

## Experian- Findings from random sample

### 1. Background

A random sample of twelve debtors were obtained who had accessed the Debt Arrangement Scheme (DAS), Trust Deeds (TD) and Bankruptcy through either the Low Income Low Asset (LILA) route or Apparent Insolvency (AI). In each category a sample was taken from April, July and October 2008 respectively for comparison.

Experian has been analysed to establish exactly what information it provides and what this tells us about a debtor. Annex A provides further information on Experian.

Tables four to nine will compare the samples based on the findings obtained solely from Experian.

### 2. What information is recorded on Experian?

The name, address and gender of the debtor is recorded in all cases. The report will also provide details of aliases or other addresses connected to the debtor. All occupants at the same address are listed and also includes the periods of occupancy. This information is obtained from the Voters Roll. Annex B lists the various sources where data is obtained.

The report also provides details of whether the debtor has been involved in any fraudulent activity, for example, identity fraud. There were no instances in this sample.

The debtors liabilities are listed and categorised under the following headings, Default, Active and Settled. The creditor name, account type, account number and the original sum borrowed is displayed. The report also provides details of the payment terms and any balances outstanding. If the debtor had defaulted at any time, the report gives the date and the default balance.

Similarly, if the account has been paid in full it is marked as settled and on which date. Any secured debts are also listed in the same fashion.

The report includes details of any enquiries made by lenders which indicate when a debtor has, for example, applied for credit, obtained insurance quotes or applied for a bank account. This section gives the lenders name, the application type and the date the application was made. In most cases, it will also provide the length of time at the current address.

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### 3. Are Bankruptcies, Trust Deeds and DPPs registered on Experian?

Experian provided details of the DPP in two out of the three debtors who had entered into DAS, however, the DPP that was not recorded had been in force for a duration of only 3 months and could be explained by Experian not yet being updated. The DPP commencement date and the satisfaction date were also recorded. In each case the length of the DPP was over a period of 5 years. Experian also listed each individual debt and whether it had been included in the DPP.

Five of the six debtors that had been declared bankrupt through both routes were recorded on Experian. The date of the bankruptcy and the satisfaction date were provided in each case.

Experian did not, however, record details of a Trust Deed in any of the three samples. A larger sample is required to establish if this is correct in all cases.

The results were cross checked against the Register of Insolvencies (ROI) and the DAS Register and it was found that all notices were recorded on their respective registers.

### 4. Average age of debtors

DAS	TD	LILA	AI
62	42	48	44

The table above displays the average age across the samples.

The LILA results correspond with the figures obtained from the LILA Review of October 2008 that 62% of all LILA debtors are between the ages of thirty five and fifty nine.

According to the DAS Review, the average age of a DAS customer is forty three years and four months. The figure above is higher than the average however this is based on a sample of only three.

### 5. Categorisation of liabilities

	DEFAULT	ACTIVE	SETTLED
DAS	2	14	17
TD	4	17	16
LILA	15	4	3
AI	19	2	15

The above table displays the three account categories and the total number of liabilities in each across the samples.

The figures show that debtors who are Bankrupt through either the route have the most accounts in default which would be expected if a debtor is insolvent.

The DAS debtors had the least defaults and the most settled accounts. This would suggest that DAS debtors have been able to repay their debt but found themselves in unforeseen financial difficulty. The low number of accounts in default suggest that they took control of their finances quickly by entering into the DPP.

## 6. What is the total amount of unsecured debt and how does this compare?

	<b>DAS</b>	<b>TD</b>	<b>LILA</b>	<b>AI</b>
<b>April 08</b>	£3,304	£19,643	£3,387	£10,043
<b>July 08</b>	£22,625	£50,758	£13,659	£15,410
<b>October 08</b>	£19,929	£20,787	£2,882	£21,939
<b>Average</b>	<b>£15,286</b>	<b>£17,059</b>	<b>£6,643</b>	<b>£15,797</b>

The average total of unsecured debt from the DAS sample is £15,286. This is below the £24,362 average as taken from the DAS Review.

The DAS Review concluded that from a sample of 536 DPPs, 340 had debts of £25,000 or less. The average in this sample corresponds with these figures.

The average total of unsecured debt of a LILA debtor, based on the sample above, is £6,643. This is below the average of £17,288 as obtained from the LILA Review, however, the LILA Review concluded that the majority of debtors owe between £5,000 and £19,999.

The table above suggests that the debtors who were apparently insolvent or in a Trust Deed had a higher average amount of unsecured debt compared to those in LILA and DAS.

## 7. How does the level of secured debt compare?

	<b>TD</b>	<b>AI</b>
<b>April 08</b>	£94,388	£516 *
<b>July 08</b>	£90,871	NIL
<b>October 08</b>	£147,596	£113,971
<b>Average</b>	<b>£110,952</b>	<b>£57,435</b>

Two thirds of debtors who were Apparently Insolvent had secured debts and all three of the Trust Deed debtors had secured debts.

There was no evidence of any DAS debtors with secured debts.

To meet the criteria for LILA a debtor must not have any property. The debtors in the sample have no secured debts.

\* The sample obtained from April shows a balance of £516. For the purposes of this report the focus is what this tells us about the debtor. This would suggest that the debtor has a relatively small secured balance, however, further investigation would be required to establish if this reasoning is correct.

### 8. Top five creditors by number of debts

DAS	TD	LILA	AI
HFC Bank Ltd	Barclaycard	RBS	RBS
Clydesdale	Clydesdale	Hillesden	British CreditTrust
Blackhorse	Bank of Ireland	Fashion World	Lloyds TSB
Shop Direct	Halifax	HFO Services	Halifax
Halifax	GE Capital	Welcome	Capquest

The table above lists the top five creditors based on the number of debts across the sample. Bank debt features highly in the DAS, Trust Deed and Apparent Insolvency samples, and accounting for 60% of all debt in each case. The only exception is LILA where it accounts for only 20%. This is reflective of previous research which suggests that LILA debtors tend to borrow from the UK non standard credit market.

### 9. Top five creditors by value of debt

DAS	TD	LILA	AI
Halifax	Tesco Finance	Hillesden	RBS
Blackhorse	Clydesdale	HFO Services	Capquest
Nationwide	Bank of Ireland	RBS	British CreditTrust
Barclays	Barclaycard	Welcome	Volkswagen
Clydesdale	Halifax	Freemans	Lloyds TSB

This table above lists the top five creditors in respect of total amounts owed across the sample. Three of the five creditors in DAS are listed in the top ten creditors by total value of debts in the recent DAS Review.

According to the LILA Review, many debtors borrowed from lenders such as Welcome Finance and mail order companies. Both Welcome Finance

and Freemans Catalogue appear in the top five from this sample which would confirm this statement.

## 10. Conclusion

The information recorded on Experian is fairly prescriptive and a profile of a debtor can be obtained based solely on their credit record. In particular, Experian tells us whether a debtor has been in financial difficulty for some time or due to an event or change of circumstance at a particular point in time. From a lenders perspective Experian can help identify whether or not a person is a high risk borrower.

A key finding from the research is that Trust Deeds were not recorded on Experian in any of the three samples. This compares to five out of six from the Bankruptcy sample. As Trust Deeds and Bankruptcies are both recorded on the ROI, it was surprising that Trust Deeds were not recorded on Experian. Further research in this area will clarify whether this is the case for all debtors who sign a Trust Deed.

The findings also confirmed that DPPs are recorded on a debtors credit report. In two of the three samples, Experian also identified which liabilities were included in the DPP.

The information as presented across tables four to nine was obtained solely from the analysis of Experian. Although the sample used was relatively small, the findings did concur with those in the recent DAS and LILA review.

The comparison of Trust Deeds was restricted due to the limited research conducted in this area to date.

## Annex A Experian

Experian is a market leader in providing information services to organisations and consumers.

In the UK and Ireland, Experian employ more than 4,000 people in over 30 offices.

In the UK, Experian supports over 600 clients across a range of markets, including financial services, retail, home shopping, charity and property. Experian also helps public sector organisations make better decisions around policy formulation and efficient service delivery.

Experian helps consumers to monitor their credit reports and delivers critical information that enables them to make financial and purchasing decisions with greater control and confidence.

Experian is the only UK Company to win the Business of the Year Award twice – in 2003 and 2005.

The Experian consumer database holds information on 45 million UK customers.

Experian process more than 1.5 million credit reports each week.

## **Annex B Sources of Information**

### **Postcode Address File**

Address verification, fraud prevention, postal rebates, operational efficiencies

### **Electoral Register**

ID authentication, fraud prevention

### **Address Links**

ID authentication, fraud prevention, tracing

### **Aliases and Associations**

Tracing, ID authentication

### **Public Information**

Includes County Court Judgments, bankruptcies, administration orders and voluntary arrangements

### **CAPS - Credit Application Previous Search**

Previous searches made as the result of credit applications, irrespective of the outcome of the applications

### **CAIS - Credit Account Information Sharing**

Comprehensive and timely information on credit accounts, including their status

### **Telephone Numbers**

Telephone number information

### **CIFAS**

The UK's Fraud Prevention Service – providing information relating to potentially fraudulent dealings

### **Possessions Register**

A list of repossessions made by mortgage lenders

### **Redirect Check File**

A database of addresses from which individuals have recently set up a redirection

### **Accommodation Addresses**

Highlights non-residential addresses, including mailing houses and addresses providing secretarial support

**Sanctions Data**

Highlights high risk individuals who appear on official sanction lists, such as the Bank of England Sanction File, the Politically Exposed Persons File (PEP) and the list from the US Treasury's Office of Foreign Assets Control (OFAC)

**GAIN – Gone Away Information Network**

An information exchange network which stores up-to-the-minute information about consumers who are in arrears on credit contracts or who have moved without leaving a forwarding address

**Mortality Data**

Used to highlight cases where a fraudster may have stolen the identity of a deceased person in order to obtain goods or services

**Detect**

A pool of shared previous application details, which are cross referenced and used to highlight inconsistencies

**Citizen Card information**

An accredited provider of proof of age identity cards