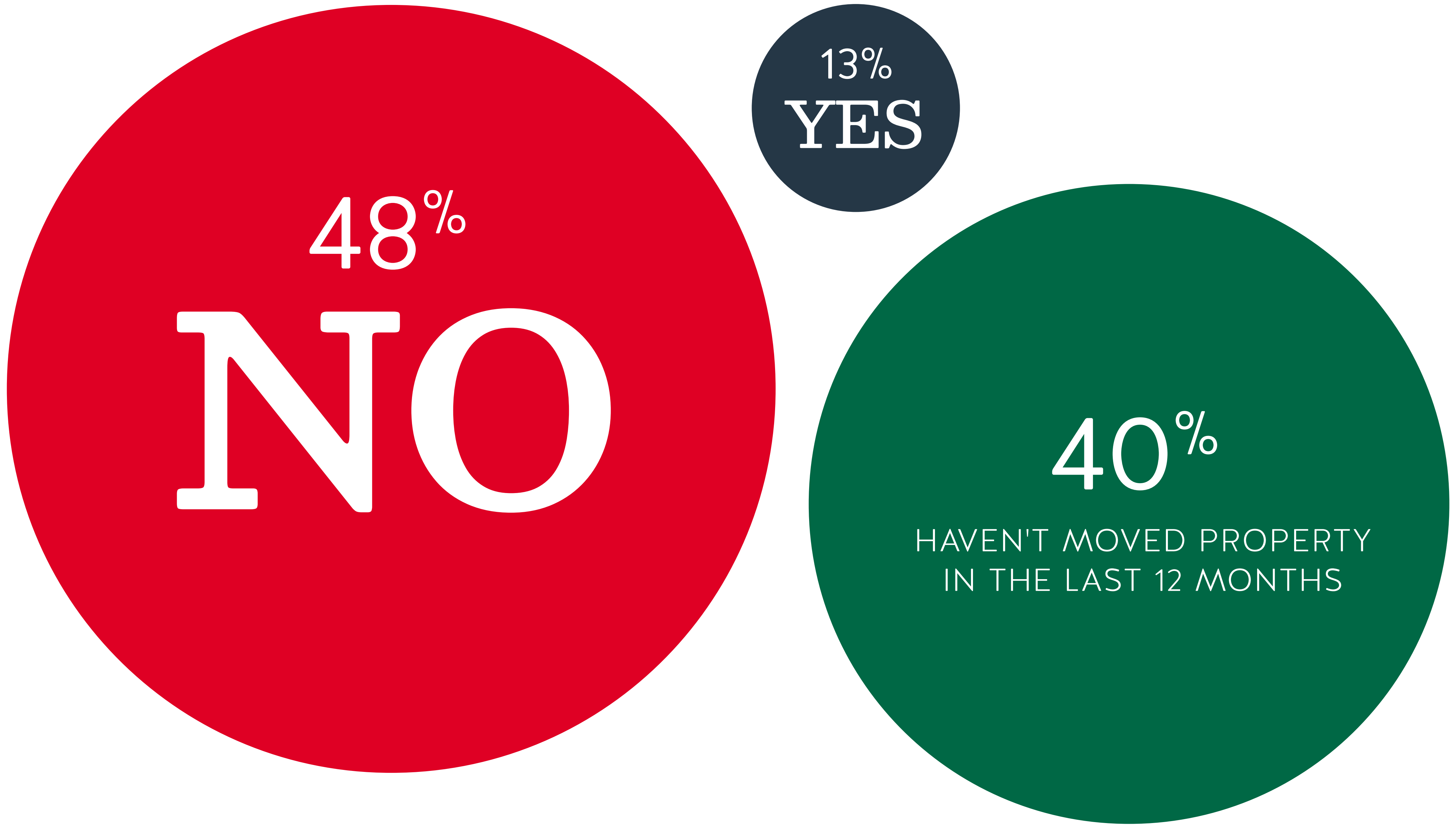
Approximate timeframes to be in a financial position to buy[31]



Do you pay more rent than you anticipated?[32]

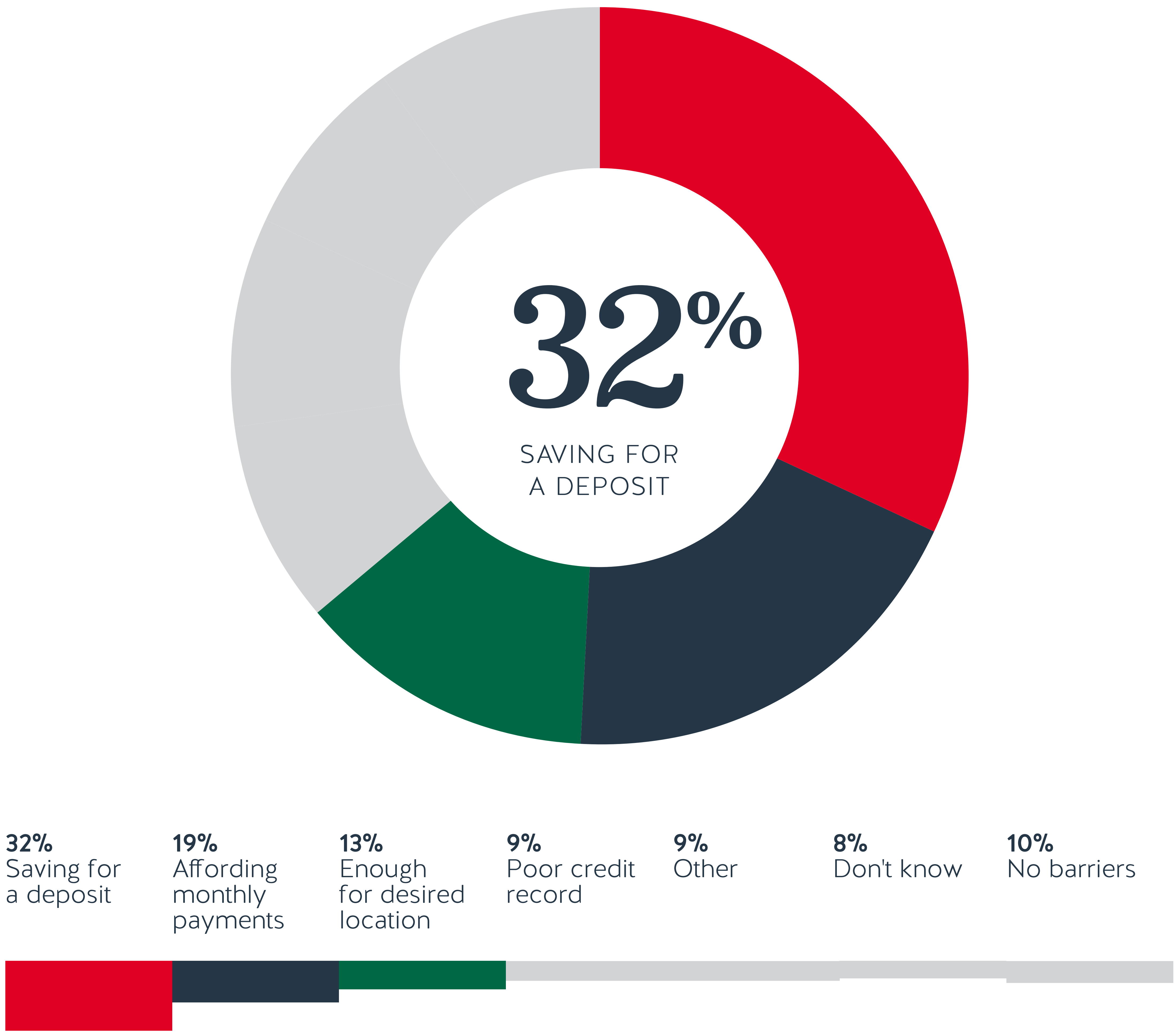


Proportion of respondents who've missed out on a rental property through being outbid (last 12 months)[33]

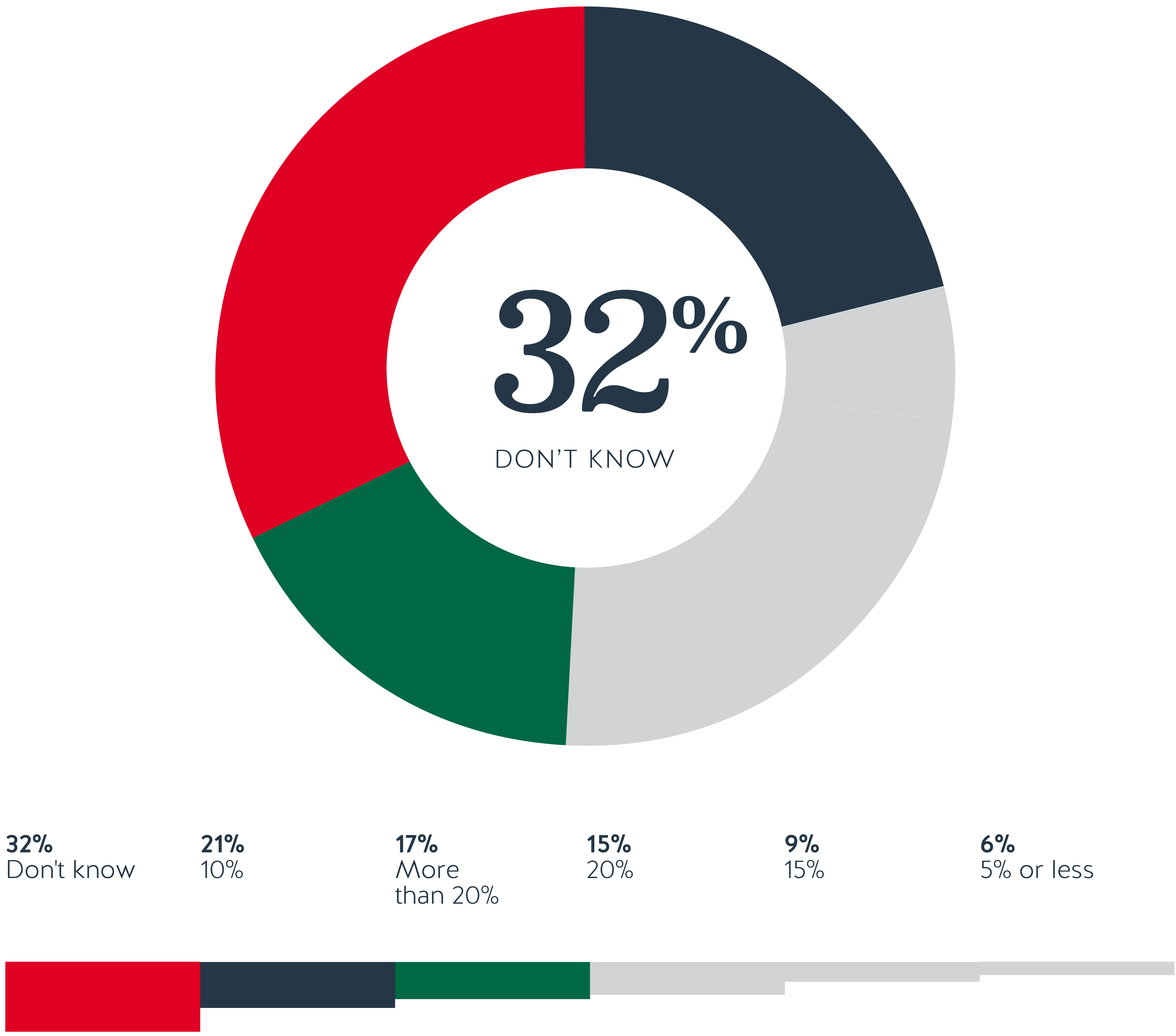


44% of people currently living in private rented property pay more in rent than they had anticipated prior to moving into their current property, whilst 13% say they have missed out on rented property in the last year because they have been outbid by other renters.

Barriers to home ownership[34]



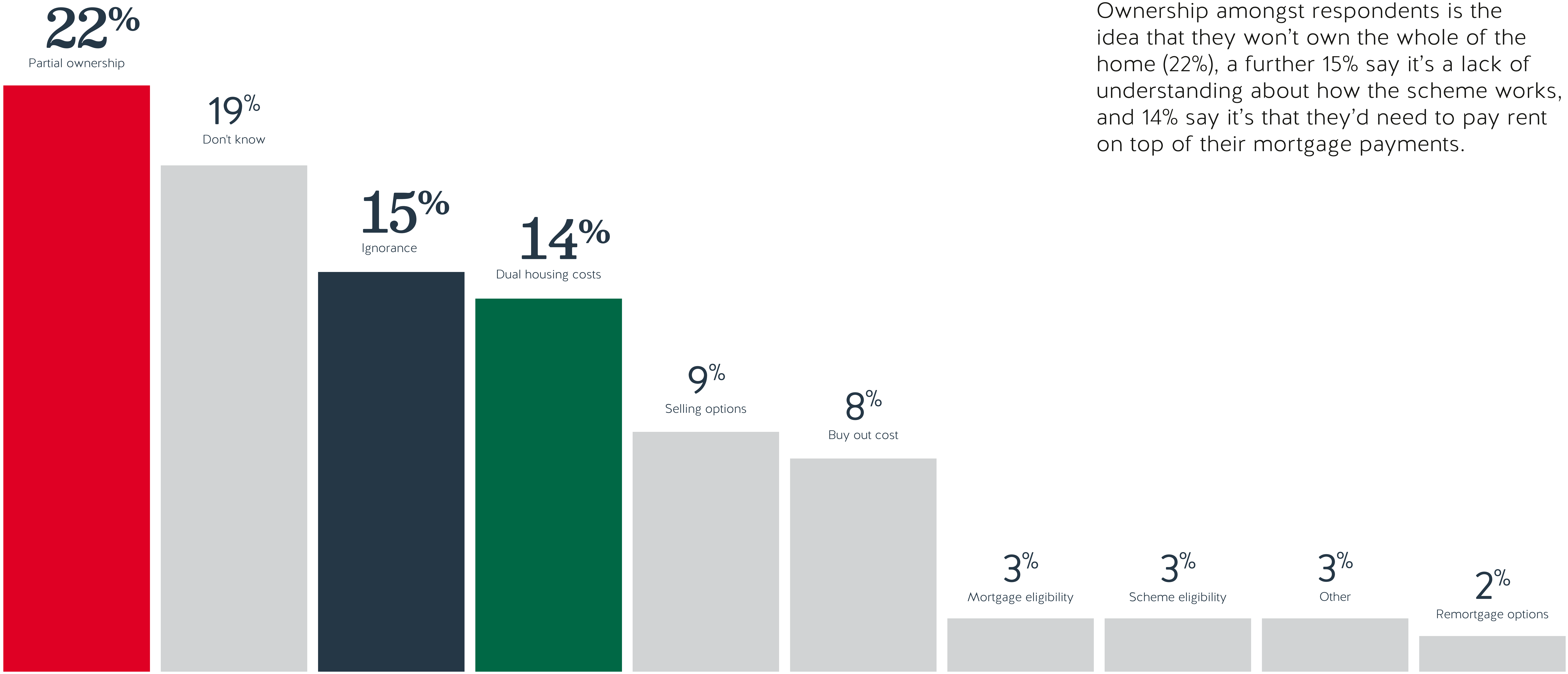
Deposit requirement perceptions for home ownership[35]



Shared Ownership

Shared Ownership scheme concerns[36]

The biggest concern about Shared Ownership amongst respondents is the idea that they won't own the whole of the home (22%), a further 15% say it's a lack of understanding about how the scheme works, and 14% say it's that they'd need to pay rent on top of their mortgage payments.



Right to Buy

Right to Buy scheme concerns[37]

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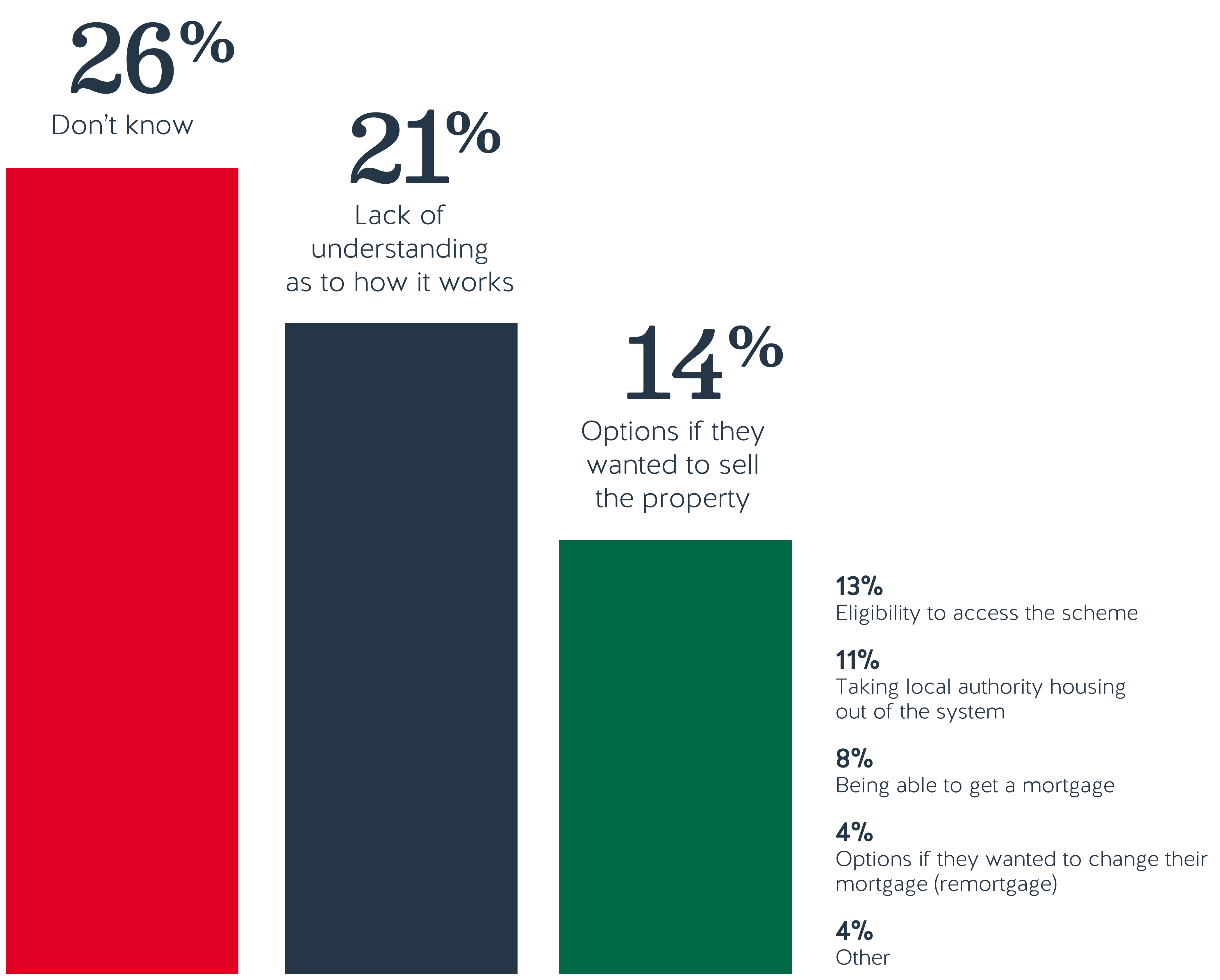
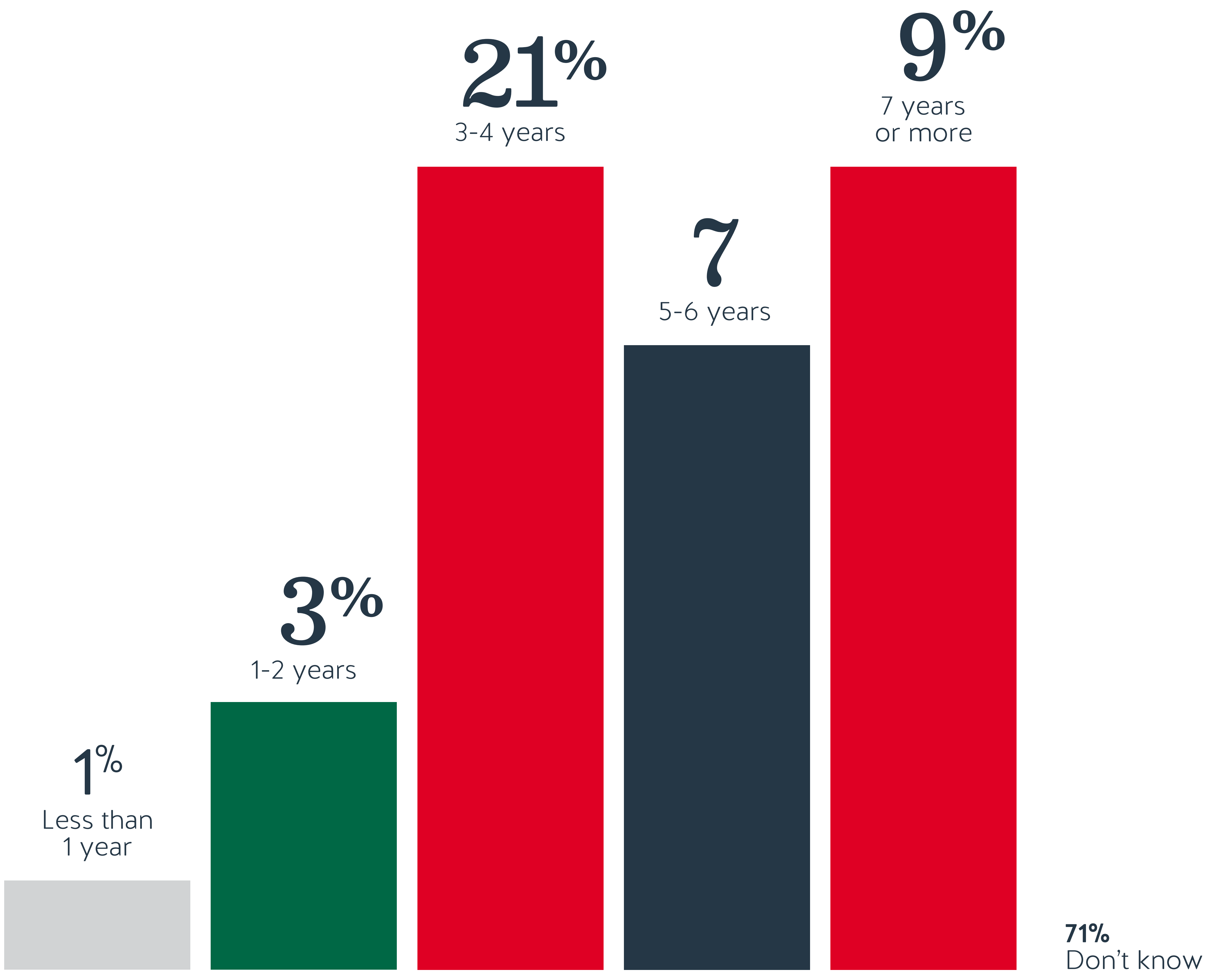


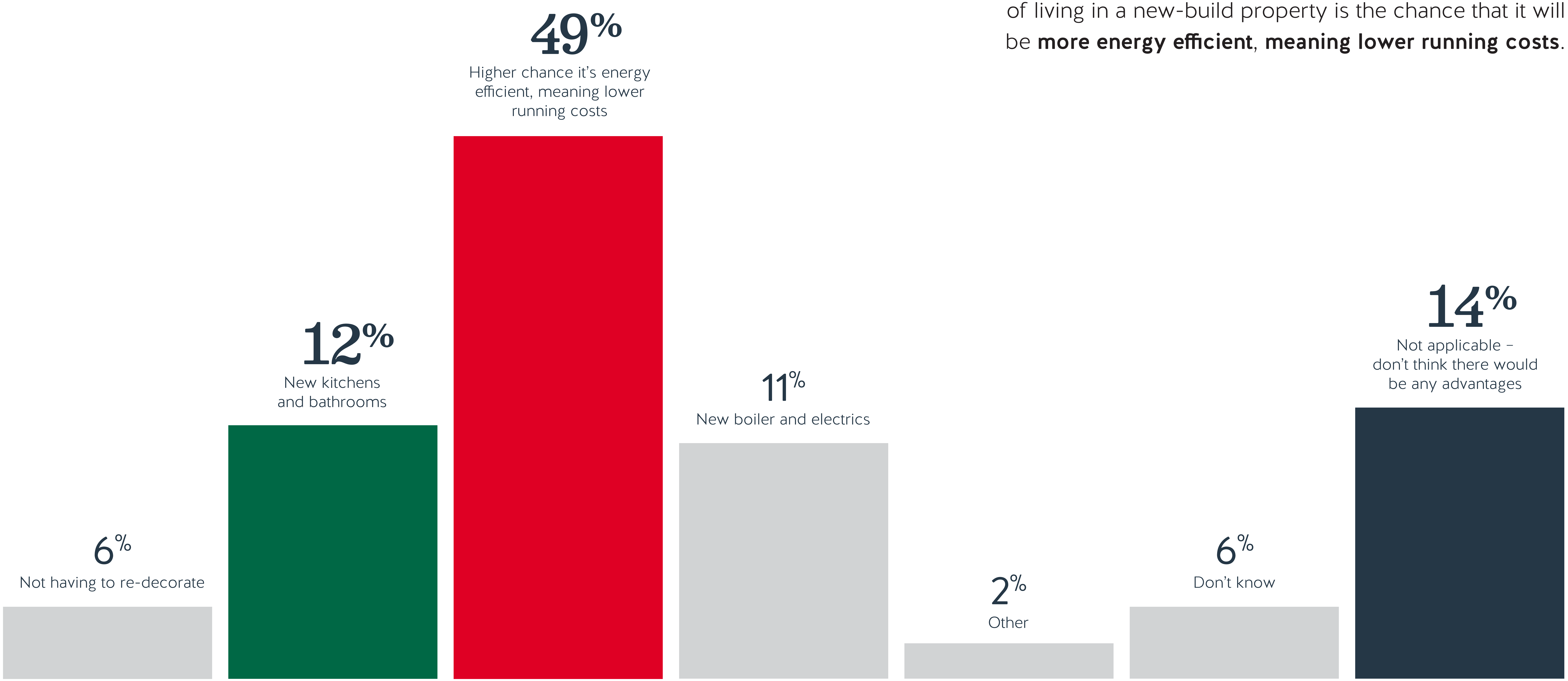
In the UK, how many years must a public sector tenant have lived in their home to be eligible to purchase it through the Right to Buy scheme?[38]



New Build

Biggest advantage of new-build properties[39]

Nearly half of respondents say the biggest advantage of living in a new-build property is the chance that it will be **more energy efficient**, **meaning lower running costs**.



Phil Green

Marketing Director,
Pepper Money

First-time buyers - Key ***in***sight

1 There's a huge appetite from hopeful homeowners to get onto the property ladder, but there continues to be several misconceptions about the opportunities to take the first step. Brokers can increase their opportunities by challenging these misconceptions.

2 Potential first-time buyers often think they need to save a larger deposit than might be necessary. Education about the available options for those with lower deposits can help encourage more people into the market.

3 There continues to be a lack of understanding about affordable homeownership schemes, which could help customers take their first step onto the ladder. This presents an opportunity to promote the schemes, increase understanding, and grow their reach to more hopeful homeowners.

Remortgaging

4.2m (8%) people have an existing mortgage deal that's coming to an end in the next 12 months. More than 920,000 mortgage customers with adverse credit have a deal coming to an end over the same period, based on the ONS projection for the UK adult population of 52.4 million.

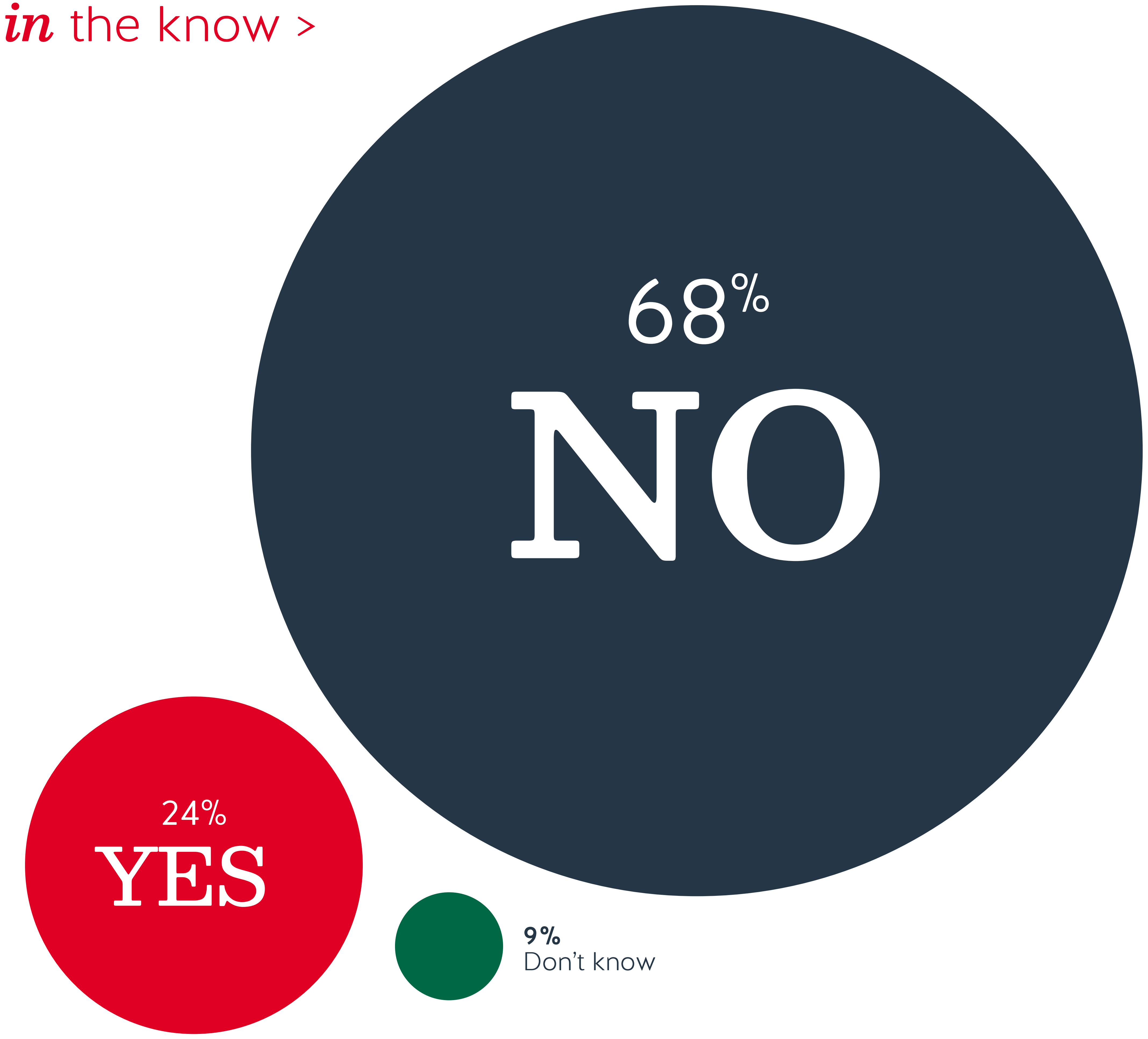
Time until current fix term expires[40]

38% – Not applicable – have never taken any mortgage

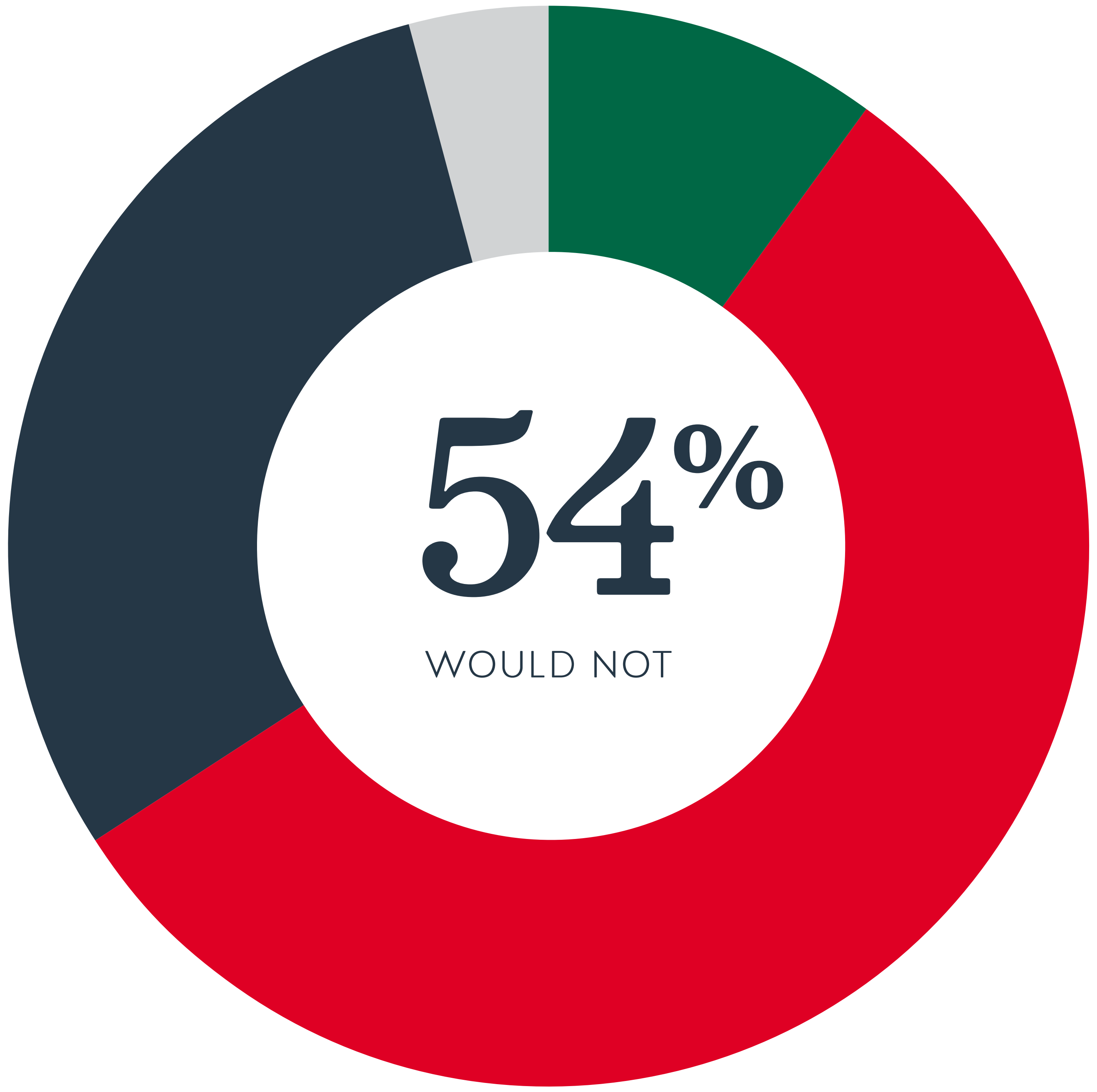
30% – Not applicable – have paid off mortgage

Awareness of the difference between a product transfer and a remortgage[41]

Click to be
in the know >



Respondents who'd consider a higher rate with a current lender over the full remortgage process[42]



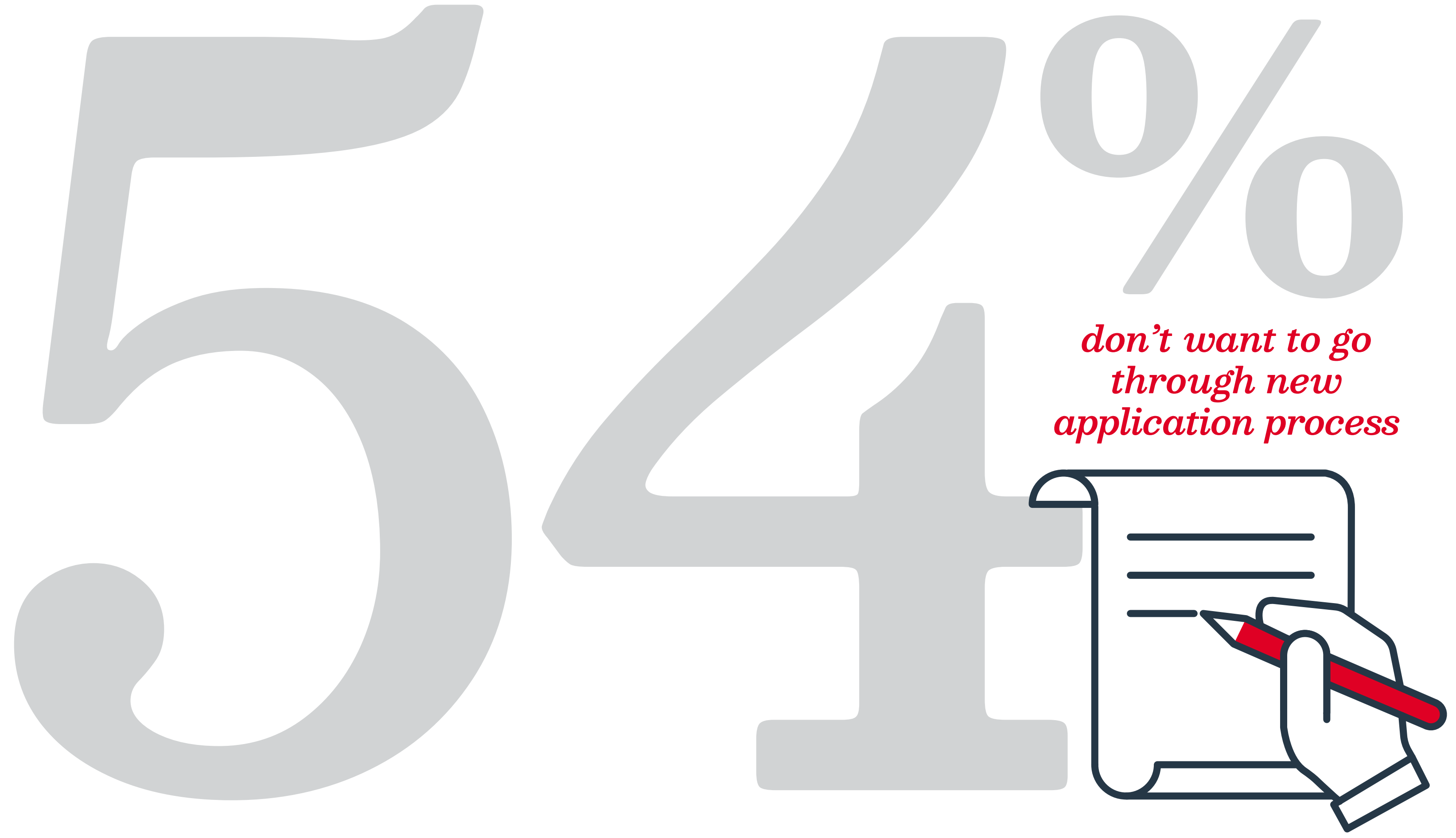
10% Would

54% Would not

31% Don't know

4% Prefer not to say

Reason for considering higher rates with an existing lender[43]



34% High quality service provided by existing lender

25% Circumstances have changed which may make it harder to get a new mortgage lender

54% Not having to go through a new application process

4% Other

10% Don't know

Matthew Batte
Business Development Manager, Second Charge,
Pepper Money

Remortgage - Key *in*sights

1. There's a huge remortgage opportunity in the coming 12 months, including for those with adverse credit.

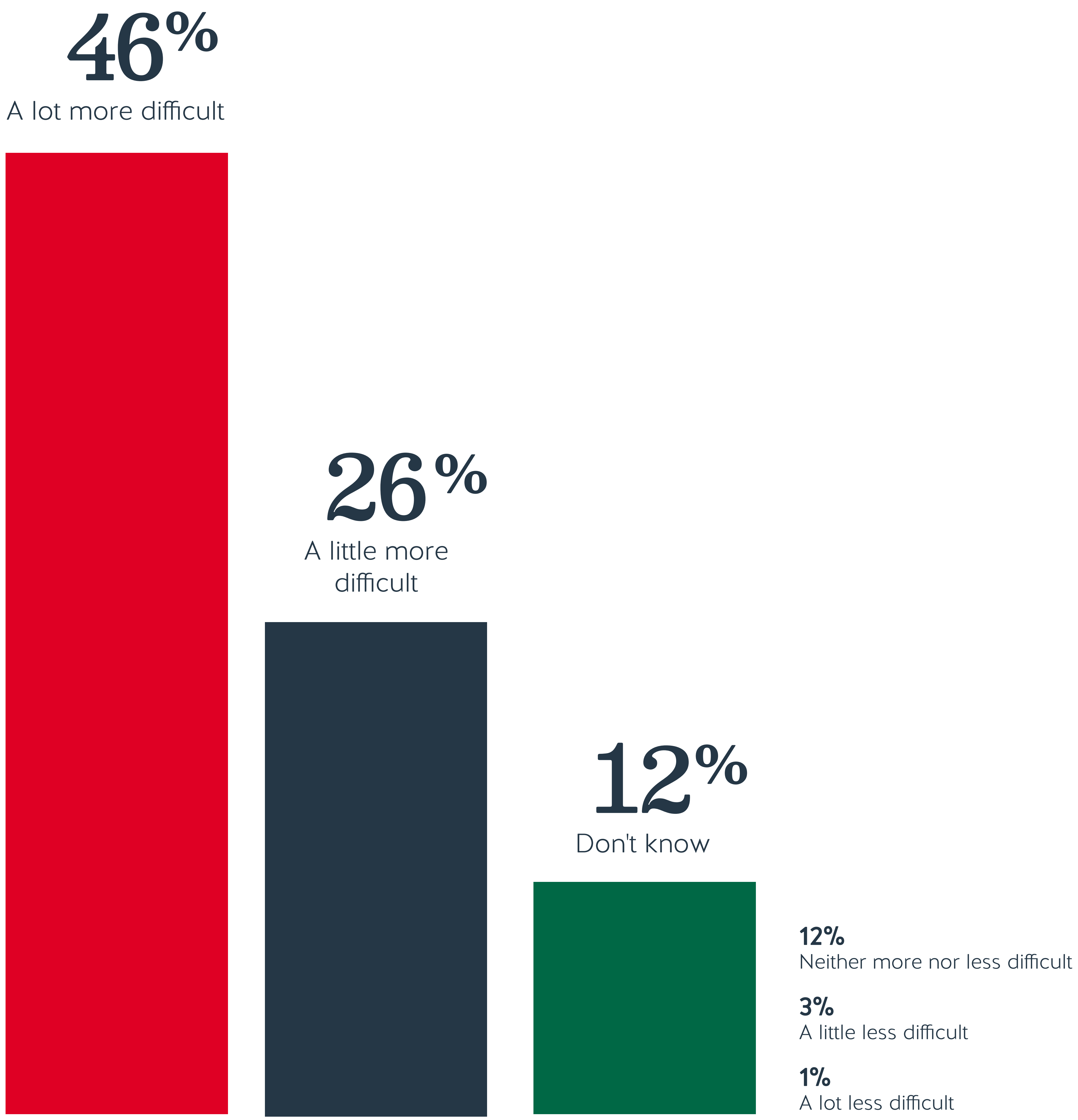
2. Product transfers may be growing in popularity, but mortgage customers still lack understanding about how they differ to a remortgage and may not be as inclined to take a product transfer if they were more informed about alternative options.

3. Brokers can help to win back share of the product transfer market by raising awareness about the available options amongst their customers.

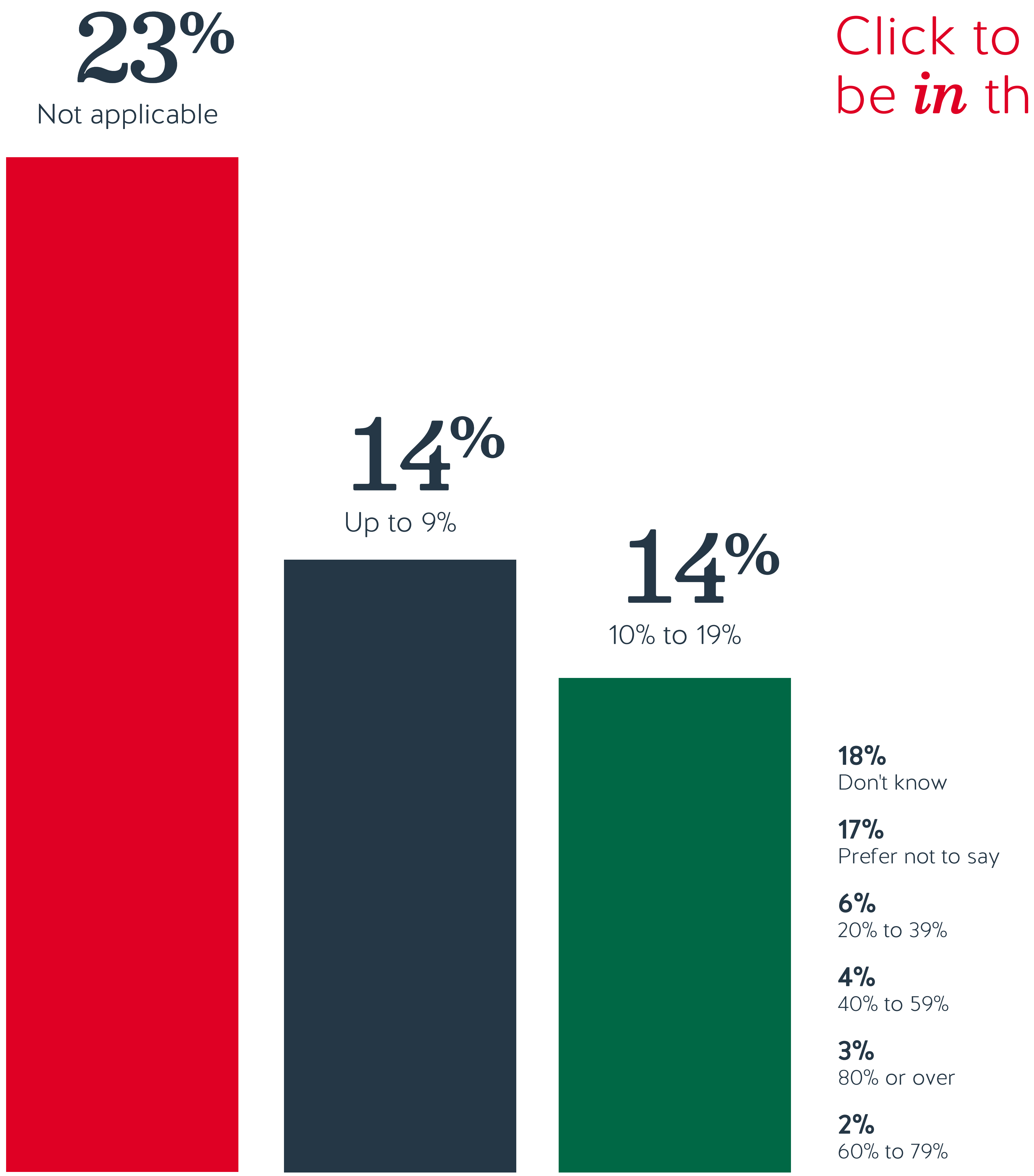
Self-employment

Nearly three quarters (72%) of self-employed people think that self-employment makes it more difficult to get a mortgage.

Perceived difficulty in obtaining a mortgage when self-employed[44]



Self-employed profit increases in the last year compared to the two preceding years[45]



Click to
be *in* the know >

Brad Rhodes
National Key Account Manager,
Pepper Money

Self-employment - Key *in*sights

1 Self-employment continues to be seen as a challenge by people when it comes to getting a mortgage. Raising awareness about the specialist options for the self-employed can help to challenge this misconception and encourage more people into the market.

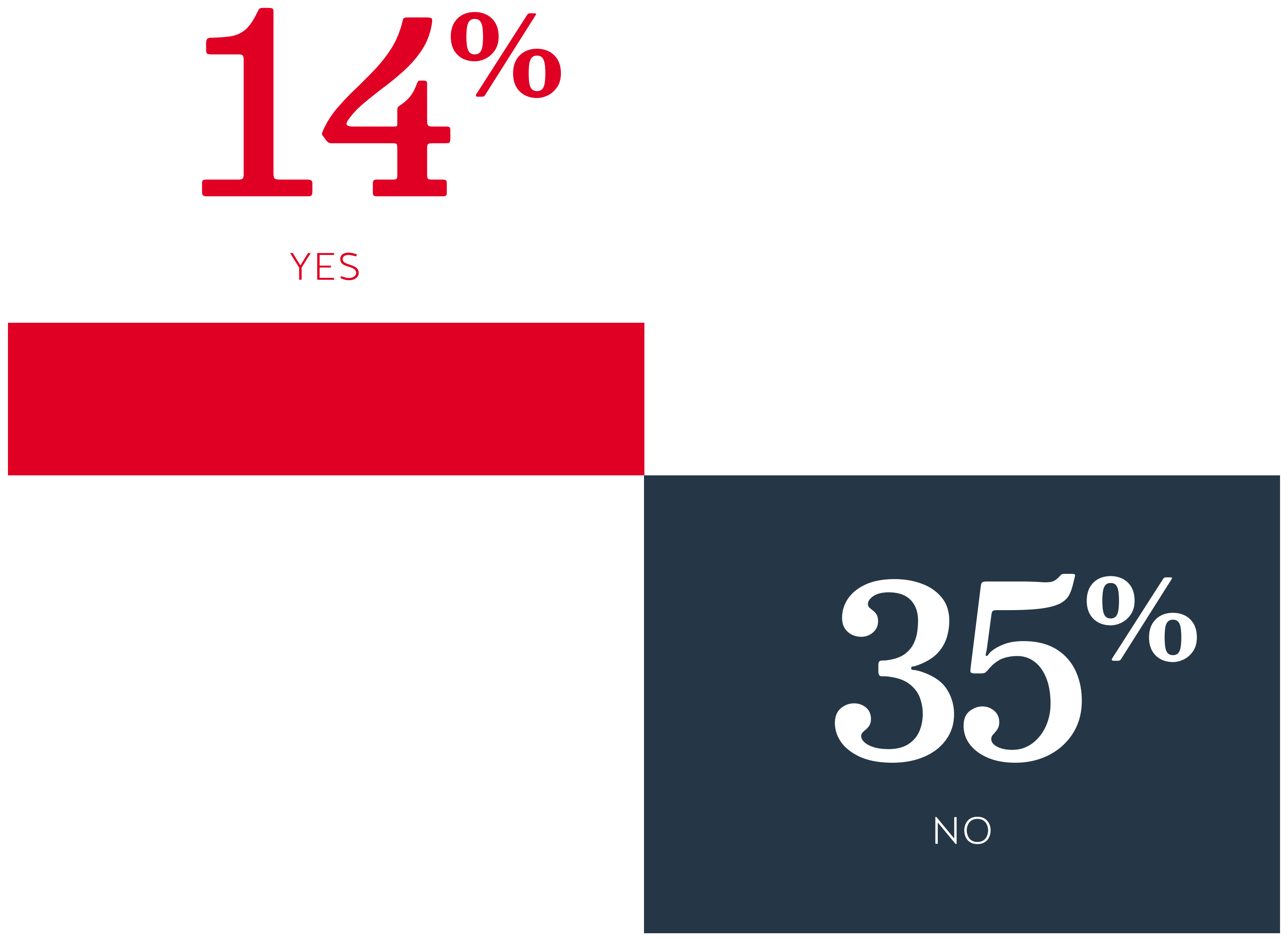
2 Many business owners have increased their income over the last 12 months of their accounts. Working with lenders that are able to make affordability calculations based on one year's accounts can help to maximise their affordability and increase their opportunity.

Complex income

7.34m people (14%) say they earn income from more than one job as a result of the cost of living crisis. This is up from 5.77m (11%) in the last study.

For those respondents who have adverse credit, 23% say they have taken on additional work as a result of the increasing cost of living.

If you have more than one job, do you do it to help with the cost of living?[46]



14%
Yes

35%
No

3%
Prefer not to say

48%
Not applicable

How respondents receive their income[47]

65%
A fixed monthly salary without commissions/ target based bonus

11%
A fixed monthly salary with a regular commission/ target based bonus

2%
Variable commission based salary

3%
Variable income as a contractor

6%
Variable income from self-employment

6%
Other

8%
Don't know

Cameron Rodwell

Head of Sales Operations,
Pepper Money

Complex income - Key *in*sights

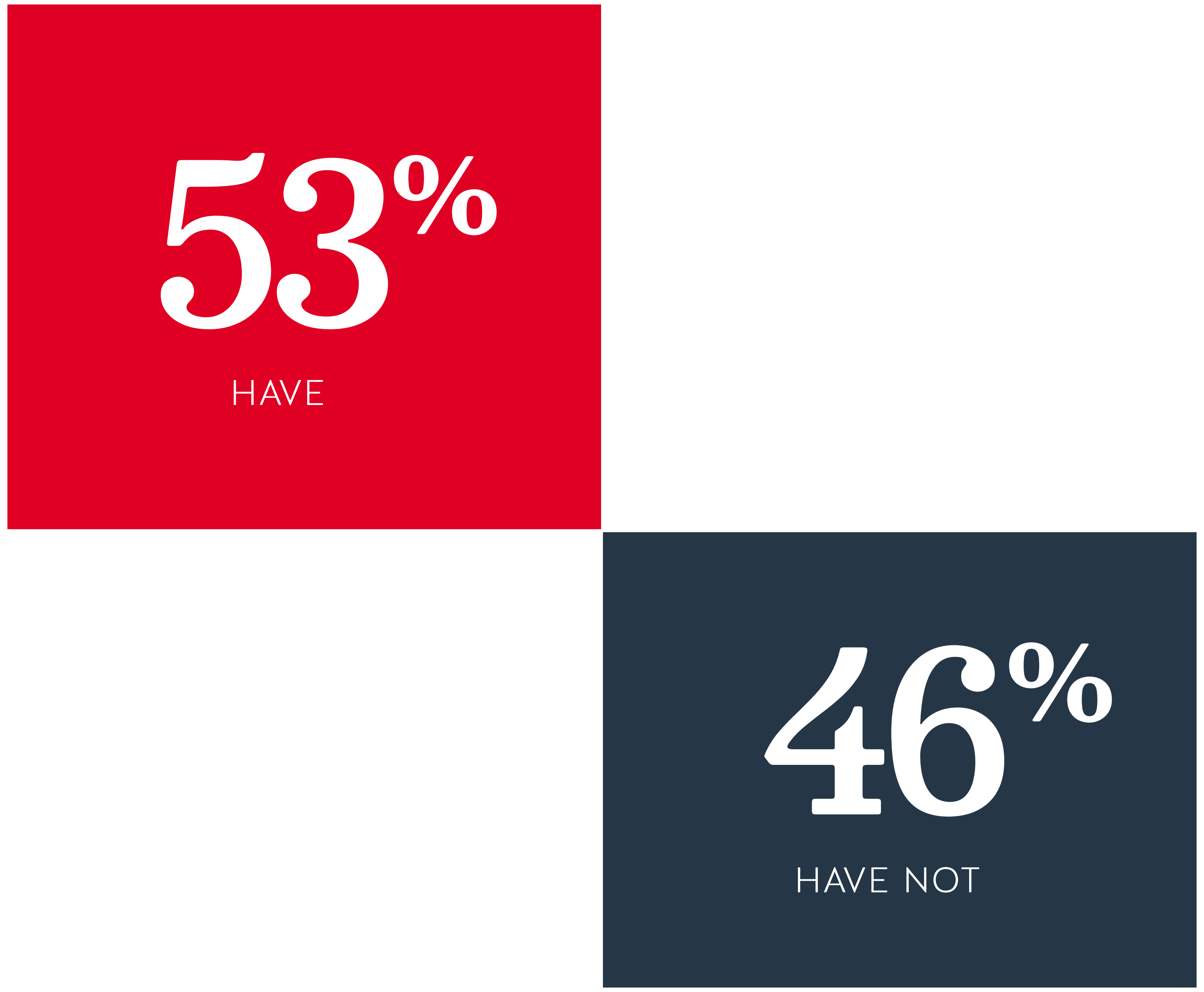
1 More people are earning income from more than one employer. Working with a lender that fully considers multiple sources of earned income can help them achieve the mortgage they deserve.

2 One in five workers earns a variable income of some kind. A hands-on approach to assessing this income can help to maximise how much is used in an affordability calculation, so brokers should familiarise themselves with lenders that can offer this.

Buy to Let

More than half of Buy to Let landlords with a mortgage (53%) have had to remortgage in the last 12 months and 56% of those have seen their mortgage payments increase by more than 20%. However, only 50% of this group have increased rent by 20% or more, so landlords have not always passed on the full increase they have seen in their mortgage payments.

Have you had to remortgage in the last 12 months?[48]

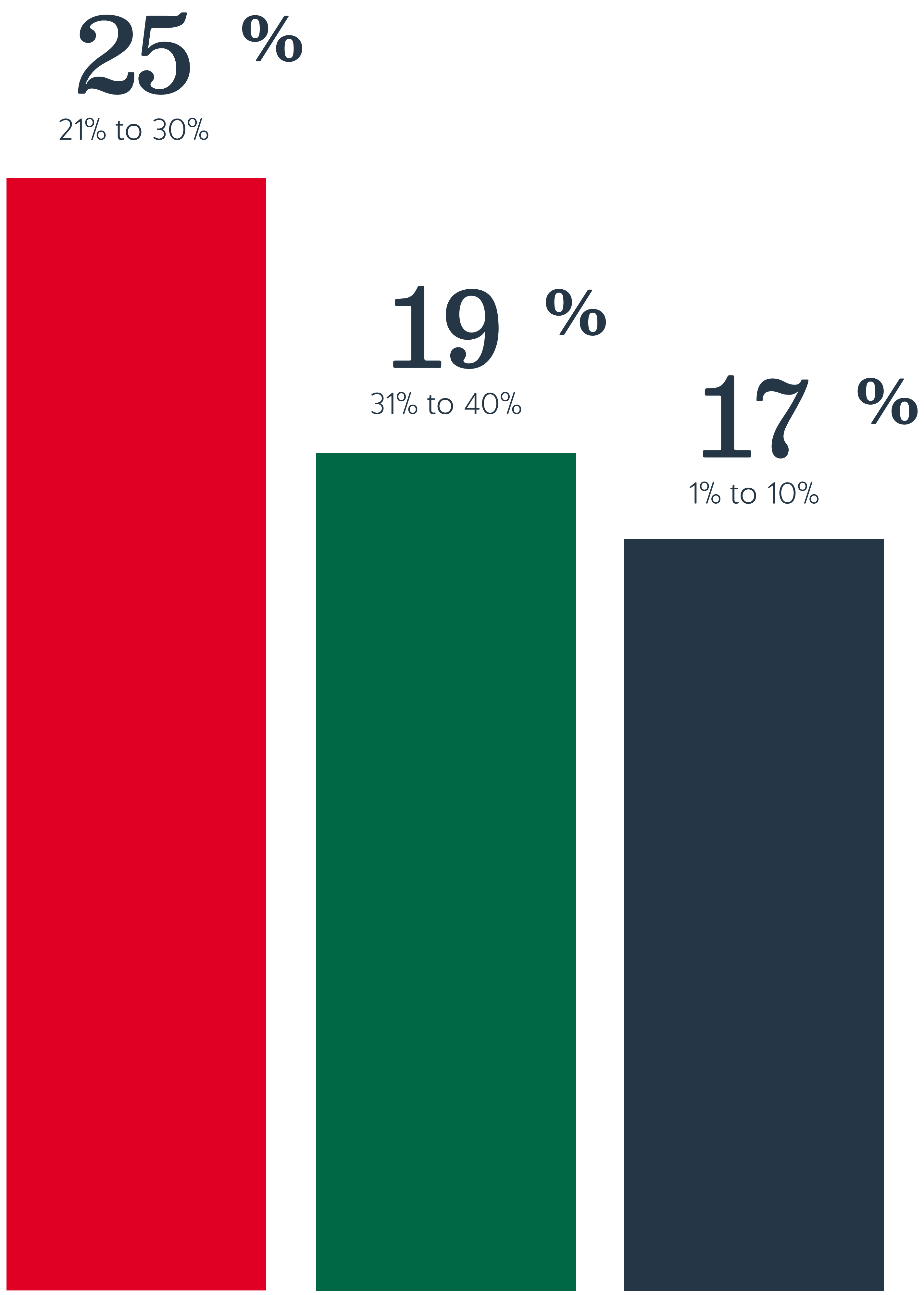


53%
Have

46%
Have not

1%
Don't know

Increase in Buy to Let monthly mortgage payments[49]



15%
11% to 20%

16%
41% to 50%

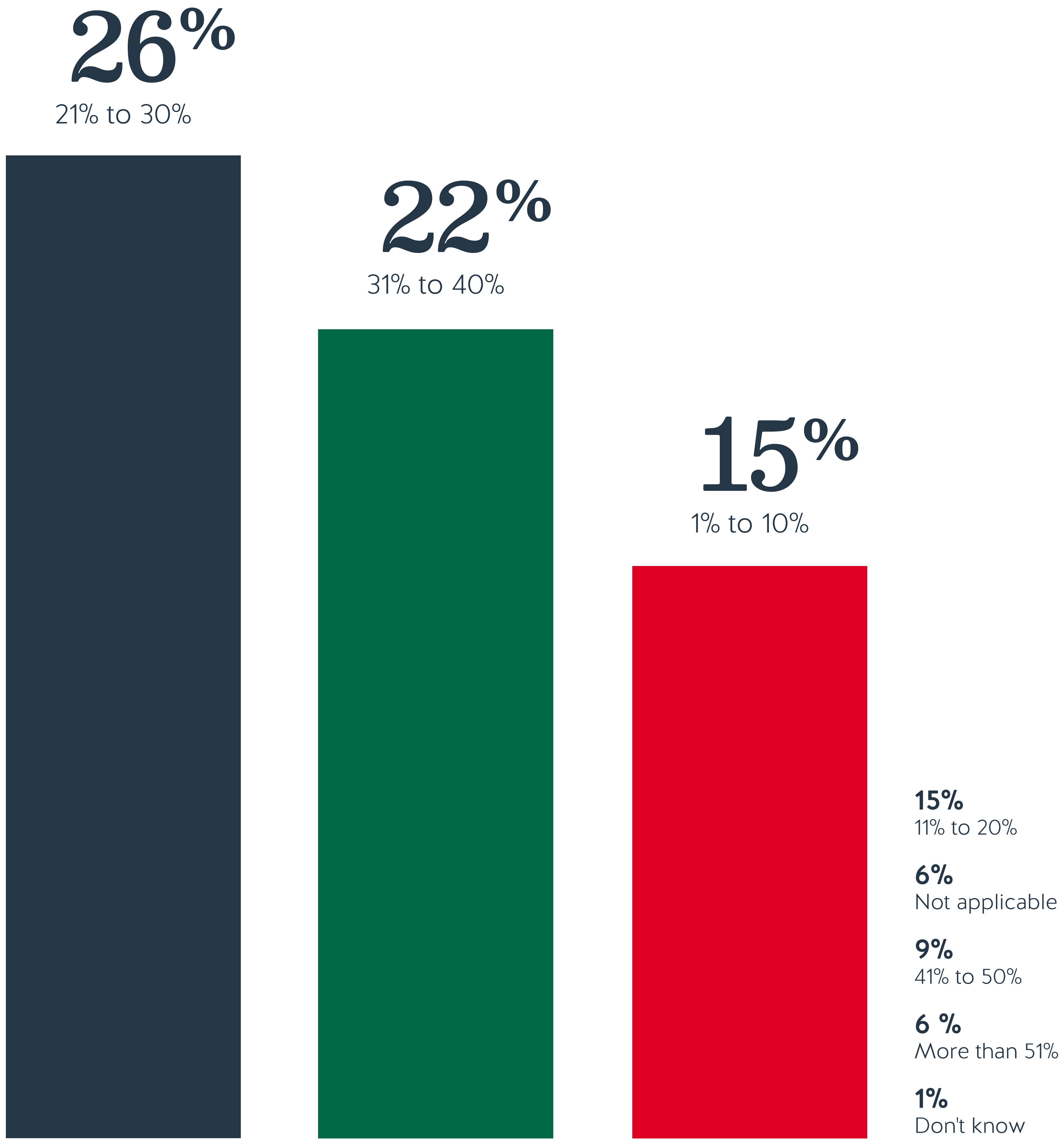
3%
More than 51%

5%
Not applicable – there has been no increase

2%
Not applicable – monthly payments have decreased

2%
Don't know

Increase in rent charged to tenants[50]



Respondents who have experienced rental voids or non-payment in the last 12 months[51]

56%

said yes

69%
Have

21.7%
Have not

9.3%
Don't know

Jonathan Manton

Head of Proposition Development,
Pepper Money

Buy to Let - Key *in*sights

1 Buy to Let landlords are experiencing higher costs and not always passing these on to tenants. Brokers can help their landlord clients by staying on top of their mortgage portfolio and ensuring they have the best deals available to them.

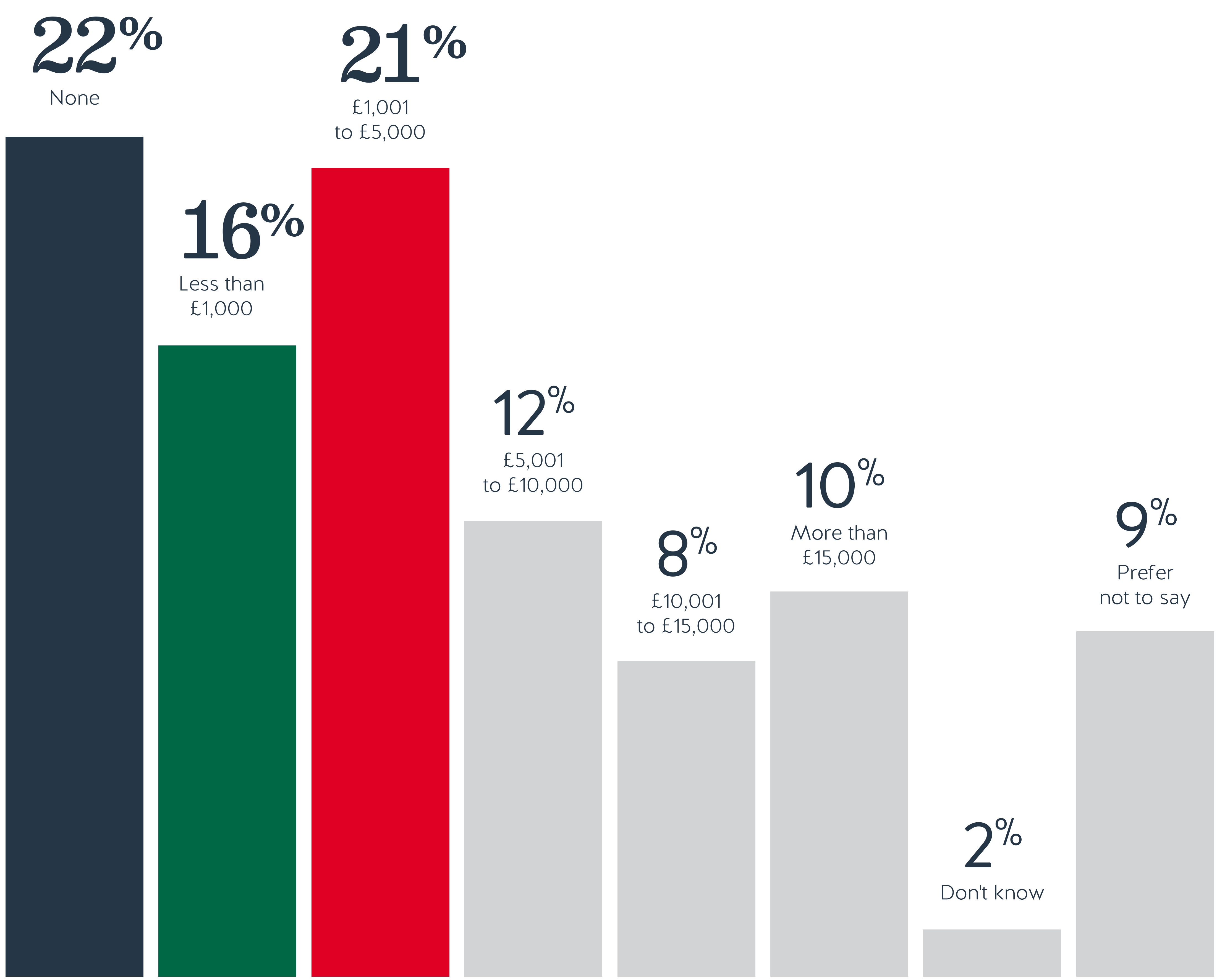
2 Many landlords have experienced rental voids and some may have missed payments. Brokers should consider lenders that take an individual approach to underwriting Buy to Let applications and are able to consider adverse credit.

Outstanding debt

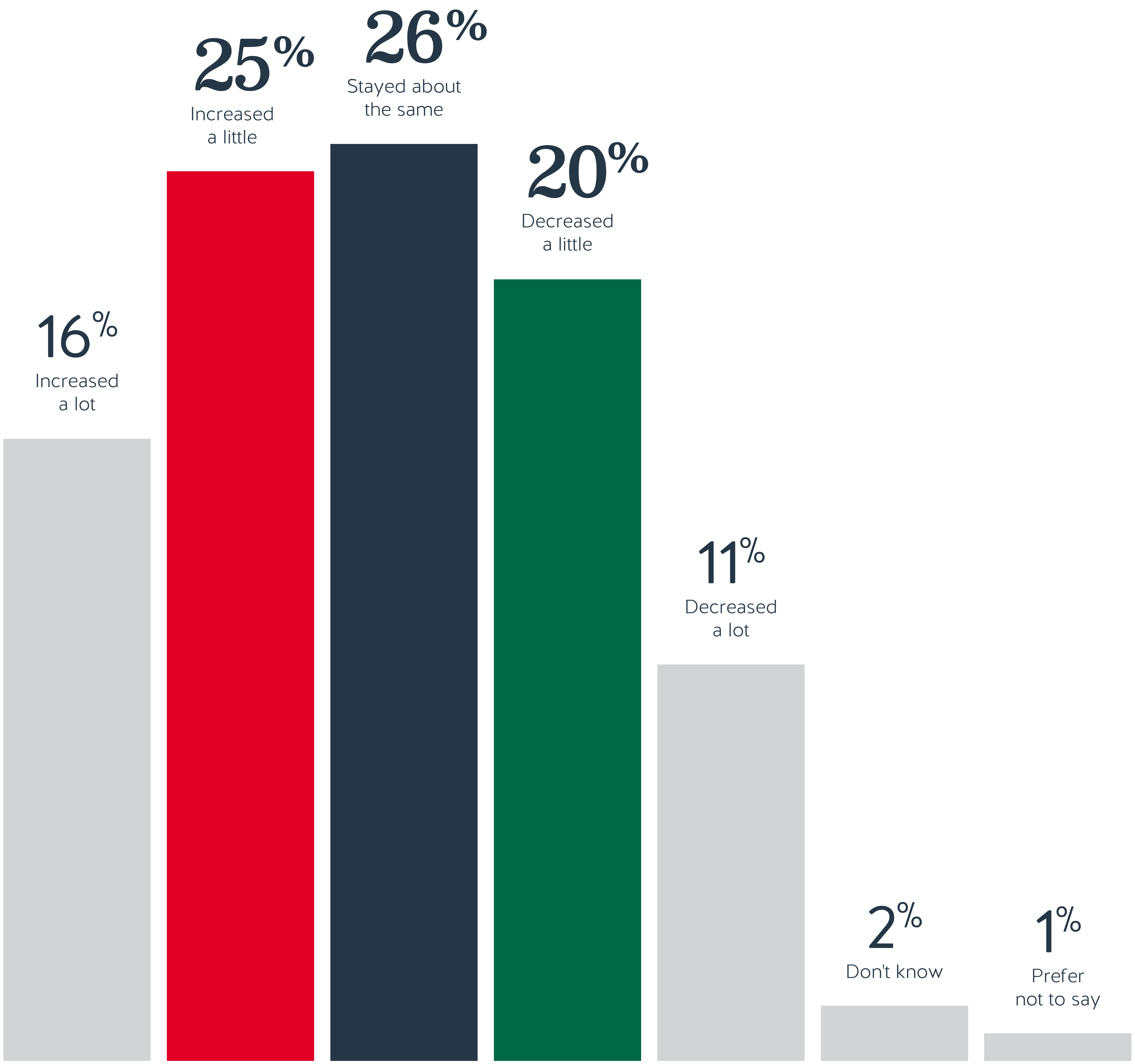
Nearly one in three (30%) of people with adverse credit have outstanding debts of more than £5,000 and 41% say this debt has increased in the last 12 months.

In the last Study, 43% said their debt had increased, and the previous year it was 33%, so outstanding debt levels are continuing to rise significantly year-on-year. 44% of those who have used Buy Now Pay Later borrowing say their amount of debt through these services has increased in the last 12 months.

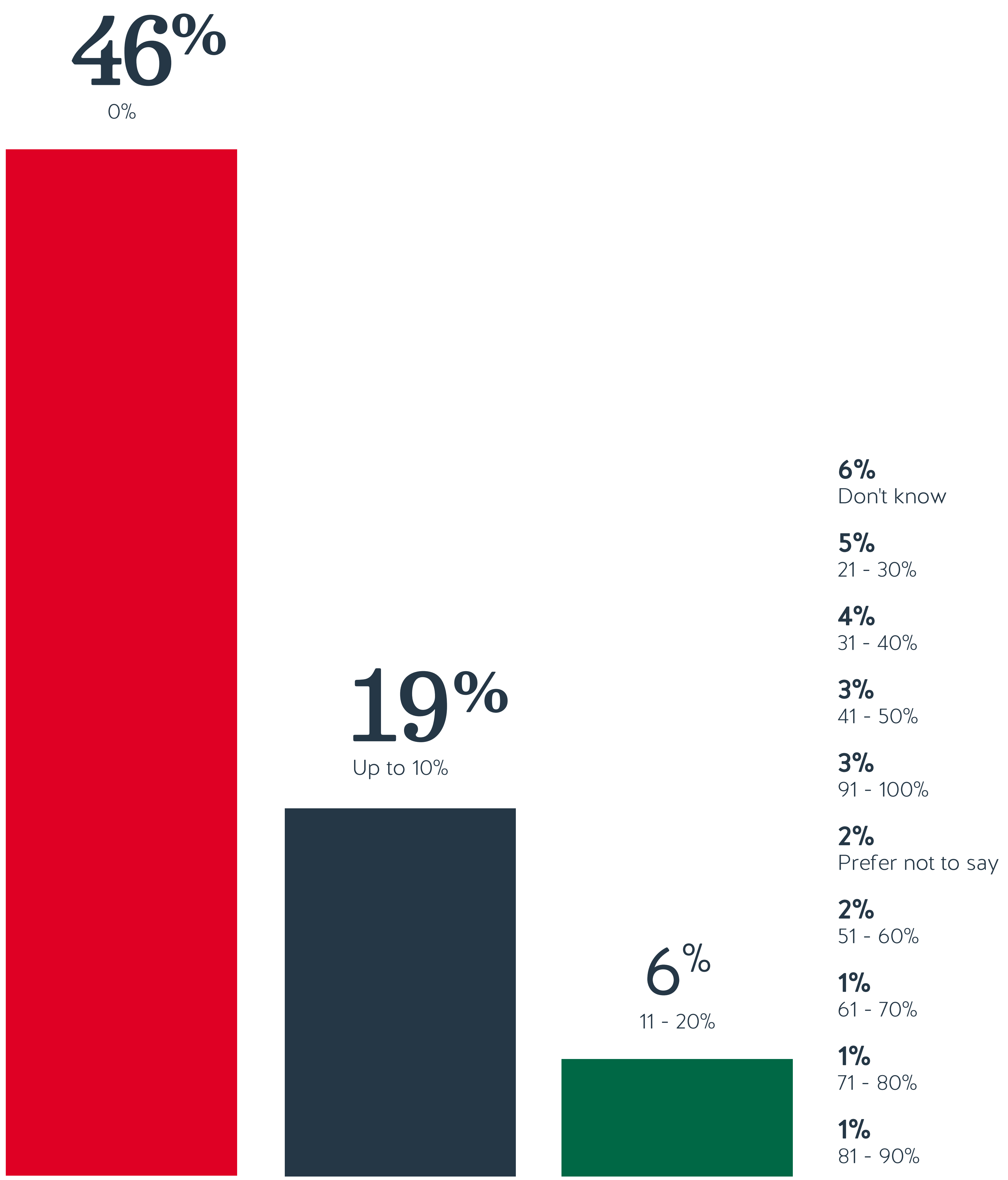
Current debt excluding mortgages and student loans[52]



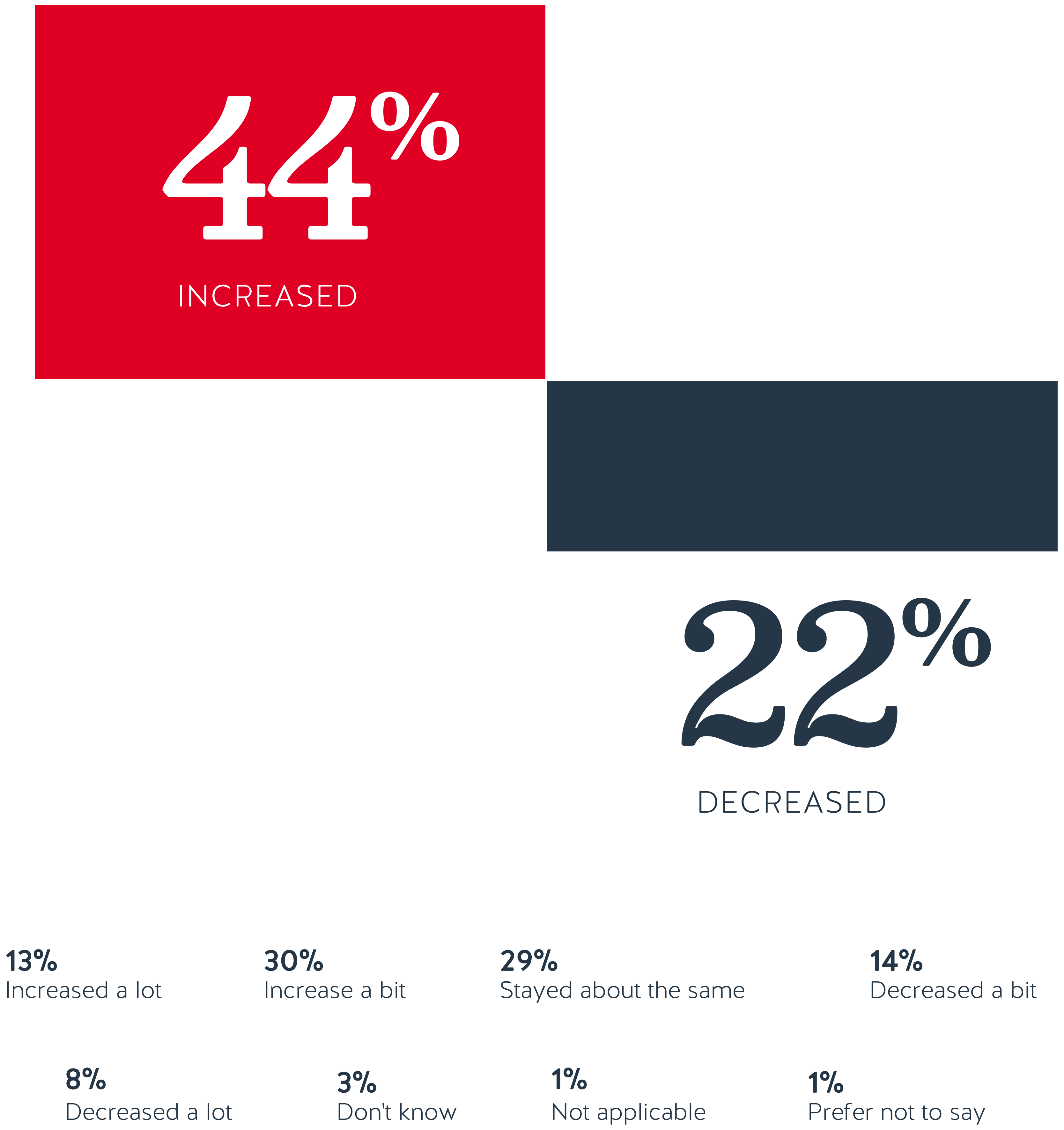
Increase or decrease in debt over the last 12 months[53]



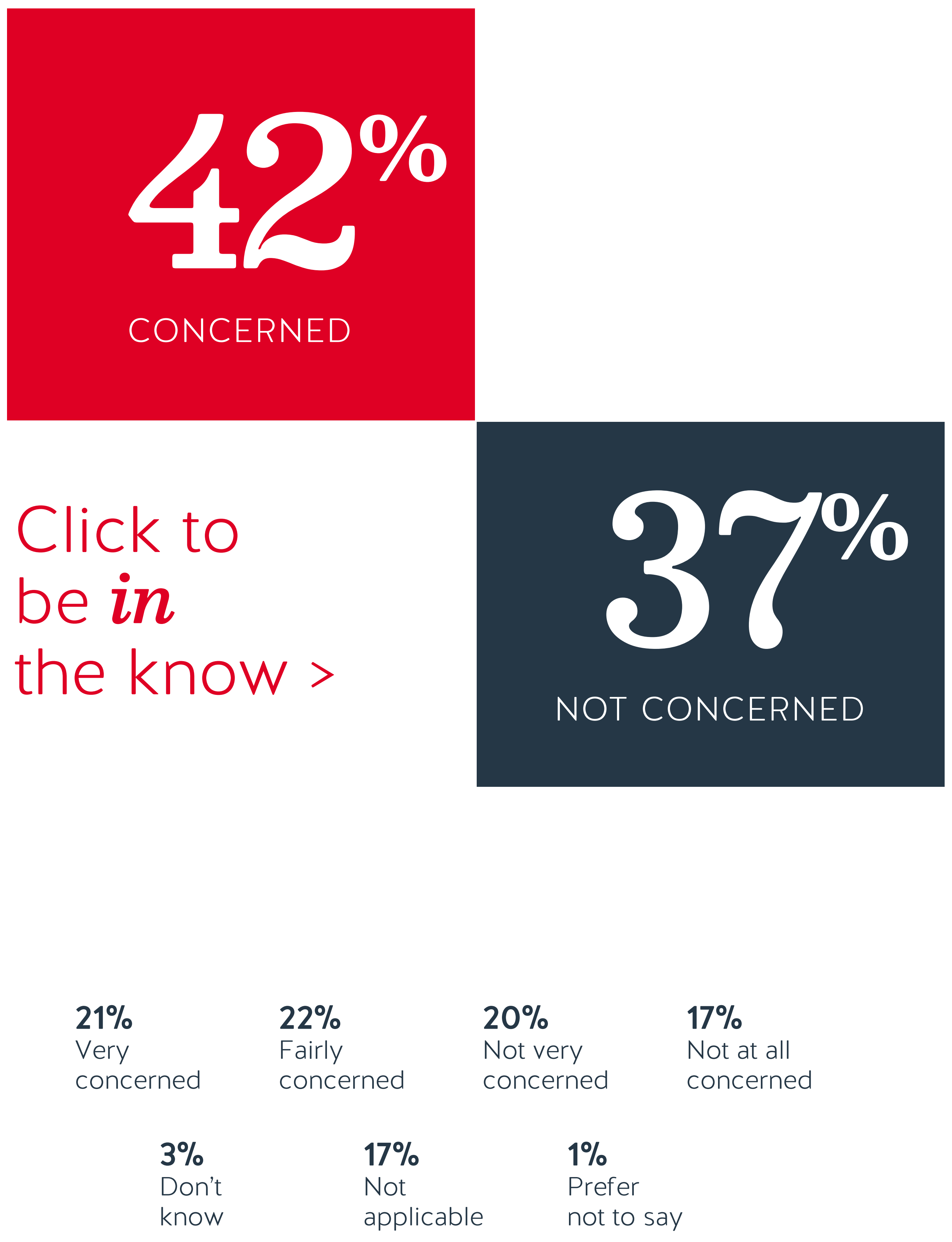
Current debt associated with 'buy now pay later' services[54]



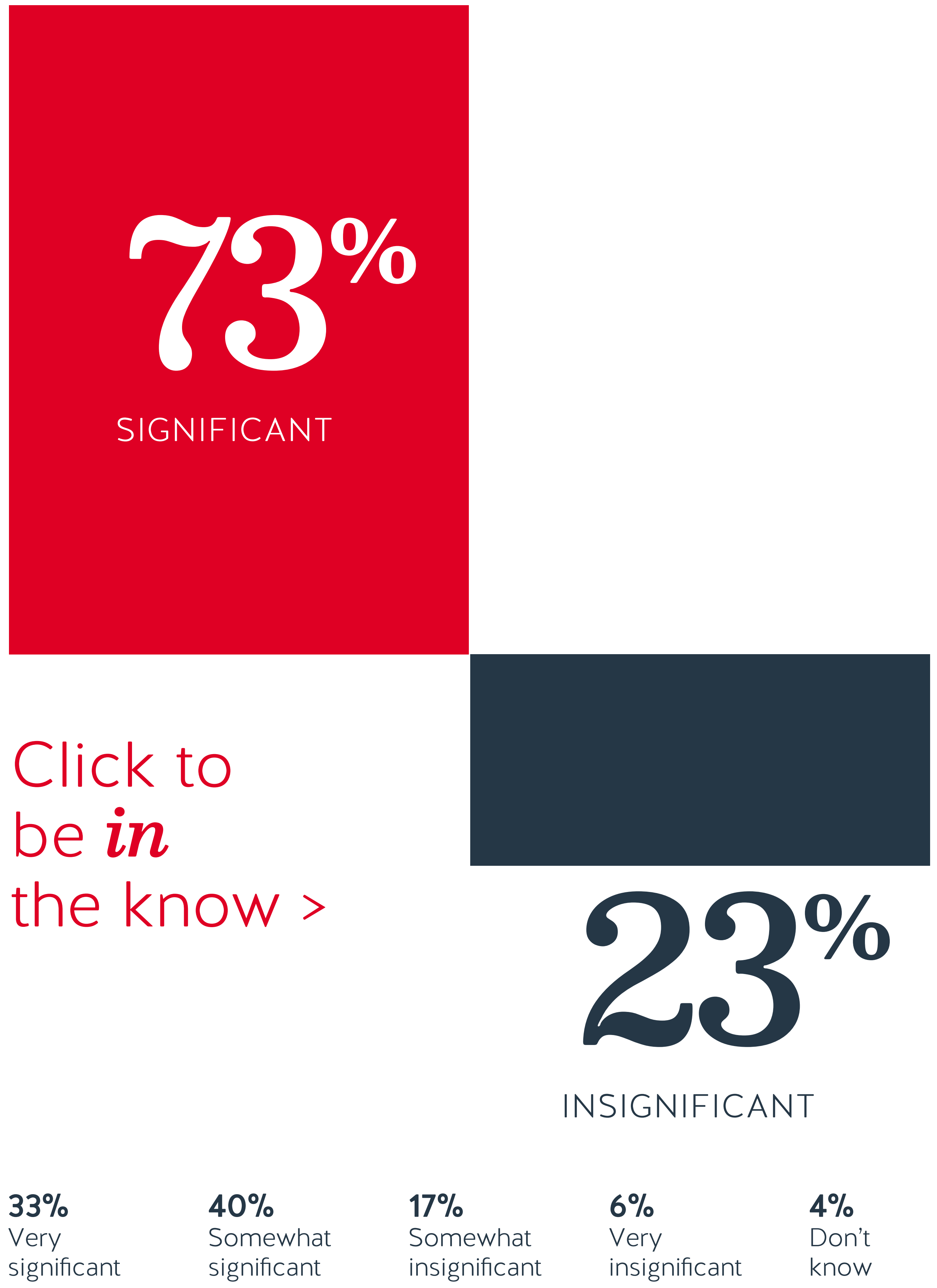
Increase or decrease in the use of 'buy now pay later' services compared to this time last year[55]



Concern about outstanding debt negatively impacting mortgage applications[56]



The impact of a £100 monthly rise in bills for customers' finances[57]



Increase in minimum monthly payments for respondents[58]

Ryan Brailsford
Director of Business Development,
Pepper Money

Outstanding debt - Key *in*sights

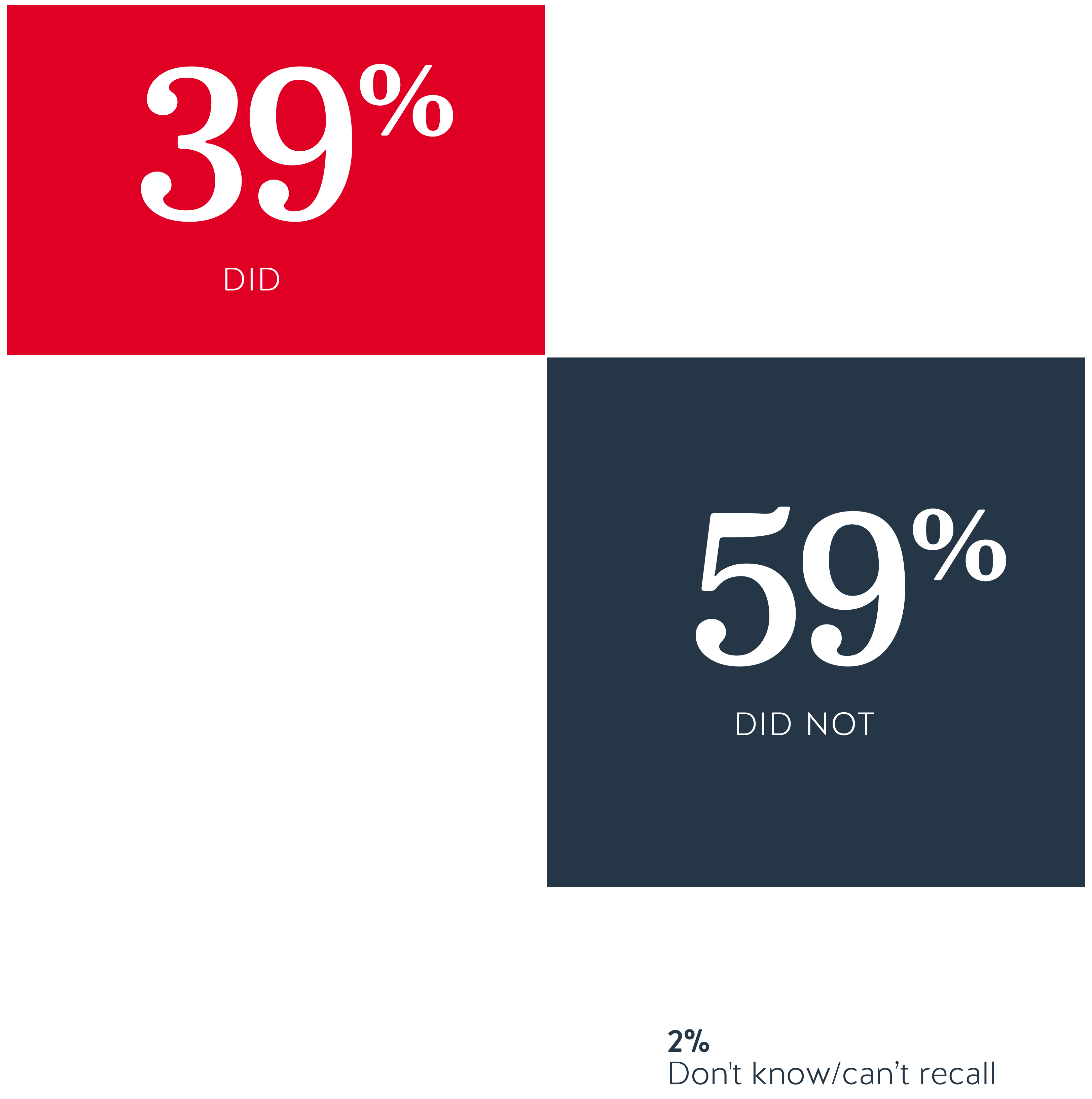
1 Unsecured debt levels are high and rising. Many lenders will implement a maximum debt-to-income ratio for mortgage applications, but not all lenders. Working with a lender who can assess an individual’s circumstances can help to increase their borrowing power, even if they have large levels of unsecured debt.

2 At the same time as debt levels are rising, the cost of servicing this debt is increasing. Debt consolidation can prove a sensible step for some customers who need help to restructure their finances and take control of their monthly outgoings.

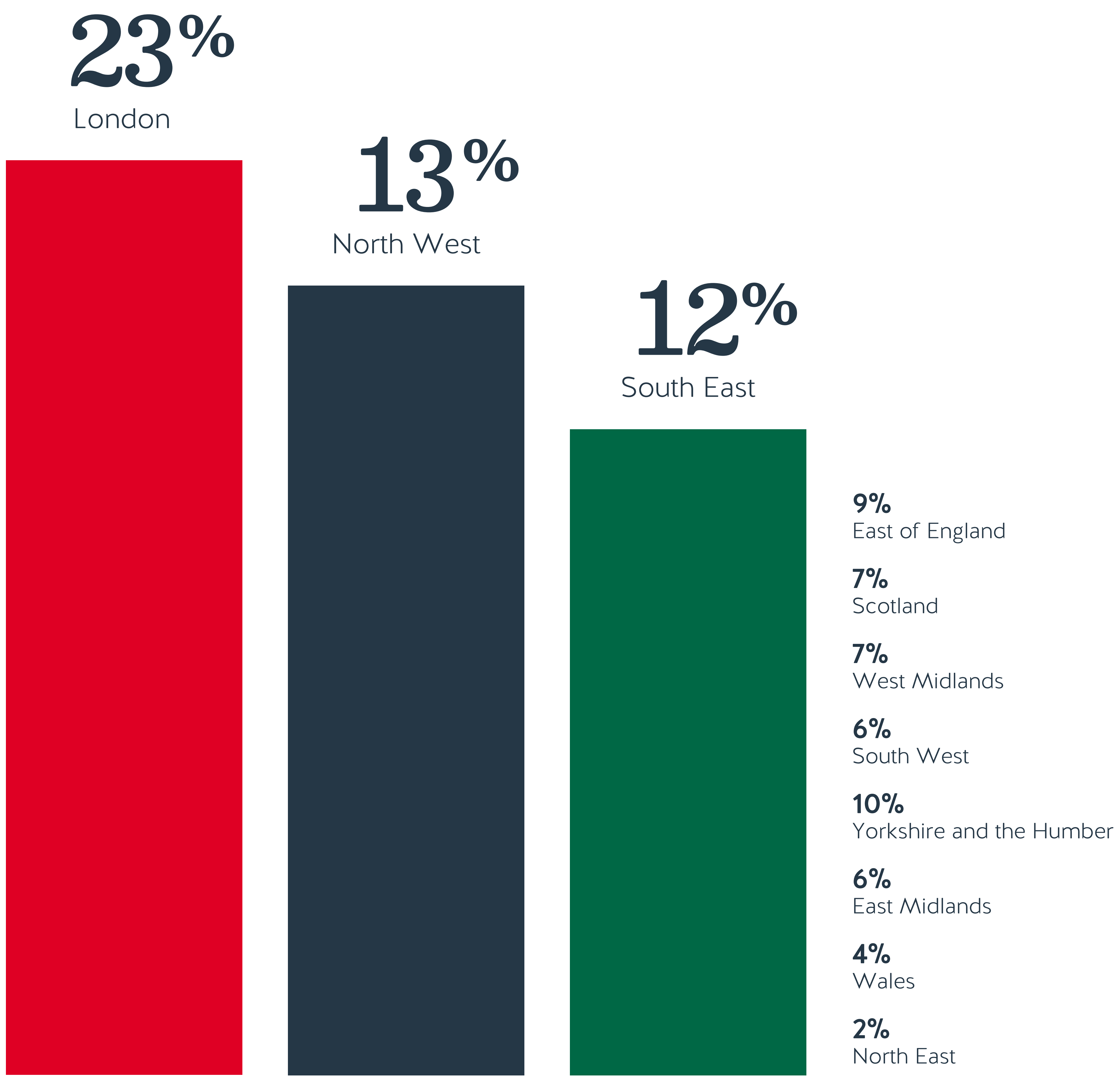
Second charge mortgages

Nearly four in 10 people who have remortgaged in the last 12 months say they increased their borrowing when they switched their homeloan.

Proportion of respondents who increased borrowing when remortgaging[59]



Proportion of respondents who increased borrowing when remortgaging by region[60]



How respondents would consider raising additional borrowing secured against their home[61]

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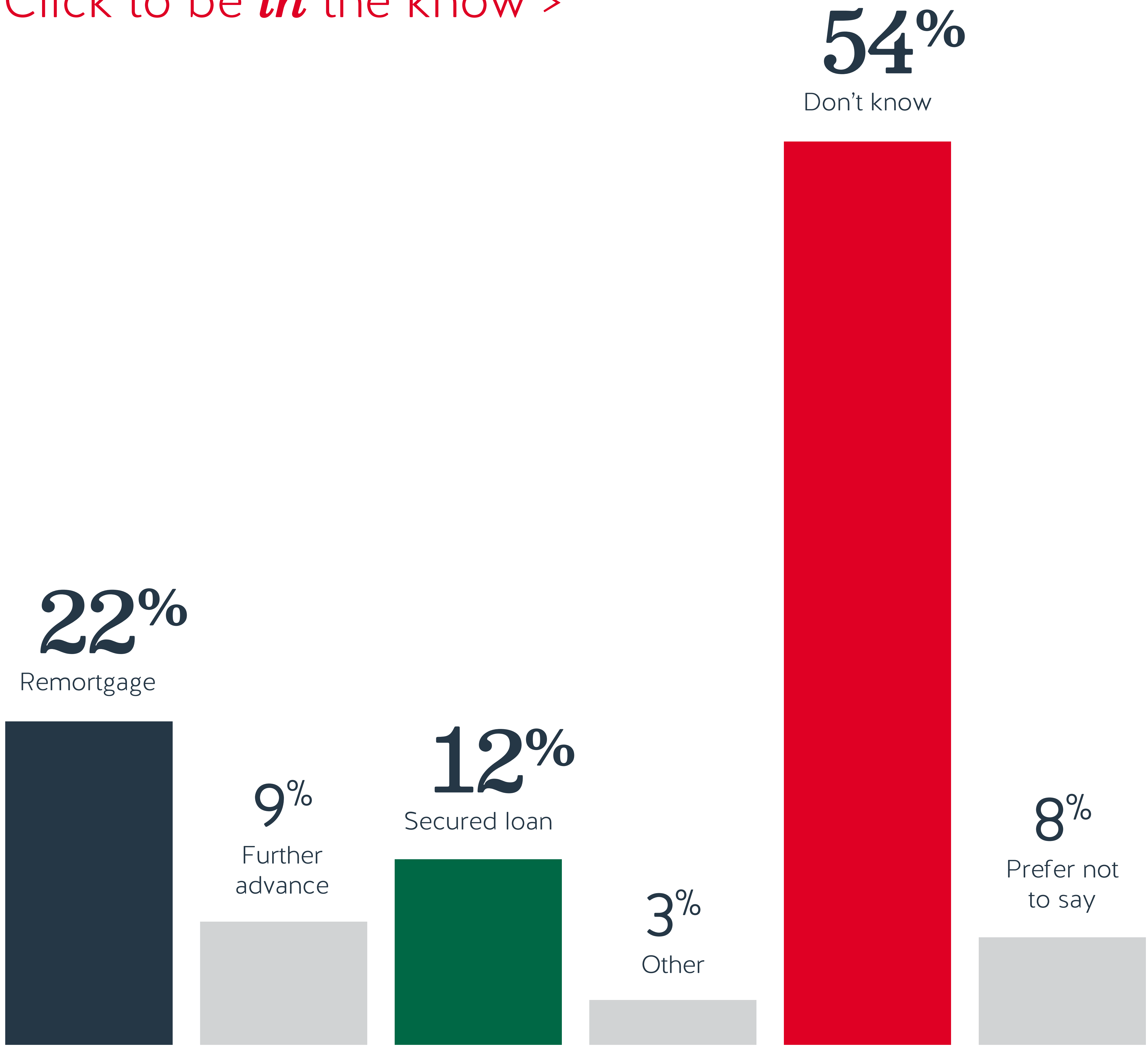
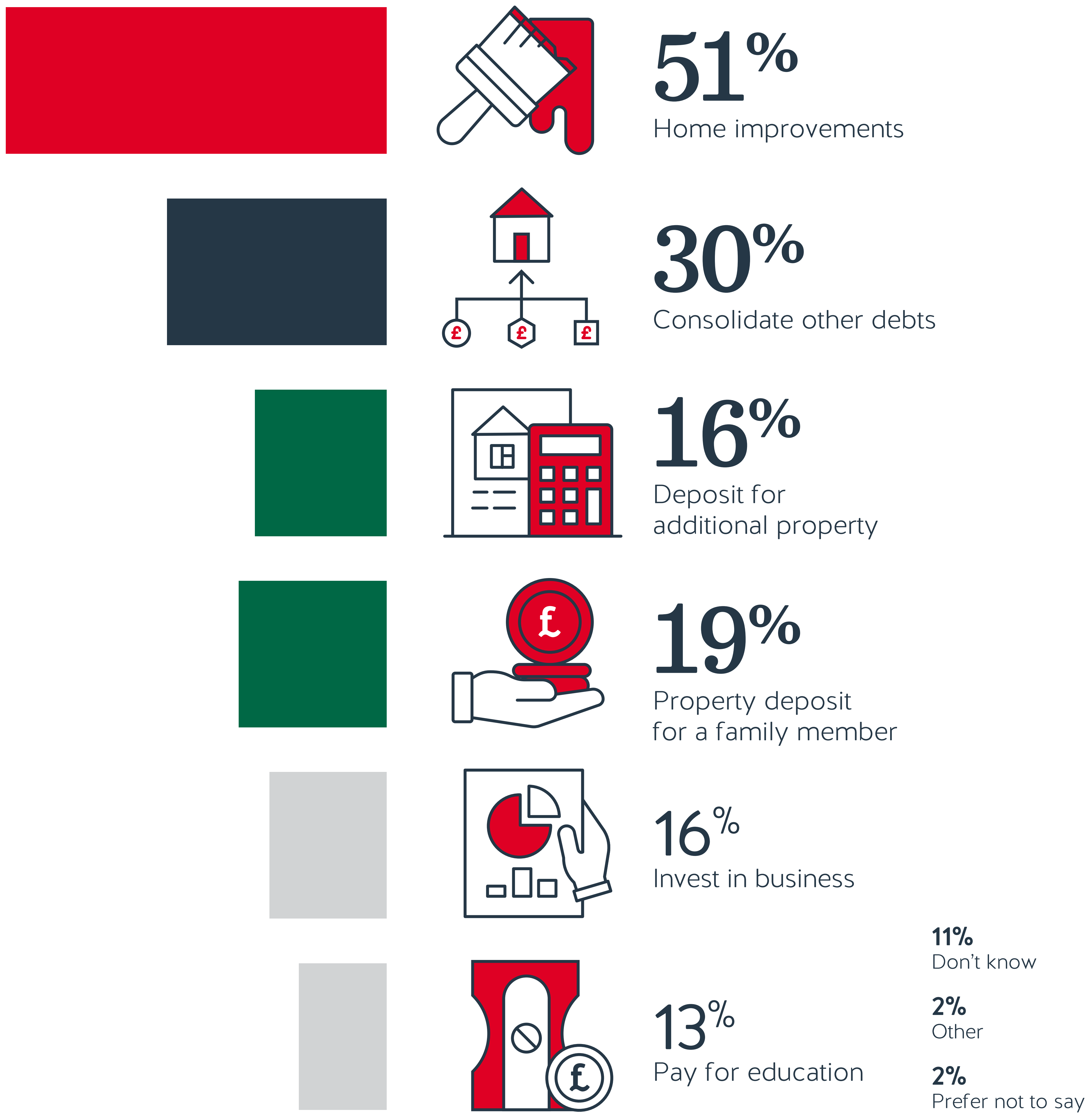
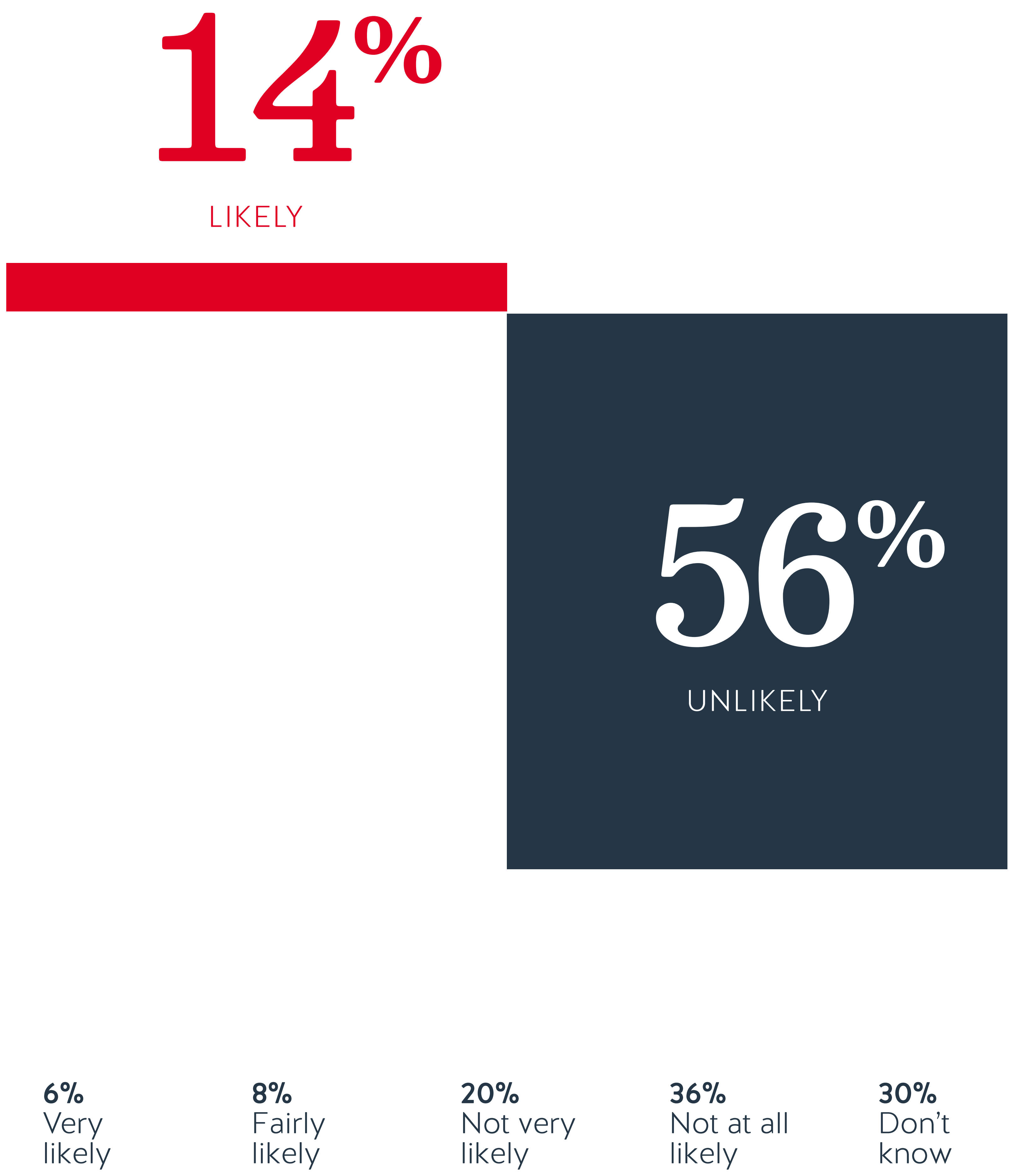


What a secured loan would be considered for[62]

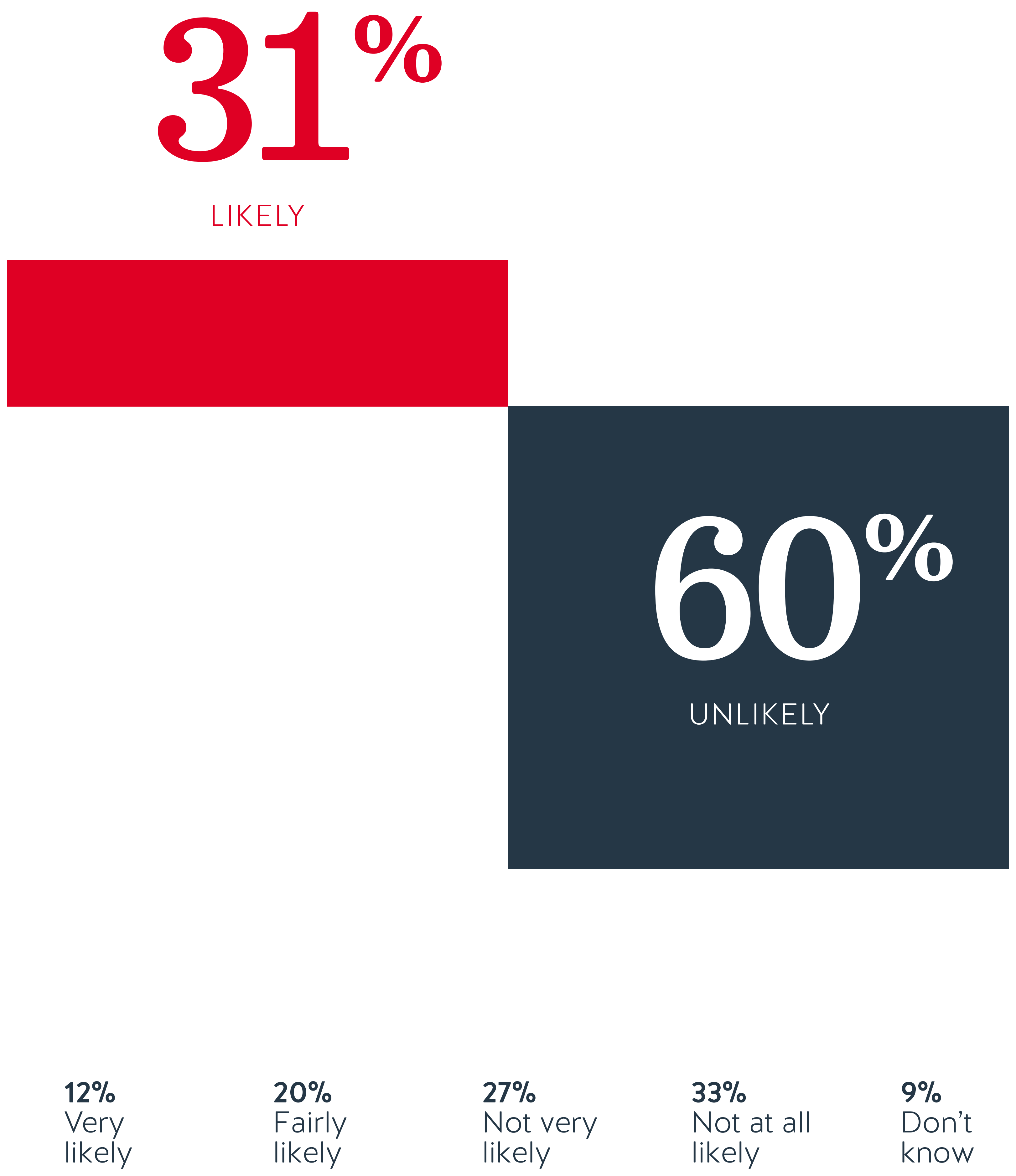


Likelihood of extending over moving to a larger home due to the cost-of-living crisis[63]



Likelihood of using a secured loan to pay off other debts[64]

Click to be ***in*** the know >



Ryan McGrath
Second Charge Sales Director,
Pepper Money

Key insights

1 Whilst only a small number of customers would proactively consider taking a second charge mortgage, the majority are unsure of what option they would take when it comes to raising capital secured on their property. It is a regulatory requirement to disclose the various alternatives that may be available and more appropriate – including an advance from their existing lender, a new first charge, unsecured borrowing, or a second charge mortgage. There will be cases where a second charge is the most suitable option for a customer.

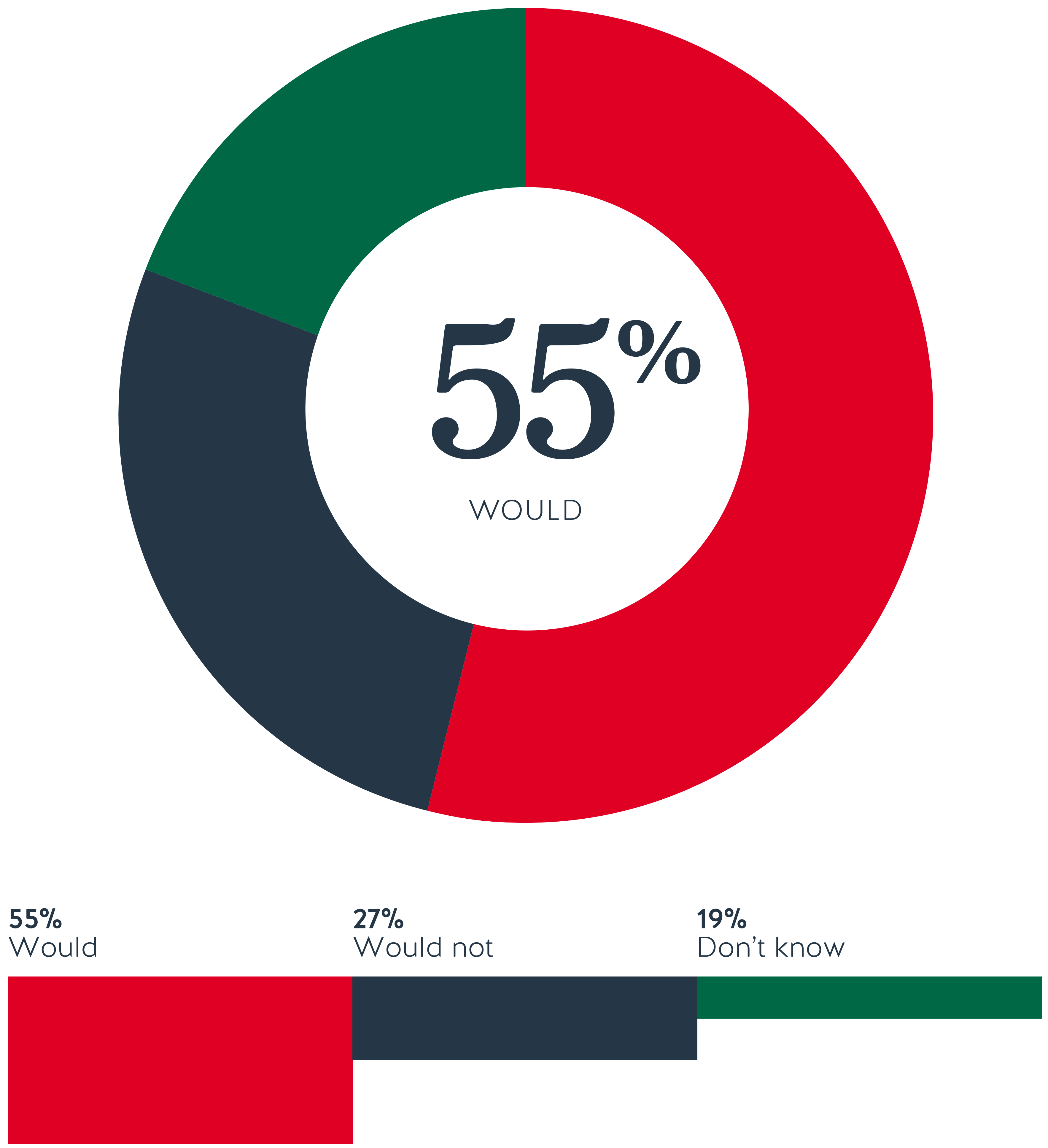
2 Nearly a third of people are open minded to the idea of consolidating debts with a second charge mortgage to help to take control of their monthly finances. This takes careful consideration, but it can be an appropriate approach for some customers.

3 Brokers should consider familiarising themselves with the second charge market or partnering with an expert in the sector to offer the option to their customers.

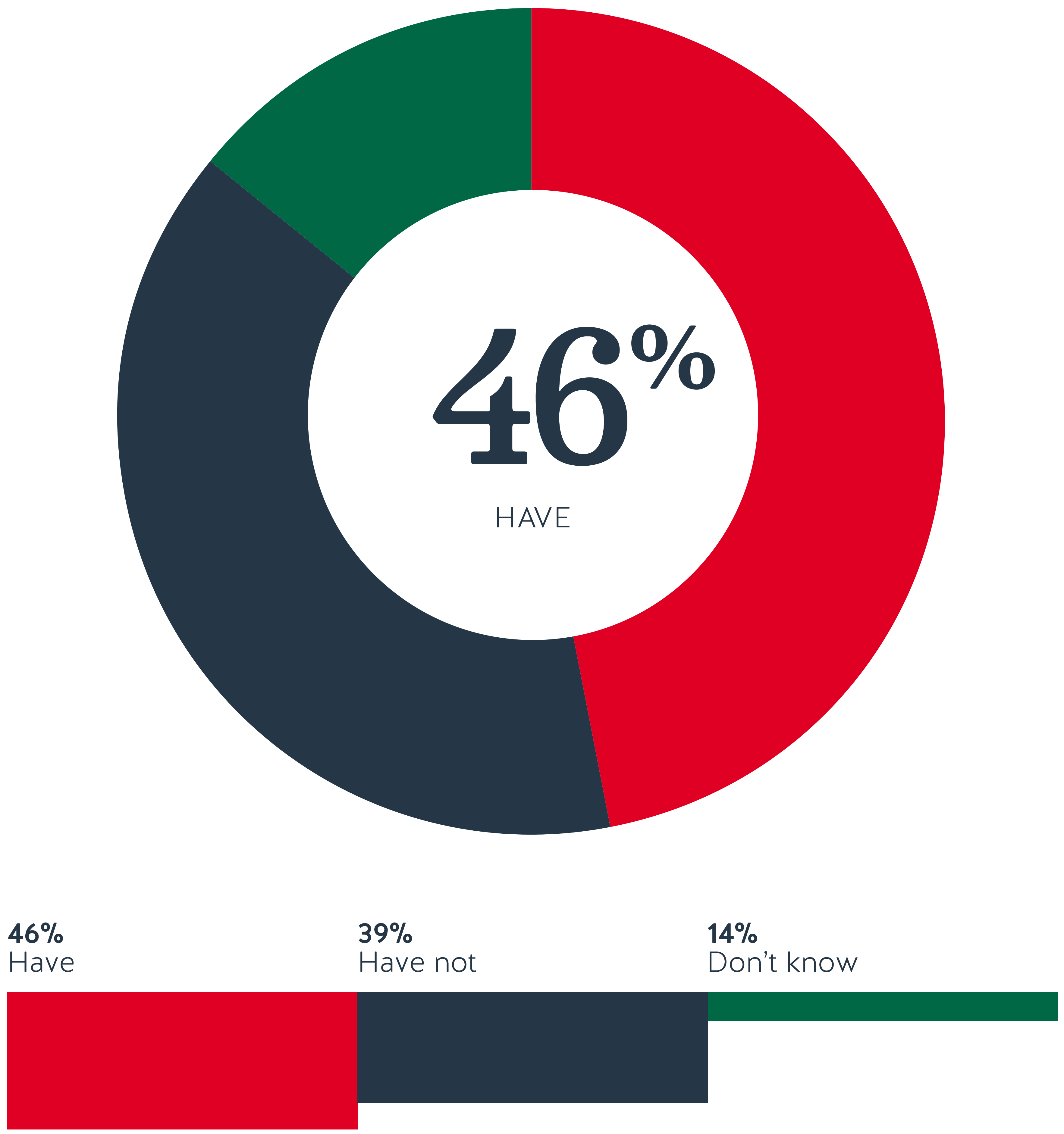
Green mortgages

More than half of people (55%) would consider investing in home improvements to make their property more energy efficient, but 46% have previously been put off doing this because of the costs involved and 46% say they would never be encouraged to borrow money to make their home more energy efficient. However, 77% of those looking to buy a property in the next 12 months say that energy efficiency will be an important consideration in their decision.

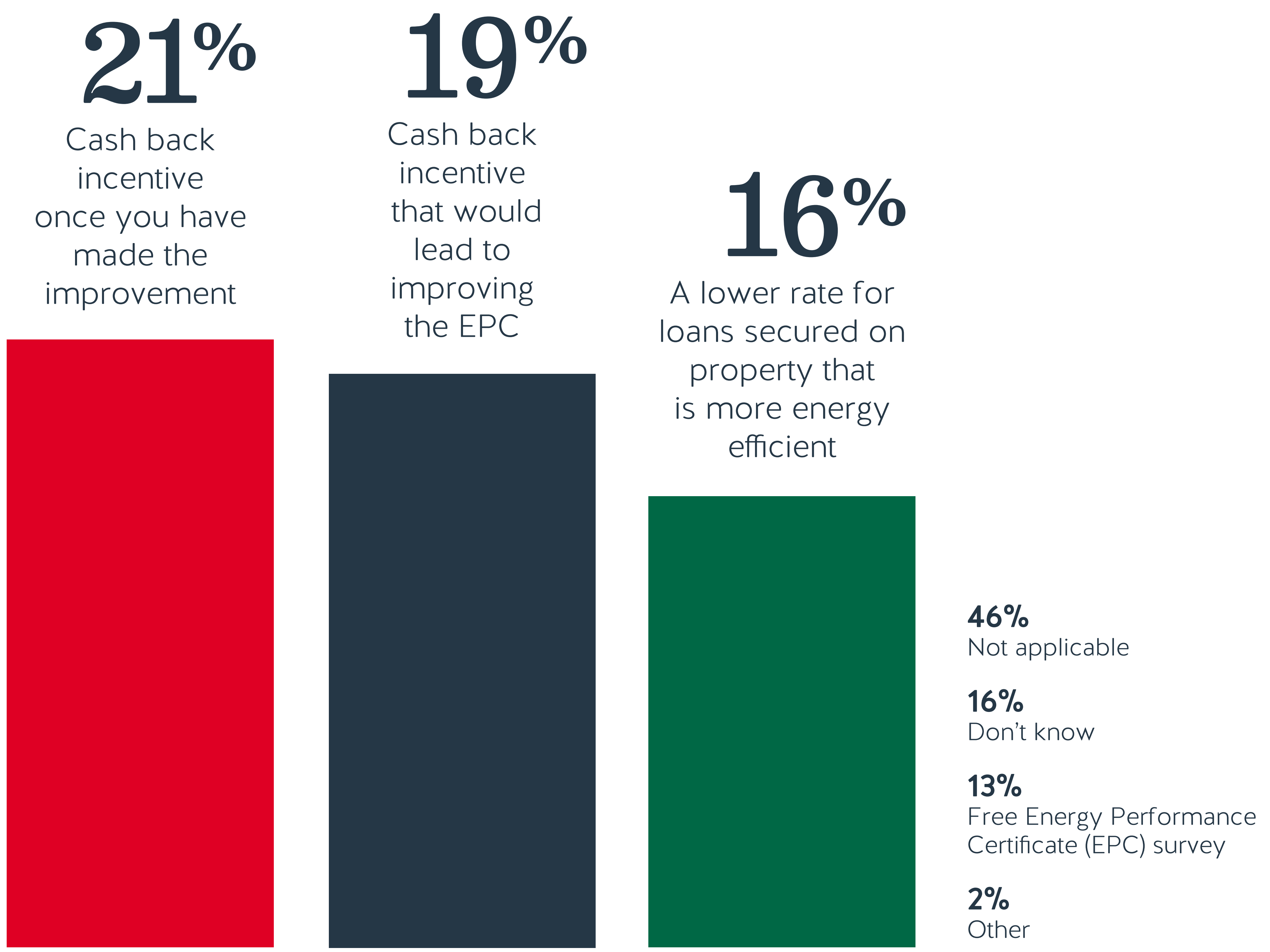
Participants who would consider investing in energy efficient property improvements[65]



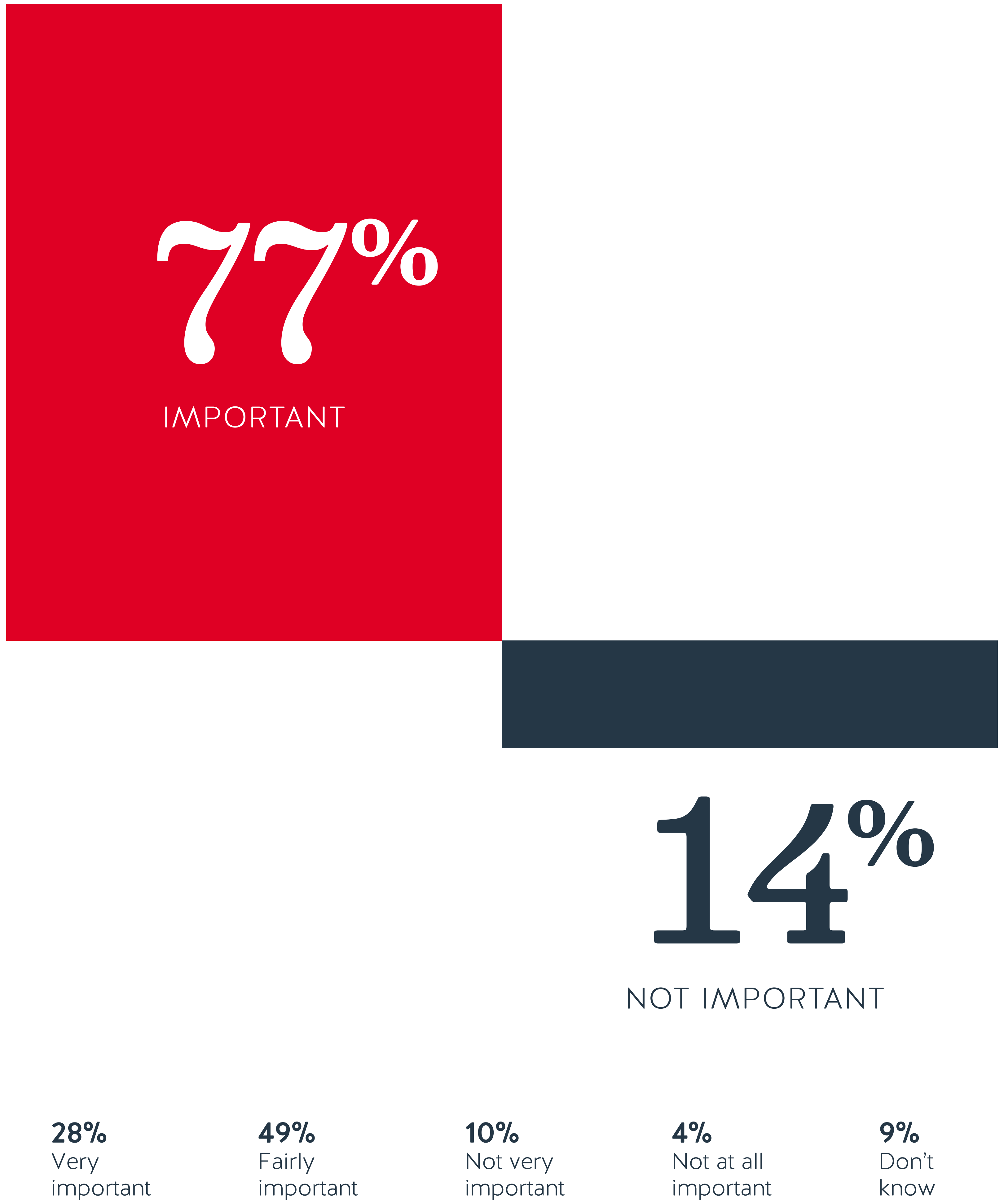
Participants who have been put off making energy efficient improvements due to costs[66]



What would encourage borrowing to make homes more energy efficient?[67]



Importance of energy efficiency when making a property purchase decision[68]



Lisa Philips
Head of Proposition Delivery,
Pepper Money

Green mortgages - Key *insights*

1 Energy efficiency is a big consideration for homeowners and homebuyers, but the potential costs involved put people off making improvements themselves. Brokers should consider including involving this in a conversation with customers and discussing the options available to them.

Credit reports

Four in 10 people (40%) are registered with a Credit Scoring platform and this increases to 54% of people who have adverse credit. Nearly seven in 10 (68%) say they know how to read and understand a credit report.

Participants who can understand a credit report[69]

68%
UNDERSTAND

32%
DON'T UNDERSTAND

Participants registered with a Credit Scoring platform[70]

40%
REGISTERED

54%
NOT REGISTERED

5%
Prefer not to say

Actual credit score vs expectation[71]

16%
ABOVE EXPECTATION

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18%
BELOW EXPECTATION

7% Significantly below

11% Slightly below

9% Above expectation

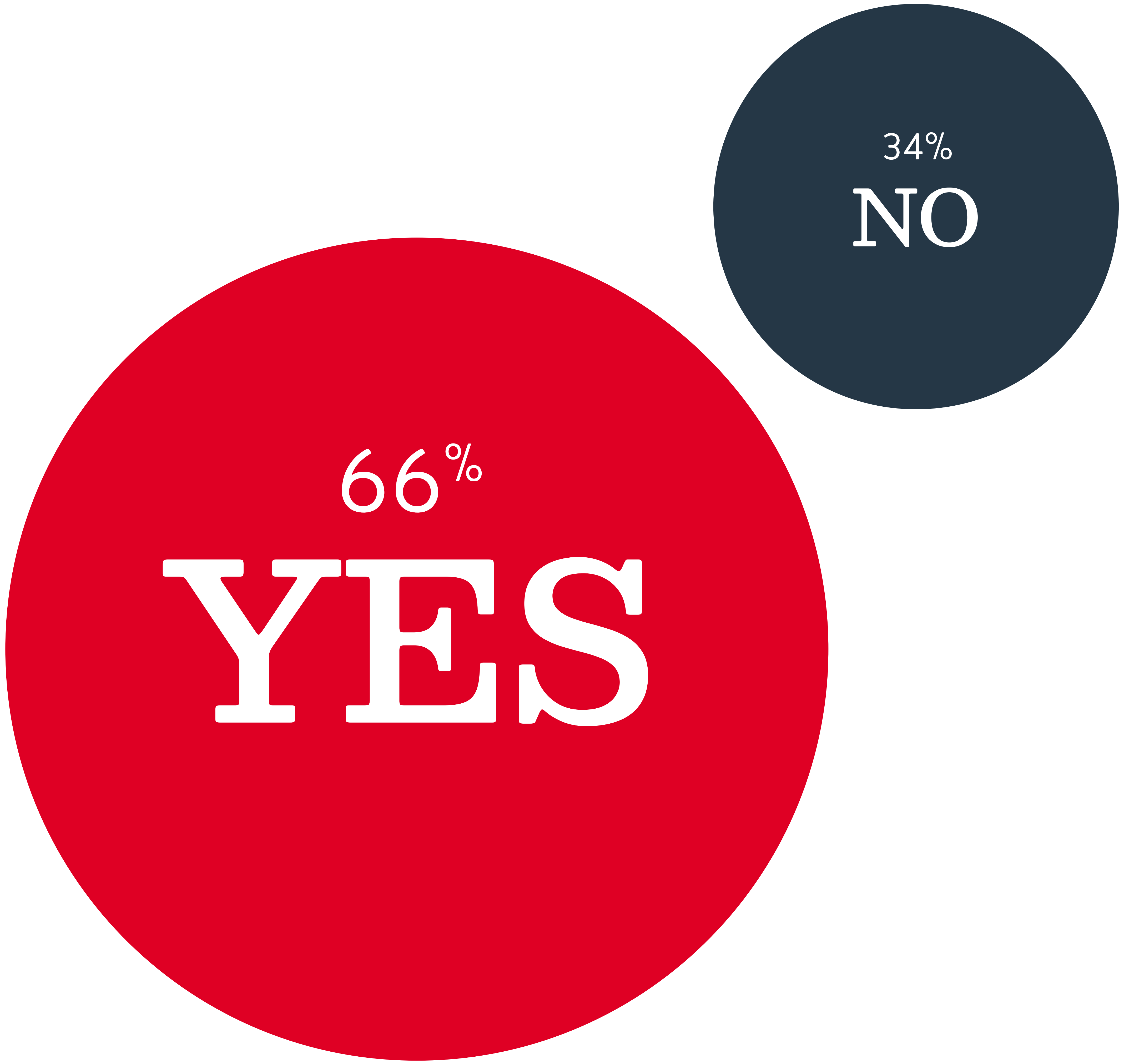
7% Significantly above

26% Aligned with expectation

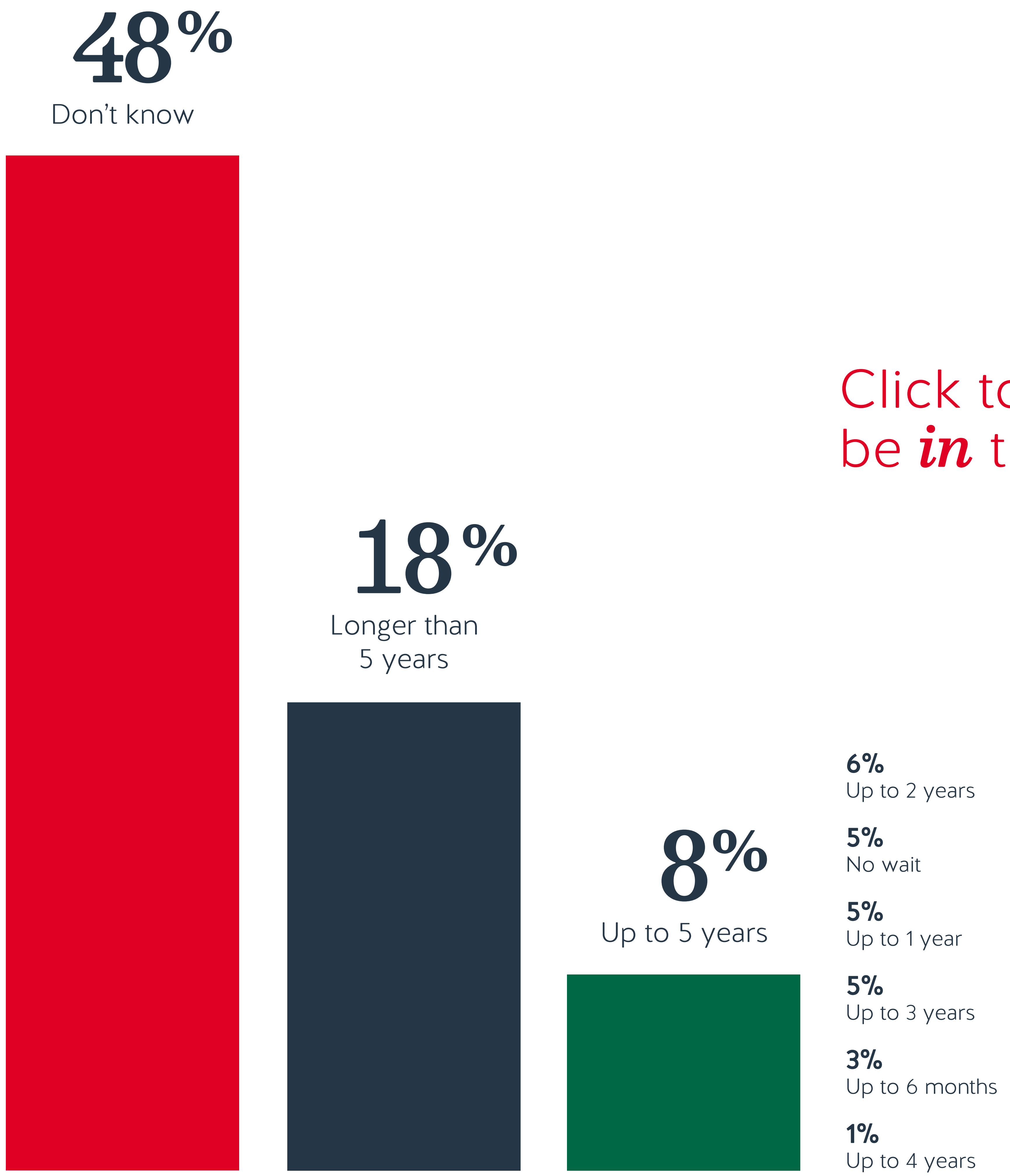
36% Not applicable

5% Prefer not to say

Knowledge of what a County Court Judgement (CCJ) is[72]



How long, do you think you are required to wait until you can apply for a mortgage after receiving a CCJ?[73]



Click to be ***in*** the know >

Mark Shelper

National Key Account Manager,
Pepper Money

Credit reports - Key *in*sights

1 Many customers are aware of their credit report and have access to it. Brokers should consider asking to see a consider asking for a copy of a customer's credit report as part of a fact find to help them to provide more accurate recommendations, more quickly.

2 There continues to be misconceptions about the options available for customers with a recent CCJ. Brokers can help to challenge this misconception and open up new opportunities.

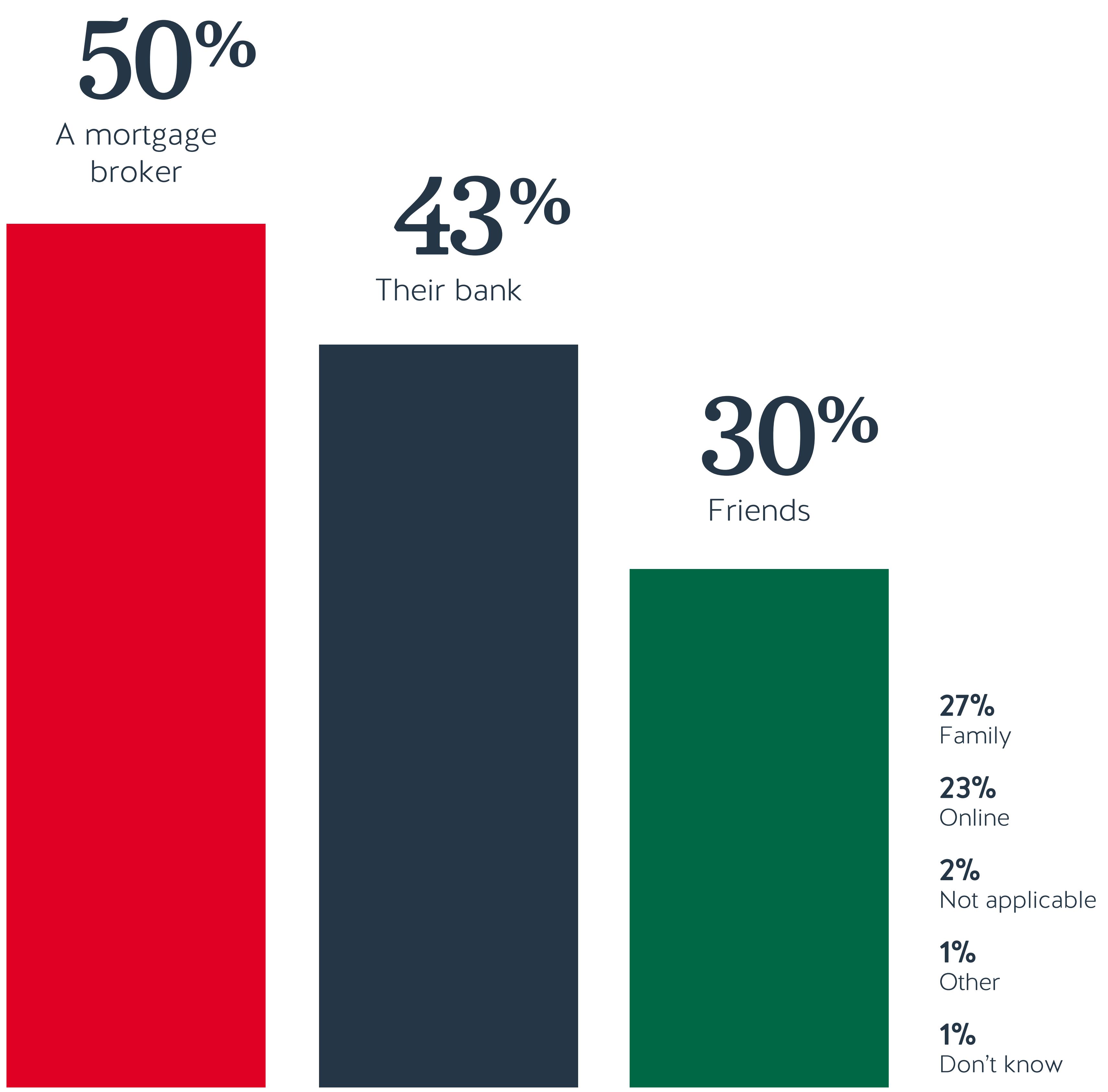
The role for *brokers*

Half of potential homebuyers with adverse credit (50%) say they would speak to a mortgage broker for advice on getting a mortgage. This is slightly down from the last Study when 58% said they would speak to a broker.

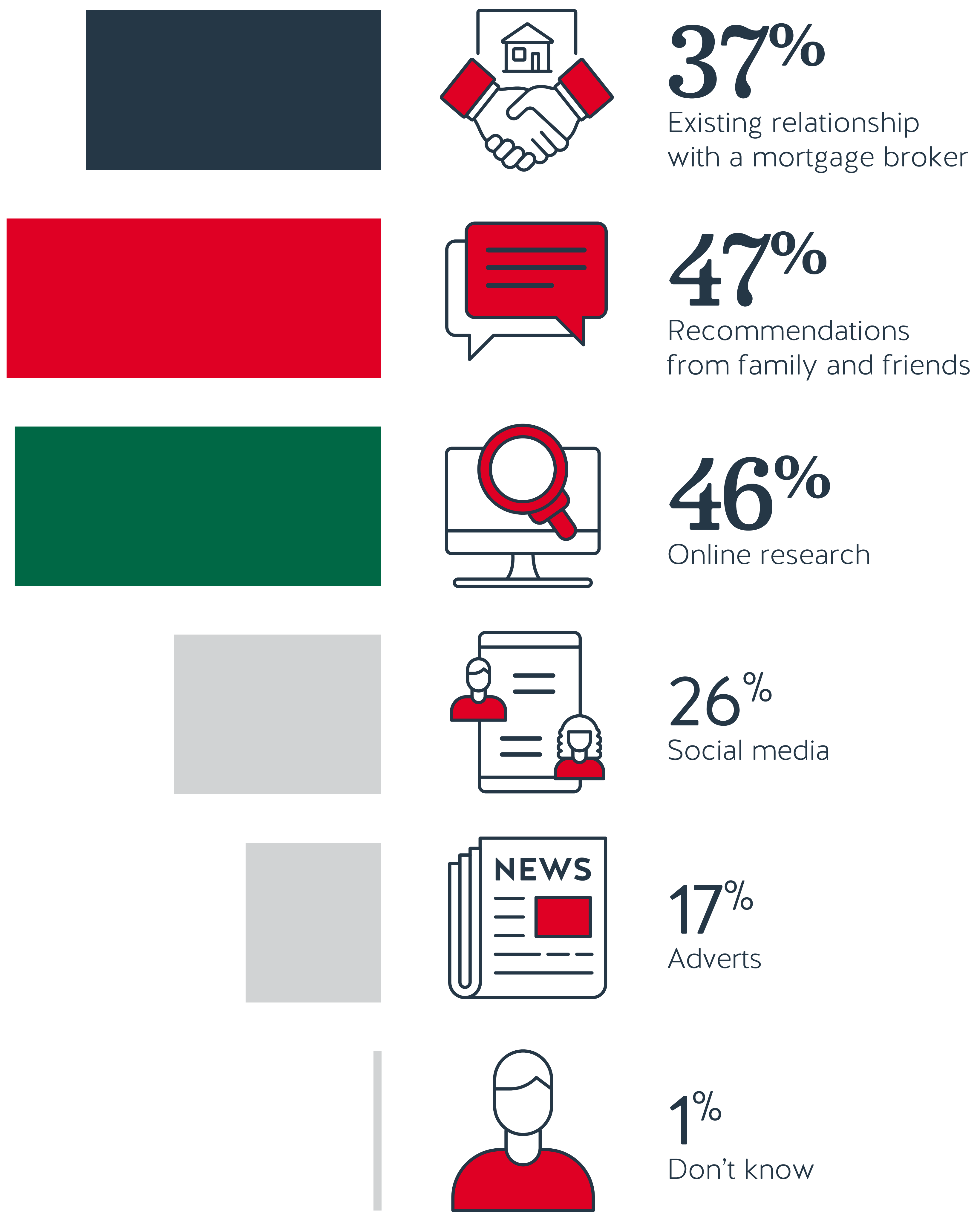
The most popular ways of finding a broker are recommendations from family and friends (47%) and 46% would use online research.

The ability to access lenders that are not directly available to customers is the most popular reason for speaking to a broker (67%), but close behind is finding the best rate in the market (64%).

Likely source of advice for getting a mortgage or remortgaging[74]

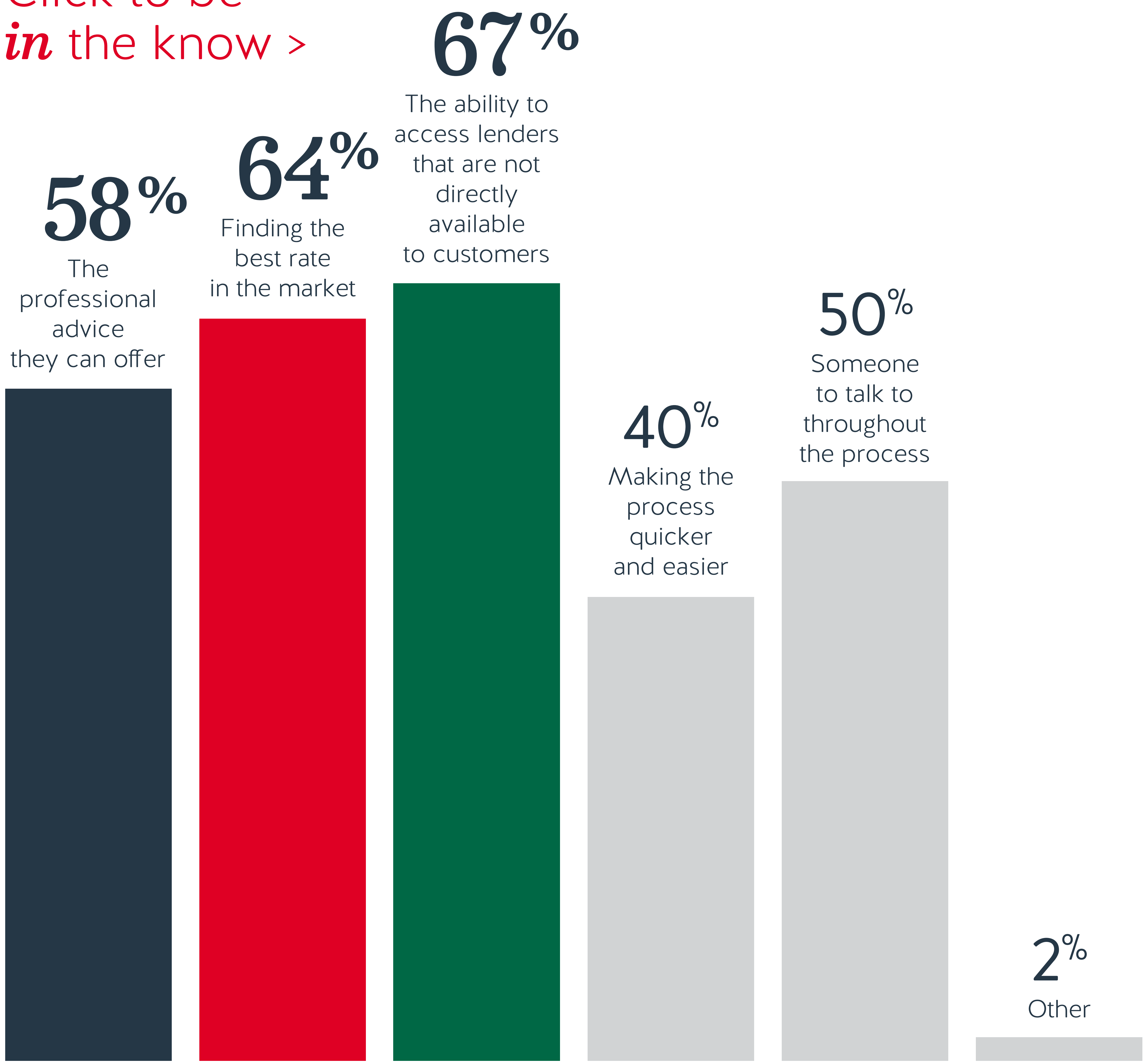


What participants use to find a mortgage broker[75]

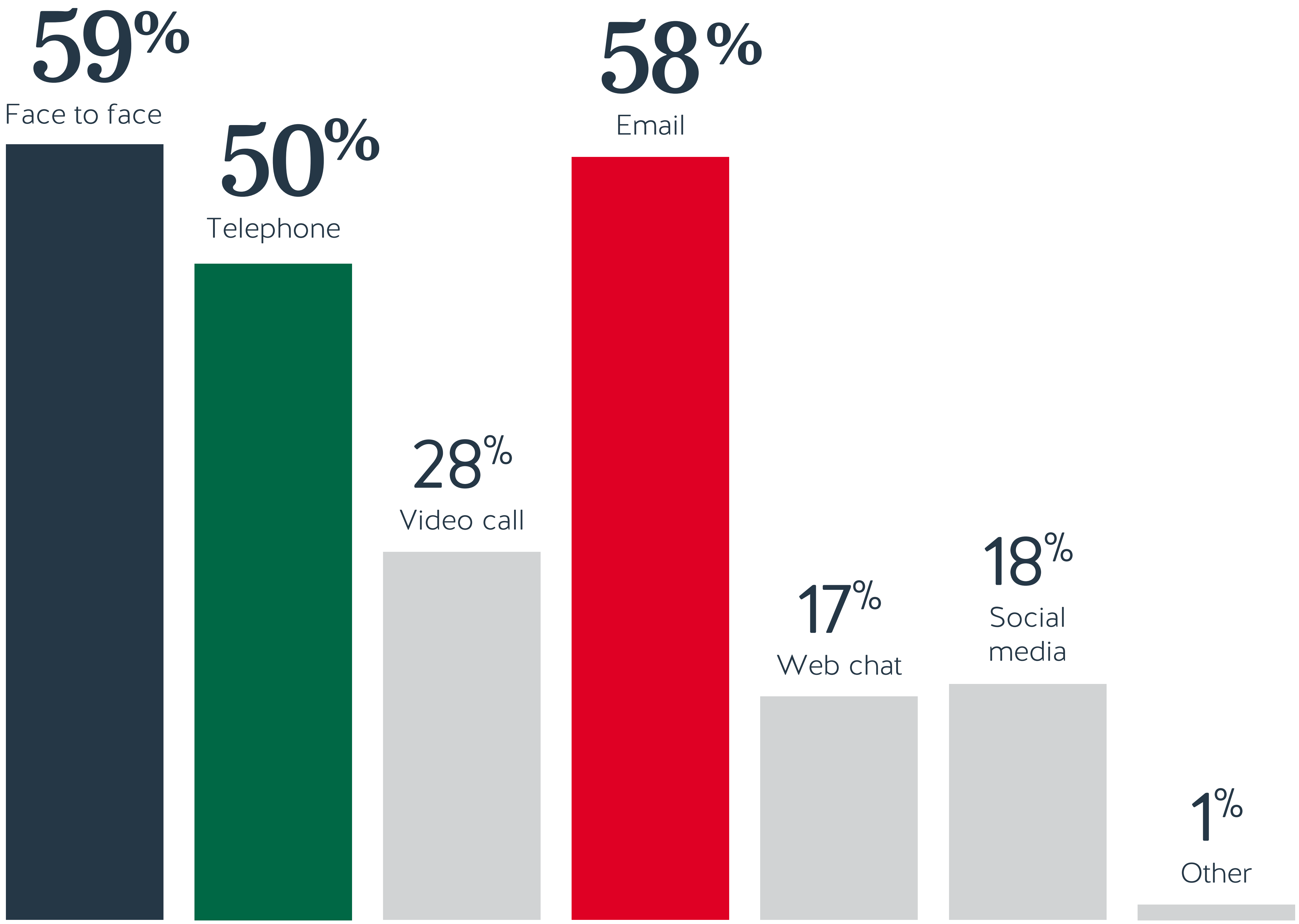


Important benefits to using a mortgage broker[76]

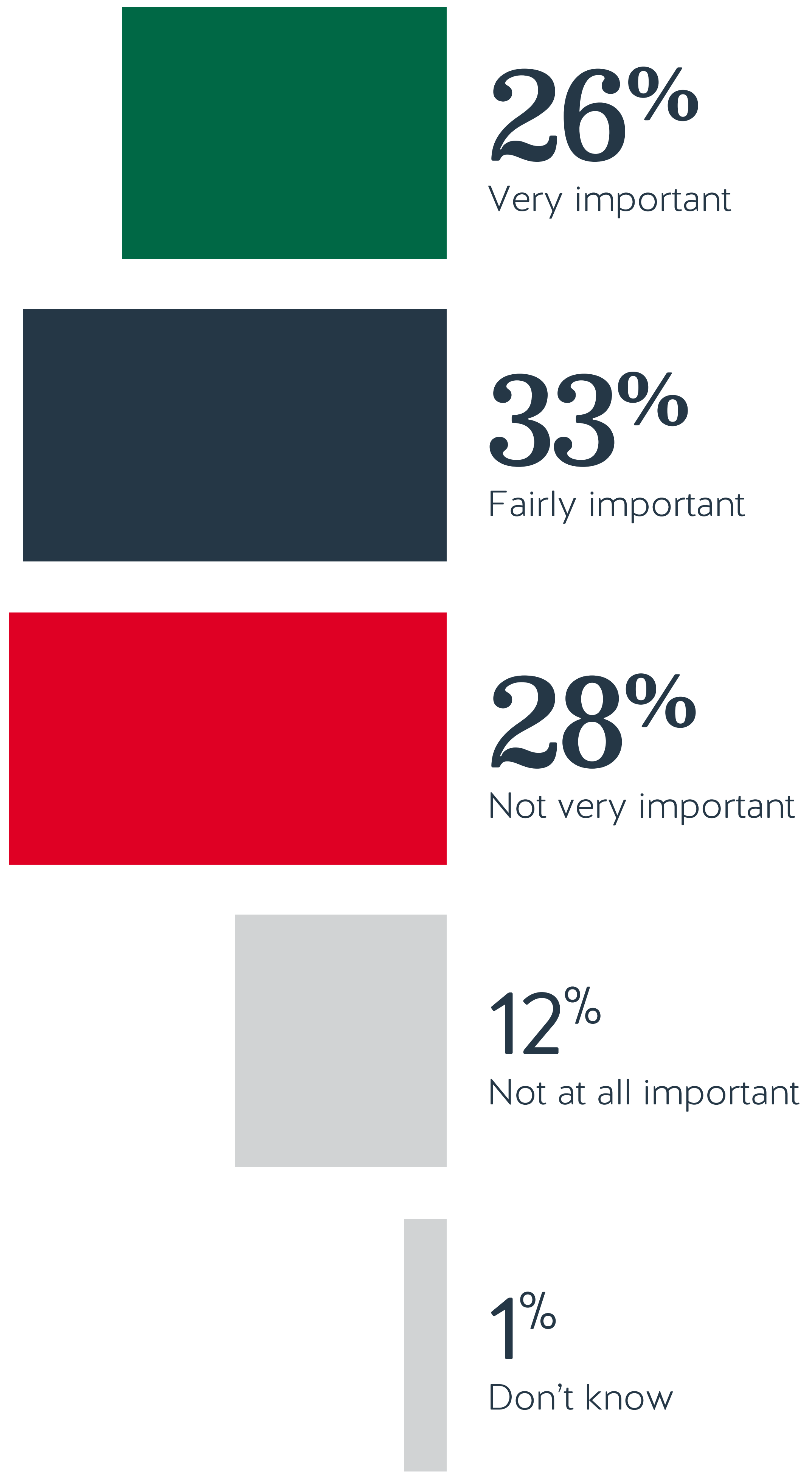
Click to be *in* the know >



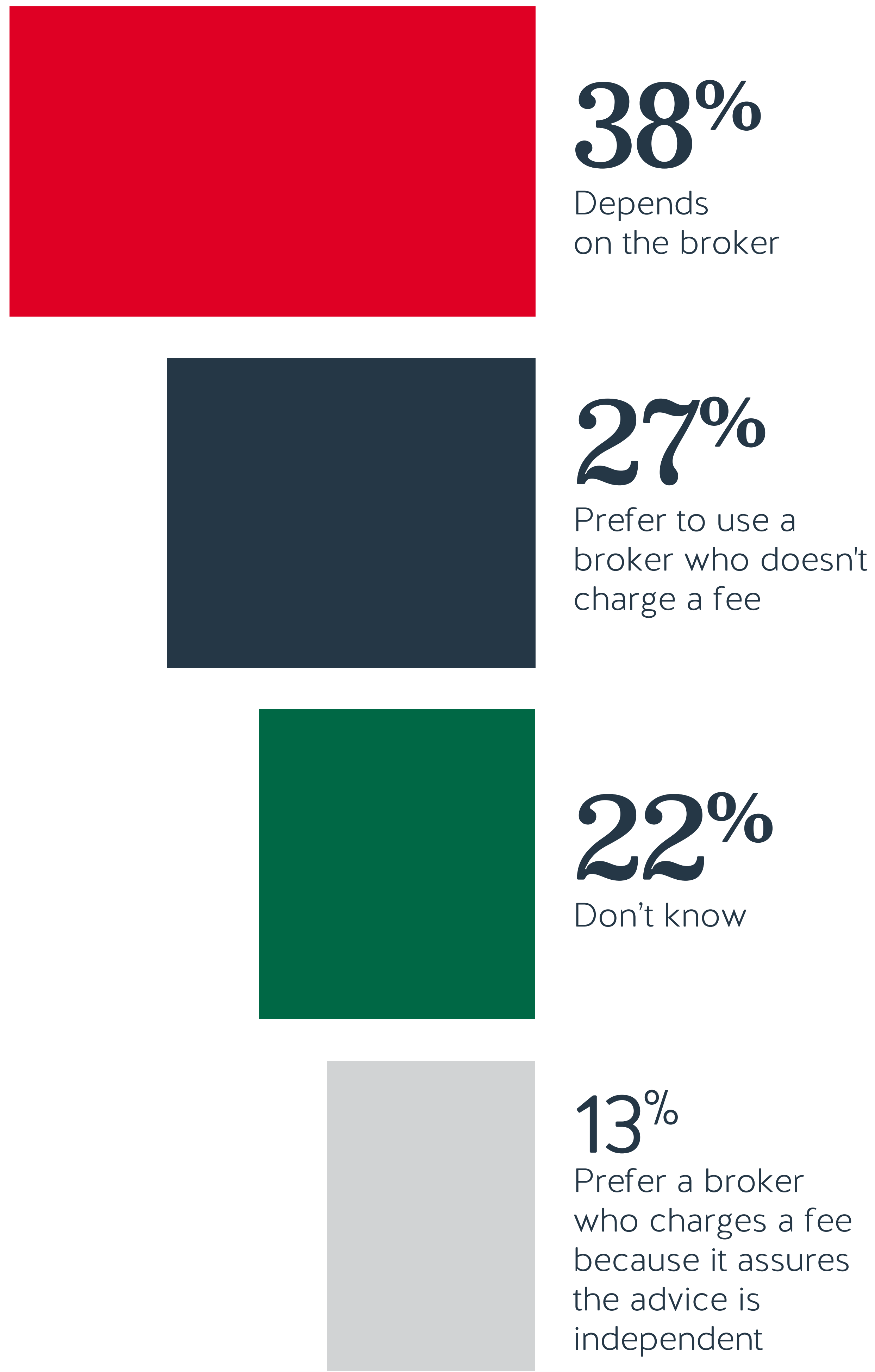
Communication preferences with mortgage brokers[77]



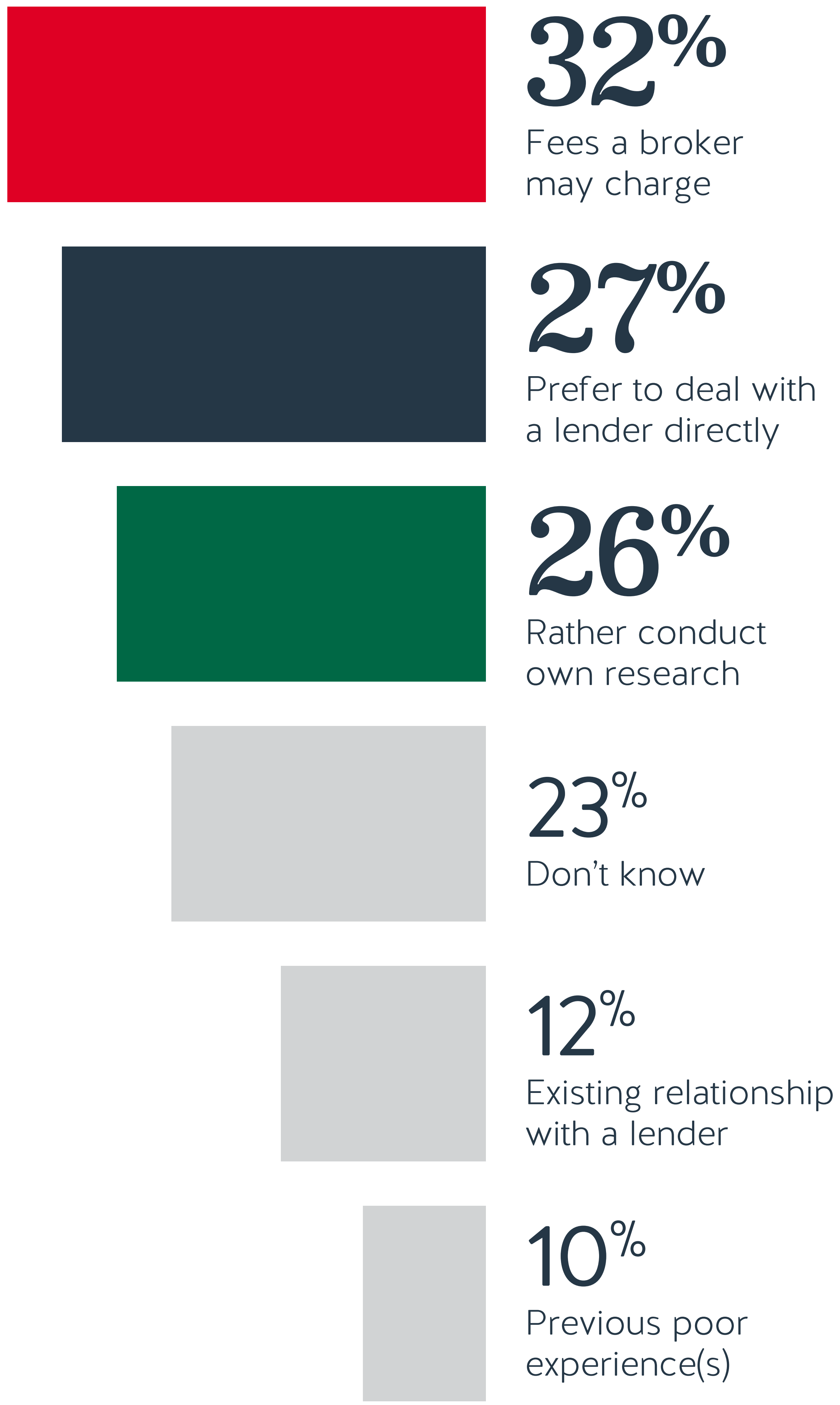
Importance of broker proximity to current or purchase address[78]



How broker fees impact choice[79]



Reasons for not using a mortgage broker[80]



Rob Barnard

Intermediary Relationship Director,
Pepper Money

Key *in*sights

1 Customers recognise the value of professional advice – it's not always just about rate. Brokers can increase their opportunities by communicating their experience, expertise and the value of the advice they can offer.

2 Online research is an important tool for customers in finding a mortgage broker. This presents an opportunity for brokers to focus on ensuring their website accurately represents all of the services, and the value they can offer, as well as working on raising their profile through digital marketing and social media.

3 Customers are open-minded about brokers charging a fee for advice, so brokers can consider their business model with this in mind. The key is to add value to customers and help them to achieve their goals.

Paul Adams

First Charge Sales Director,
Pepper Money

The findings of the Pepper Money Specialist Lending Study for Autumn 2024 underscore the profound challenges facing households in the current economic climate. With inflationary pressures and rising costs of living, many individuals are experiencing significant financial strain, which is exacerbating concerns about their ability to secure mortgages.

The Study highlights that a notable proportion of people are turning to various coping mechanisms, such as using credit for essentials, considering relocation, or taking on additional jobs, to manage their financial burdens.

Despite these hardships, there remains a robust aspiration for homeownership, even among those with adverse credit histories. This determination presents an opportunity for mortgage brokers and specialist lenders to play a crucial role in navigating this complex financial landscape.

We firmly believe that, by leveraging the insights provided by this Study, mortgage brokers can better support a growing number of customers, particularly those who might be overlooked by mainstream lenders.

The economic environment may present significant challenges, but it also offers opportunities for brokers to make a meaningful impact on the lives of homeowners and those with aspirations of home ownership. In helping those customers towards a brighter future, brokers can also build an exciting future for their businesses.

Background and *methology*

Our research

In July 2024, YouGov conducted an online survey on behalf of Pepper Money to a nationally representative sample of 4,007 adult respondents aged 18+.

The sample group selected by YouGov

For this nationally representative survey YouGov used a sophisticated sampling matrix, which draws a random sample of representative respondents based on age, gender, region where they live (plus some additional demographics – e.g. education level, social grade/financial status – were used to ensure that the correct profile of respondents was invited to participate). The pre-selected respondents were emailed and invited to take part in the survey and, according to the responses received, a small weighting factor was applied to address any imbalances in the sample at the analysis stage.

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