



# FINANCE

*Isn't it time you got a fair deal?*

Annual  
Report  
2017



Matthew Jones  
Chair of  
Fair Finance

Fair Finance operates in a really important space. It's the financial twilight zone in which so many people outside the mainstream of finance have no choice but to exist, too often having only high cost credit options available to them - a risk premium that often compounds their disadvantage. These are people with many different stories, challenges, hopes and aspirations. But they do have one thing in common: a need for access to finance for life's unforeseen or lumpy expenditure. Finance that's transparent, affordable, competitive and responsibly-made. Finance that's lent and managed with a genuine empathy for the significant difficulties this group faces in terms of its thin credit data, low credit scores and exclusion from the mainstream. Finance that is not predatory, entrapping or excessively priced. Fair finance.

**“ In serving this need, we are also determined to demonstrate that responsible finance can be the basis for a sustainable business model - and one that generates a surplus that can be reinvested for the benefit of our existing and new clients. We want to be a social business that has meaningful, measurable and growing impact.**

This Annual Report amply illustrates that we are advancing well along that path, adding tangible value and vital support to the diverse people and communities we serve. Helping them navigate the financial twilight zone.

Our evolution from the fledgling start-up of over 10 years ago to the more established operation we are today, and our growing success, have brought additional responsibilities and the need for more infrastructure. We have therefore introduced more robust governance and controls, developed more extensive compliance and reporting processes, strengthened our Board, committees and management team, enhanced training and, importantly, have continued to foster an organisational culture committed to fairness, responsibility and client-focus. Many of these steps have been taken as part of our successful transition to a regulated entity.

But, despite so much progress, in many ways we are still only in the foothills. To deliver our important mission, and for it to have the bigger impact it needs and deserves, we need to grow more - and quicker - although always in a robust and sustainable way. For the next 5 years, we have set stretching goals for the number of people we want to help, the number of loans we want to make, the total amount we want to lend and the investment that all of this requires. I would like to thank our dedicated staff, and all our investors, supporters and other stakeholders, for their continued support.



Faisal Rahman OBE  
Managing Director of  
Fair Finance

In 2005 when I launched Fair Finance in a converted doctor's surgery in Stepney, our job seemed really clear. We worked with people who'd had no contact with a bank for years, who regularly used doorstep lenders and often had experiences of using illegal moneylenders. Most of them wanted to meet face to face, preferred cash and were mostly on benefits.

Over the last 12 years the sector has changed rapidly through technology with the rapid growth of payday lending, and in type with an expansion in high cost lenders for business and personal use. Customer expectations have changed and how they want finance has also changed. Its very different today than when we launched.

**“ Fair Finance has also evolved to match these changes. We've grown from a small branch in East London to now having a national presence. We've diversified our products from personal loans to business loans and money advice; and evolved our offering from the branch to also online as well as developing partnerships with local community organisations and mobile fintech providers.**

People now coming to Fair Finance have bank accounts and occasionally credits cards; but are also using payday lenders and pawnshops. Many of our clients are now in employment (part time and contractual) but often cash cheques and borrow regularly from high cost lenders. What we might have considered fringe finance, is now mainstream for many people.

It is clear that the relationship between financial exclusion and inclusion is not a binary one. They have complex and often individualised relationships with the various financial providers in their lives.

The core of Fair Finance's business model is built around its relationship with its clients. It is the reason why they come back, why they repay their loans or listen to advice, they refer friends and family and how we know in what way to develop our service.

What this Annual Report shows is our progress and development in navigating this transition as a business but also how we have adapted to the changing market while keeping this relationship central to our work.

While the document contains many numbers and graphs, we hope it gives also an indication of the impact on the people who make up those numbers. It is this impact that has led us to keep challenging ourselves to constantly improve what we do, and be ambitious in wanting to serve more people across the country.

# The Issue

Financial exclusion in the UK:

**1.71m adults**  
remain unbanked<sup>1</sup>

**1 in 5 people**  
could not meet an unexpected  
expense of £200<sup>2</sup>



**41%**

of British households  
are saving<sup>3</sup>

**12m people**  
use the sub prime  
lending market regularly<sup>4</sup>

**£22 billion**  
is the estimate of the  
financing gap between  
amount available for SMEs  
and the finance they need<sup>5</sup>



**38%**

of SMEs less than five years  
old have their application for  
finance rejected by banks<sup>6</sup>

**8.2m people**  
are overindebted<sup>6</sup>



**50%**

of households in the  
bottom half of the income  
distribution do not have  
home contents insurance<sup>9</sup>

**41,000 people**  
were evicted from  
their properties in 2015<sup>8</sup>

<sup>1</sup> Financial Inclusion Annual Monitoring Report 2016, University of Birmingham

<sup>2</sup> Financial Inclusion Annual Monitoring Report 2016, University of Birmingham

<sup>3</sup> Family Resources Survey data in Rowlingson, K. & McKay, S., 2014. Financial Inclusion: Annual monitoring report 2014, Birmingham: University of Birmingham

<sup>4</sup> Non Standard Finance Company Presentation, www.nonstandardfinance.com/-/media/Files/N/Non-Standard-Finance-V2/reports-and-presentations/nsf-may-16-slides.pdf

<sup>5</sup> Improving Access to Finance for SMEs – NAO 2013

<sup>6</sup> A Picture of Over-Indebtedness, Money Advice Service 2016

<sup>7</sup> Improving Access to Finance for SMEs, National Audit Office, 2013

<sup>8</sup> Financial Inclusion Annual Monitoring Report 2016, University of Birmingham

<sup>9</sup> Financial Inclusion Annual Monitoring Report 2016, University of Birmingham

# Fair Finance

We are a social business offering a range of financial products and services designed to meet the needs of people and businesses that are financially excluded.

Through high-quality products and services that are affordable and accessible, we aim to revolutionise the financial services industry to **give everyone a fair chance.**

## CORE VALUES

- > Customers deserve a fair deal
- > Products and services should be simple and accessible
- > Financial advice should be honest and trustworthy
- > Credit should be affordable for all
- > Profits should be reinvested for the benefit of customers

## SINCE OUR LAUNCH...

**£20 million**  
has been extended to those  
who are excluded by  
traditional finance

**30,000 people**  
have been helped by us  
with advice,  
loans or support

**6,000 people**  
saved from eviction through  
timely debt advice

**300+ businesses**  
have been supported  
with business loans

**593 jobs**  
sustained or created  
as a result of our loans

**£8.1 million**  
saved by refinancing people out  
of high cost lenders

# Who We Help

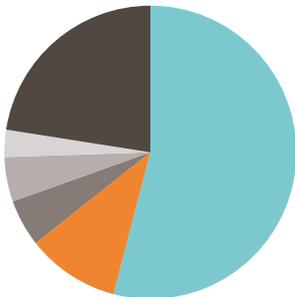
## WHERE OUR CLIENTS ARE

Although our business loans are available nationally, most of our personal loan and debt advice customers are in the south east of England.



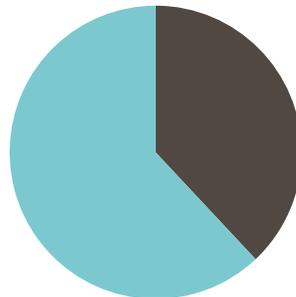
## ETHNICITY

- AFRICAN
- EUROPEAN
- ASIAN
- CARIBBEAN
- OTHER
- WHITE BRITISH



## GENDER

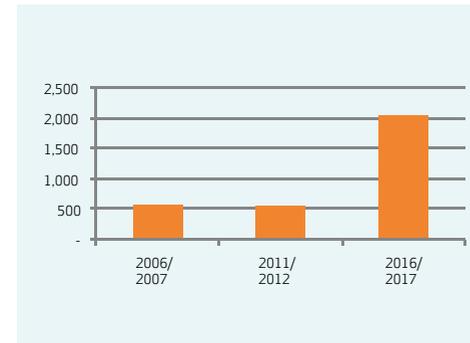
- FEMALE
- MALE



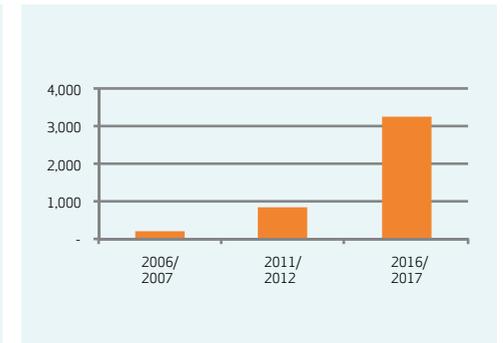
# What We Do

<p>FPL PROVIDES AFFORDABLE PERSONAL LOANS TO INDIVIDUALS WHO DON'T HAVE ANY OR HAVE ONLY LIMITED ACCESS TO MAINSTREAM FINANCE.</p>	<p>FBL HAS DESIGNED A FUNDING PRODUCT AND SERVICE FOR SMALL AND MICRO-BUSINESS OWNERS/THE SELF EMPLOYED TO RESPONSIBLY SUPPORT FINANCIALLY EXCLUDED BUSINESSES.</p>	<p>FMA IS A REGISTERED CHARITY PROVIDING DEBT ADVICE AND FINANCIAL CAPABILITY SERVICES, HELPING INDIVIDUALS REGAIN CONTROL OF THEIR MONEY.</p>

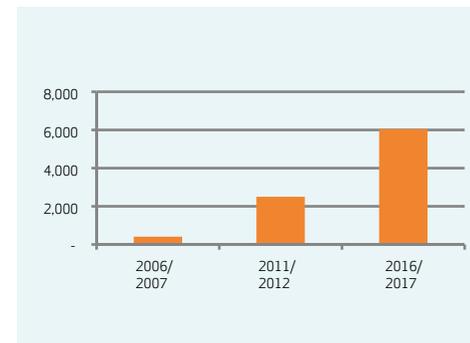
## TURNOVER (£K)



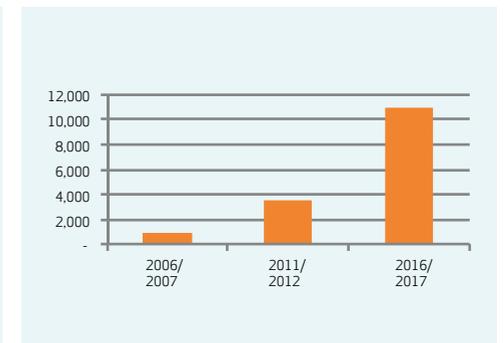
## LOANS OUTSTANDING (£K)



## CLIENTS



## PEOPLE SUPPORTED



Fair Personal Loans (FPL) provides **responsible and affordable** loans to those who are excluded by mainstream finance and dependent on the sub-prime market of high-cost lenders. We operate through our branch network in London as well as online.

#### FPL'S CORE PRODUCT

Loan Range	Loan Term	APR	Typical Loan	Typical Term
£100 - £3,000	6 - 18 months	c. 136%	£500	6 months

#### HOW DO WE COMPARE?

	A typical £500 loan cost over 26 weeks	Savings
	£999.90	<b>£357.40</b>
	£957.58	<b>£315.08</b>
	£946.10	<b>£303.60</b>
	£780.00	<b>£137.50</b>
	£642.50	<b>£8.1 M OF INTEREST SAVED SINCE 2010</b>

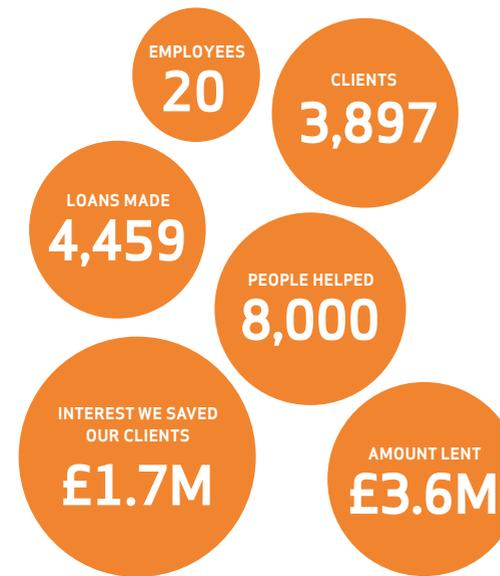
\* Source: Company websites as of June 11, 2017. Indicative for a £500 loan for 26 weeks paid weekly. Note: Peachy loan is paid monthly.

Fair Personal Loans has designed a successful alternative to traditional for-profit subprime finance, offering an affordable and well designed product that truly meets our customers' needs. In the past year, we have started our latest customer service revolution, launching a full online service for our existing clients. We have also grown at our fastest rate in 3 years and we are about to become one of the few financially sustainable not for profit lender in the UK, of which I'm very proud. I am looking forward to 2017-18 and a continued growth in our impact for clients in London and all over the UK.

- GUILLAUME FOUCAUD, HEAD OF FAIR PERSONAL LOANS

#### 2016/2017

KEY ACHIEVEMENTS	VISION FOR THE FUTURE
✓ 25% on loans made and clients helped	✓ Increase accessibility by opening more branches
✓ Started offering services online to existing customers	✓ Invest in technology to reduce operating costs, streamline productivity and improve the customer interface
✓ Introduced Net Promoter Score	✓ Double the loan book in the next five years



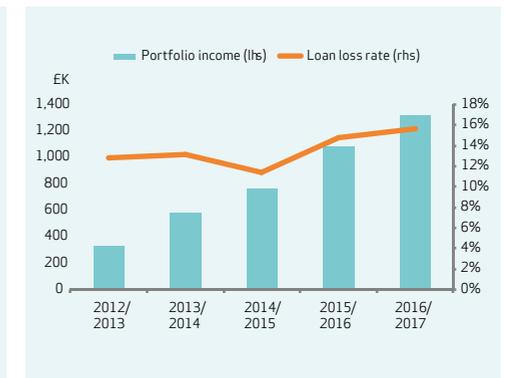
“ Fair Personal Loans helped give me peace of mind to enjoy my new motherhood.   
 - HARRIET FROM THE EAST HAM BRANCH

Although employed full-time as a nurse, Harriet had a poor credit history that resulted from a past default on her phone bill. She approached FPL for help when she was eight months pregnant and had started to struggle to pay for essentials for her one year old son. A five week delay in her maternity allowance further complicated issues. FPL helped Harriet with a personal loan, advised her on budgeting and supported her through the process of applying for relevant benefits.

#### LOAN GROWTH



#### INCOME AND RISK



Due to lack of regulation, small businesses often suffer from a **lack of transparency and often high cost finance**. Fair Business Loans (FBL) was launched to tackle some of the market failures that have resulted in this growing market gap. We have designed a funding product and service for small and micro-business owners as well as the self-employed to responsibly support the growing numbers of financially excluded businesses.

#### FBL'S CORE PRODUCT

Loan Range	Loan Term	Rate	Typical Loan	Typical Term
£5,000 - £50,000	3 - 24 months	2-5% per month	£9,000	16 months

#### WHAT MAKES US DIFFERENT?

- > **TRANSPARENT PRICING**
- > **RELATIONSHIP MANAGERS**
- > **CLIENTS EXCLUDED BY ALGORITHMS**
- > **PROVIDE FEEDBACK TO IMPROVE CREDIT FILE**
- > **FCA REGULATED TO ENABLE LENDING TO SOLE TRADERS**

After another successful year of growth, FBL has rapidly developed to a position where we are delivering hundreds of loans to small businesses struggling to access finance and where we are making a material impact. Many of the projects the team have delivered inspire us, and we hope others, to do even more: becoming the first national community finance provider, being the first to build a fully integrated bank partnership, and being the first to build integrations with the national SME funding platforms.

- ROB BENFIELD, HEAD OF FAIR BUSINESS LOANS

#### 2016/2017

KEY ACHIEVEMENTS	VISION FOR THE FUTURE
✓ Began lending nationally in September 2015	✓ Enhancing our online presence to improve the customer journey
✓ Developed a partnership with Metro Bank that now profiles FBL in all local branches	✓ Investing in technology to integrate data capture and CRM systems with lending and client brokerage platforms for growth
✓ Integrated with the Bank Referral Scheme funding platforms	✓ Set to double our lending in 2017/2018



“The loan from Fair Business Loans helped in a year of massive and expensive expansion in 2016. With our hand a bit forced in moving out of our old premises, we weren't financially prepared for such a move, so the loan helped grease the wheels.

- ALEX CHENERY,  
OWNER DARK BUNNY TEES

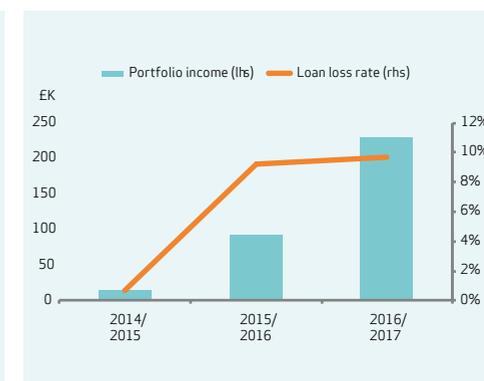
Thanks to a capital injection from FBL, the business has scaled to a team of three who design and print t-shirts. The initial loan has been repaid and a second loan has been granted to help expand the business abroad. Since the first loan, turnover has increased by more than 60% and the business has clearly proved its creditworthiness.

\*GVA is Gross Value Added and is calculated based on the Economic Impact Tool designed by Responsible Finance.

#### LOAN GROWTH



#### INCOME AND RISK



Fair Money Advice (FMA) helps individuals **regain control** of their money. FMA assists with emergency debt issues, whilst also helping clients work towards long term financial stability, resilience and control. We offer clients impartial advice and support in times of financial crisis, and provide preventative financial capability programmes to strengthen financial literacy and efficacy.

**FMA PROVIDES FREE ASSISTANCE FOR**

Maximizing Income	Renegotiating Debt	Making Benefit Applications	Liaising with Creditors, DCAs and Bailiffs	Financial Capability Workshops
-------------------	--------------------	-----------------------------	--	--------------------------------

Our one-to-one work with clients to stabilise their finances and ensure resilience has been challenging this year, due to the impact of benefit reforms and the changing nature of work – many clients now have fluctuating and irregular income patterns which the payment system in the UK is yet to adjust to. Financial capability and efficacy is more important than ever, in these circumstances, as our clients require the skills to budget and prioritise their commitments. To this end, FMA trained more than 90 clients in the year working with individuals and groups to increase their money management skills and resilience and looks forward to reaching even more people next year.

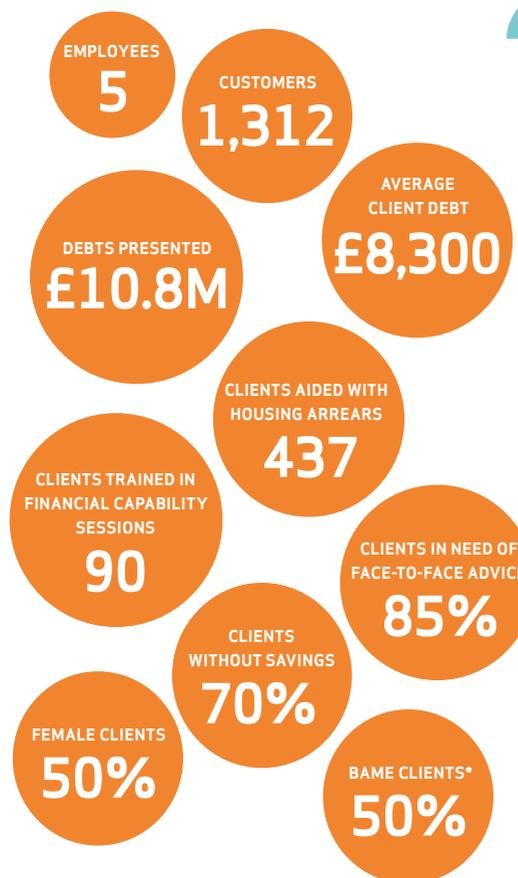
This year, FMA began delivery of remote services; 15% of our debt advice and financial capability services were delivered via remote platforms, and we expect this demand to increase. This year we have partnered with Pariti, a FinTech company, to develop and adapt a budgeting app for low income communities. FMA will use the learnings from this pilot to inform our digital offer for advice and capability services going forward.

In addition, FMA maintains a commitment to provide emergency debt interventions for vulnerable and excluded individuals within their local communities. We continue to expand our local partnerships with various stakeholders including housing associations, voluntary organisations and specialist providers. FMA now provides outreach sessions in 4 London boroughs and we look forward to building new partnerships and expanding our presence across other London boroughs.

- MUNA YASSIN, MD OF FAIR MONEY ADVICE

**2016/2017**

KEY ACHIEVEMENTS	VISION FOR THE FUTURE
✓ Expanded our financial capability services to Orbit HA residents in 2017 for Bexley and Sutton boroughs	✓ Double the number of financial advice workshops delivered in London with a focus on the poorest boroughs.
✓ Partnered with a Fintech company, Pariti, to develop an app that can help over indebted and low income communities manage their finances better.	✓ Piloting a 'payday loan reduction' project in the borough of Tower Hamlets. This innovative pilot is supported by the East End Community Foundation.
✓ Expanded our debt advisory service for Peabody Housing to cover leasehold residents in the Thamesmead area.	✓ Partnering with We Are Digital to deliver an innovative digital and face-to-face financial capability service



“ My adviser has been like a guardian angel who I could open up to about anything. Fair Money Advice were good listeners and made me feel better by about the issues I faced. I greatly appreciated the information they gave me.”

- WENDY, FMA CLIENT

Wendy had been in a financially abusive relationship for over 50 years, until her husband passed away. She contacted us after his death and was struggling with over £12,000 of debt that she'd been left with - often going without food to maintain her commitments. FMA were able to process a Debt Relief Order for Wendy so she could afford to maintain her home and independence.

BAME: Black And Minority Ethnic

# Thank You

---

Fair Finance is supported by a number of organisations and individuals in delivering our mission. We are grateful to all of the following for their ongoing support:



*Fair Finance is also generously supported by more than twenty individual social investors.*

**“ I am relieved I came to my appointment. I feel for the first time someone has listened to me.**

**- NEOMI**

**fairfinance.org.uk**

18 Ashwin Street

London E8 3DL

T: 0203 475 4720

F: 0207 254 3810

East End Fair Finance Limited (trading name Fair Finance) is incorporated under the Industrial and Provident Societies Act 1965 and is registered with, and authorised and regulated by, the Financial Conduct Authority (Registration No. 29889R, Firm Reference Number 717247). Registered address 18 Ashwin Street, London, E8 3DL