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MONEY MYTHS: WHAT TODAY'S CREDIT PROFILES DON'T ALWAYS SHOW

With more financial data available today than ever before, lenders are increasingly looking beyond the traditional credit score and embracing alternative sources of information to build a more accurate picture of borrowers. In our latest webinar, I was joined by Ed Leavers, Partnership Development Manager at PayPlan and Martin Smith, Head of Consulting at Equifax, to delve into some of the key learnings from these rich data sets and the upshot for brokers.

HOW IS THE DEBT LANDSCAPE CHANGING?

Ed shared his insights on how demand for debt help and advice has grown in recent years. To put that into context, PayPlan helped 189,000 customers last year – up 12% year-on-year – and 2025 is following a similar path with a record number of customers seeking support in Q1.

They are currently seeing greater numbers of more affluent customers reaching out for help, with interest rates, inflation and cost-of-living increases all acting as contributing factors. Amid the overall rise in the number of people facing financial difficulties, they're seeing an increasing number of queries around pre-arrears and business debt referrals.

Today the amount that people are spending each month has risen by around £1,800 per year, or £150 per month, year-on-year – levels which can be significantly higher when it comes to more affluent customers.

Around 60% of the cost-of-living increases seen are related to accommodation and energy costs, and the number of PayPlan customers struggling to pay their priority bills (such as mortgage, council tax and utilities) has risen from one-in-four to two-in-five in just a couple of years.

While inflation is largely back under control, the Bank of England base rate means that many customers are still experiencing steep rises in mortgage costs when coming off their fixed rate deals, and many renters are facing increases from their landlords.

Ed highlighted a number of emerging trends, including the need to support customers in the preparation stage before their financial circumstances become out of control – pointing to BudgetSmart, which offers wide-ranging guidance and support for better financial wellbeing.

He also highlighted a clear trend in the rising use of digital tools, including live chat and WhatsApp, not just among Gen-Z customers but in general among those under 40. As well as allowing interaction with an agent at a time that suits the individual customer's lifestyle, these digital tools also allow for a greater sense of anonymity, which can be beneficial for those feeling discomfort or shame around their financial circumstances.

Closing his session, Ed stressed that there is a real responsibility for everyone within financial services to support customers. Brokers can play an important role in encouraging customers with less-than-perfect circumstances to make changes - creating an empowering opportunity for them to access the mortgage products that they want.

Ed Leavers
PayPlan

WATCH ED'S SESSION

LESSONS FROM LATEST BORROWING DATA

The mortgage market has experienced no shortage of change over the last few years, with rising rates and the cost-of-living crisis compounding to create a challenging and fast-moving environment. Since 2023, when there was a steep drop-off in mortgage originations, it has been a story of slow recovery.

Martin presented a deep-dive into the current landscape of consumer borrowing and spending, delving into how consumer behaviours have changed as they have navigated these conditions.

Today, mortgage costs remain high – with average repayments currently £221 higher per month compared to 2022, and repayments on new mortgage lending now 58% higher than before the Truss budget.

In response, consumer behaviours are evolving: many are taking out mortgages over a longer period of time, with 30% of new mortgages extending across 30 years or more, and an increase of lending into retirement.

When it comes to unsecured lending, credit card growth is now bouncing back following a period of stagnation during the pandemic, when people were saving more and paying off their credit cards. Today, total UK credit card debt is in excess of £70 billion – 4.5% higher than during the pandemic.

The use of Buy Now, Pay Later (BNPL) has also been growing, with around 36% of consumers having used a BNPL product in the last two years.

Analysing transaction data sourced from Open Banking as well as data from the Office for National Statistics, Martin revealed some insightful behavioural trends that wouldn't typically be credit-visible. At the peak of food inflation – around 11-12% – the second-lowest group in terms of income were the most immediately impacted, while middle earners mitigated the effects of inflation in a way that lower earners were not able to do, by constraining their spending.

The data also showed that consumers responded to rising prices by 'trading down' their supermarkets, and buying cheaper and own-brand products.

Today, the way lenders assess affordability is changing: they are starting to take a more granular approach to assessing expenditure, including looking more closely at transaction data – which can provide much more information than a traditional credit score or file could.

Armed with this knowledge, there are some key hints and tips that brokers can share with clients. These include keeping repayments up to date and ensuring that you are registered on the electoral roll; using credit products to help build your credit score – while borrowing reasonably and staying within your limits; monitoring your credit report and contacting lenders to correct any errors; sharing valid accounts that include your income, main bills, and the majority of your day-to-day spending when requested by lenders; and avoiding risky behaviours such as excessive overdraft usage, declined payments, or high levels of gambling.

By encouraging clients to adopt these best practices, brokers can help them to get mortgage-ready.

Martin Smith
Equifax

WATCH MARTINS'S SESSION

KENSINGTON MORTGAGES UPDATE

Our Head of Intermediary Sales, Jane Atkins, joined us and thanked partners and brokers for their continued support. She highlighted one of our biggest recent success stories – the launch of BTL Prime late last year, which offers a simplified approach to affordability for buy to let customers, including the ever-growing and important limited company SPV space.

In just a short amount of time the product has already been a game-changer, receiving phenomenal feedback from brokers. Following requests for the product to expand in terms of both range and criteria, Jane advised that further enhancements are on the way.

She also shared a tip from our underwriting team, that when completing BTL applications, to only include properties that portfolio landlords hold within the entity: that is, only include properties that customers own in their personal names, or only those properties held within the customer's SPV.

To provide greater opportunity for direct contact with brokers, we have boosted our underwriting team by 22% and added three new underwriting managers. Meanwhile, we have also promoted three regional sales managers, working alongside field-based BDMs, and three desk-based managers to support pre and post-application queries.

Service remains a key priority for us, and we're proud to have maintained our excellent service levels – reviewing new applications in 1-2 days, and averaging between 12-13 days on application-to-offer across both residential and BTL.

Jane Atkins
Kensington Mortgages

WATCH JANE'S UPDATE

MY TAKEAWAY

Hearing more about some of the ways that consumers have adapted to the turbulent landscape in recent years, and how factors such as the cost-of-living crisis have impacted financial behaviours was very insightful. These alternative sources of data allow us to understand more about our customers – and ultimately to better support them. Brokers are often the first port of call for borrowers, and I hope that the information shared in this webinar will help you to empower your clients as they navigate their mortgage journeys.

Eloise Hall
Kensington Mortgages

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