

# OFT credit survey

## Summary of results

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## Introduction

This document summarises the results of a recent survey of the general public commissioned on behalf of the OFT by COI. The research was designed to investigate public behaviour and experiences on the subject of consumer credit.

## Main findings

The findings for 'Taking out credit' and 'Comparing credit deals' are based on the 85% of adults who had used one or more type of credit to buy goods or services.

### Taking out credit

- Just under a third (28%) of adults said that they had felt *pressurised to take up credit* when buying goods or services. A slightly greater proportion of women (30%) than men (25%) identified with this scenario.
- A fifth of those using credit (21%) said they *arranged credit while out shopping that they had not intended to before they went*. This proportion was higher among women (24%) than men (18%) and also varied with age – over a third (36%) of those aged 18 to 24 years said they had experienced this scenario, against only 13% of those aged over 55 years.
- A similar proportion (20%) also said they *signed a credit agreement that they later regretted*, although this finding was more consistent across demographic groups.
- A majority of people (51%) said that they *do not always read all of the small print before signing a credit agreement*.

### Comparing credit deals

- A third of respondents (29%) said that they had *previously arranged credit with a provider of goods and services without comparing with credit deals from other providers*. The proportion agreeing with this statement was notably higher among younger age groups when compared with older respondents.
- In answer to an unprompted question, the most frequently cited *method used to compare credit deals from different providers* was 'interest rates' (mentioned by 32%). Only half as many people (16%) claimed to 'compare APR' rates, while only 7% evaluated deals by comparing the 'total cost of credit'.
- A third (32%) of those interviewed could not think of any method to compare credit deals or just 'did not know'. This proportion was higher, at 50%, among those aged over 65 years.

- Respondents were asked, *when comparing credit deals, whether a higher APR or a lower APR is cheaper*. Although the majority (82%) answered correctly, there was a significant minority of almost a fifth (18%) who either gave the wrong answer (1%) or said they did not know which was cheaper (17%). The proportion that answered incorrectly or did not know was noticeably higher among those aged over 65 years (42%) and those from social grade E (39%).

## Use of credit

- Within the sample of **all** adults, 85% claimed to have used at least one of the listed types of credit to buy goods or services in the past. Use of any type of credit was lower than average among 18 to 24 year olds (68%) and, to a lesser extent, those aged over 65 years (76%).
- Credit cards were by far the most commonly used type of credit, mentioned by 65% of adults. Most of the other types of credit had been used by approximately one third of the sample; these included interest free credit (39%), loans (37%), store cards (36%), catalogue accounts (35%) and hire purchase (30%). Buy now, pay later credit (25%) was the least frequently used.
- Use of each form of credit was more common in those from higher social grades; 90% of those from grades A/B used any form of credit against only 77% within grades D/E. The exception to this pattern was catalogue shopping, where use was actually higher within lower social grades.
- It is apparent from more detailed analysis that most users of these other types of credit were also users of credit cards; in fact the overlap between use of credit cards and other types of credit amounts to approximately four fifths of those using non-credit card. The overlap is slightly less marked for those using catalogue accounts; among this group only 70% were also users of credit cards – this is likely to be associated with the demographic difference with users of catalogue accounts highlighted above.

## Methodology

The research was conducted using the BMRB telephone omnibus survey. The sample for the research comprised a nationally representative sample of the general public in Great Britain. A total of 947 adults aged over 18 years were interviewed on the telephone between 29 and 31 October 2004.

A more detailed description of the methodology employed by BMRB for the research is appended to this summary.

### **Appendix a: methodology in detail**

BMRB ACCESS by Telephone interviews a nationally representative sample of 2,000 adults across Great Britain each weekend. The master sample of telephone numbers used for BMRB International's telephone omnibus service is derived from a large database of residential numbers from across Great Britain. New numbers are generated from this basic list by adding and subtracting up to 40 from each original number.

This listing of new numbers is then de-duplicated, and excess numbers removed, to give a master sample representative of Great Britain in its Standard Region profile. Finally, samples for each omnibus survey are selected from this master sample using a random start and constant sampling interval. This means that samples are generated using a random digit procedure which will represent telephone numbers not available in directories or other sources, in their correct proportion. Some business and non-existent numbers are also generated, of course, and these are removed from the sample when detected during fieldwork. Each telephone number selected is called, and any adult aged 16+ living in the household is eligible for interview. Each household is recalled if an appointment is requested by the respondent or if 'no reply' is obtained at first dialling. Up to ten calls may be made to each household. Quotas are used to control selection from the eligible adults. These controls are based on simple demographic criteria which are therefore easy to ask at the beginning of an interview. The specific criteria are those which are known to relate to an individual's likelihood of being at home, namely age among men, presence of children and working status among housewives. This ensures that the final sample does not overrepresent those groups who spend more of their time at home.

Interviews are spread, broadly speaking, equally across five periods - Friday evening and Saturday and Sunday mornings and afternoons. All interviews are conducted from BMRB International's central location telephone unit, where interviewers work under constant supervision. A computer assisted telephone interviewing (CATI) system is used for all data collection and sample management.