



FINANCE

Isn't it time you got a fair deal?

Annual
Report
2018



Matthew Jones

Chair of
Fair Finance

Fair Finance continues to perform an important role in supporting and serving those with no or insufficient access to mainstream finance. Factors such as the uncertain macro-economic backdrop, income uncertainty and low wage growth, together with market issues such as a reduction in credit providers, combine to compound the challenges faced by the financially-excluded in paying for day-to-day needs.

Fair Finance exists to help its clients tackle these problems.

We welcome the on-going regulatory scrutiny of industry practices, such as in the Rent-to-Own and Home Credit sectors, and we will endeavour to support new and existing clients by offering fair and responsible alternative forms of finance.

“ However, in order to achieve the social impact that lies at the heart of our mission and to change outcomes for more people than we are currently able to serve, we need to grow significantly, as signalled by the ambitious 5-year plans we shared last year.

This report demonstrates the impact we are already able to achieve – but greater scale is essential in order for our plans to be realised.

In the last year we have continued to progress our fund-raising process, as a key step in implementing our longer-term growth plan. In particular, we have been developing a structure that will enable us to raise long-term patient capital within the parameters of our legal structure and status. This has entailed engaging in discussions both with our existing investors regarding the conversion of their existing investments and with potential new investors, including those focusing mostly on the more mainstream capital markets, as we continue to seek to diversify our investor-base as the organisation grows and evolves. We have also successfully concluded agreements with our principal lending partners, Shawbrook and UniCredit, to support the loan book growth of Fair Personal Loans and Fair Business Loans respectively, and I would like to express our gratitude to the on-going support of those partners, and of all our other investors and stakeholders, which continues to provide a vital underpinning of our ability to deliver our mission. I would also like to thank the staff of Fair Finance whose dedication over the last year has once again enabled the organisation to serve its clients with commitment, focus and care.



Faisal Rahman OBE

Managing Director of
Fair Finance

When I launched Fair Finance thirteen years ago I believed our job was to put predatory lenders out of business. Our clients were being ignored by the mainstream lenders and exploited by the non mainstream lenders. What they wanted was a product designed around their needs, a service that looked at them as individuals, and provided by an organisation on their side. They wanted a Fair deal.

I am happy to share with you our Annual Report which celebrates and reports on our progress in offering a Fair deal to people unable to access fair and affordable finance.

“ I’m proud that since we launched Fair Finance we’ve been able to help over 50,000 people with loans, advice or support. We’ve saved them millions in interest, helped many thousands avoid eviction and created hundreds of jobs across the country.

We are experiencing more demand than ever before and it is clear that our work is now needed more than ever before. The lives of our clients have always been complex, but we are now seeing them being characterised by an increasing number of issues. Welfare cuts, short term and zero hour work, loss of residency, tenancy instability and increasing living costs are making our client more and more vulnerable to even the smallest shocks.

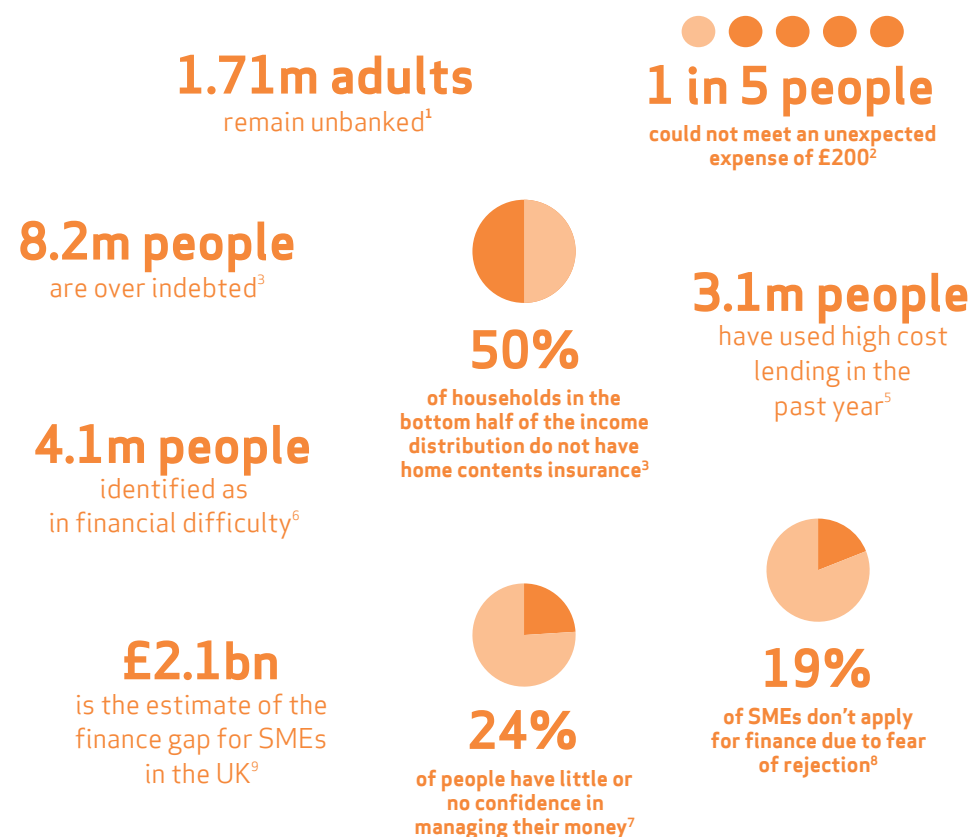
Our future success will be driven by how well we can help our clients deal with these challenges. This year, therefore, we have focused much of our work internally: on strengthening our capacity and skills, investing in technology to enhance the service, and engaging more closely with clients to ensure we have a positive impact.

It’s been important to us make this investment so that we can be sure that what we grow, we will grow responsibly and will make a difference.

We have set out a plan of how we think we could grow Fair Finance in the coming years to address this growing problem and these issues. It is going to require a step change in our business both in scale and in finance. It’s a step change that it’s necessary for us to make the impact that we want to make. It’s a step change the team are now ready for and are keen to make.

The Issue

Financial exclusion in the UK:



¹ Financial Inclusion Annual Monitoring Report 2016, University of Birmingham

² Financial Inclusion Annual Monitoring Report 2016, University of Birmingham

³ A Picture of Over-Indebtedness, Money Advice Service 2016

⁴ Financial Inclusion Annual Monitoring Report 2016, University of Birmingham

⁵ Financial Lives Survey, 2017 - FCA

⁶ Financial Lives Survey, 2017 - FCA

⁷ Financial Lives Survey, 2017 - FCA

⁸ Business Finance Survey 2017 - British Business Bank

⁹ British Business Bank, 2015

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**.

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...

£25 million
has been extended to those who are excluded by traditional finance

55,000 people
have been helped by us with advice, loans or support

£81 million
benefit to communities¹⁰ through business lending

1,914 jobs
sustained as a result of our loans

£61.9m debts
managed and advised on

£10.4 million
saved by refinancing people out of high cost lenders

¹⁰ GVA is net additional Gross Value Added and is calculated based on the Economic Impact Tool designed by Responsible Finance.

Who We Help

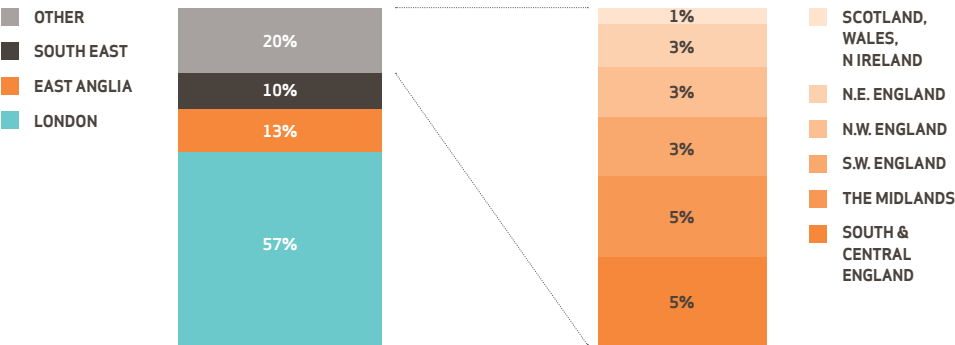
HOW CLIENTS REACH US

Our services are available through four channels.

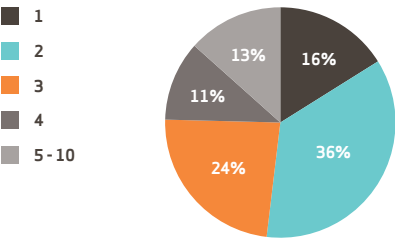


WHERE OUR CLIENTS ARE

While our shops are based in London, though our remote services we are increasingly offering a national service¹¹:



CLIENT LOCATION BY IMD¹² SCORE



We continue to focus on the most financially excluded areas of the UK. The chart to the left shows that over 75% of all our customers live in the 30% most deprived areas of the UK based on the government's IMD¹² score (1 is the lowest score in the chart).

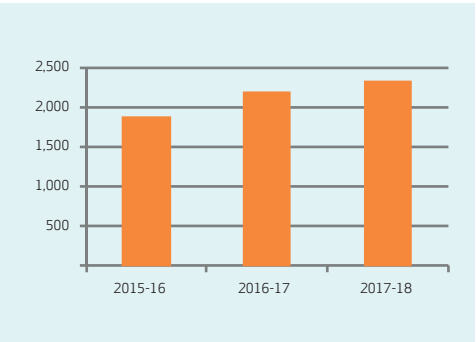
¹¹ Charts are based on loan sizes in FBL and FPL, all FMA services are delivered in London. For more detail see: fairfinance.org.uk/map

¹² Based on the Index of Multiple Deprivation, a home office metric that includes multiple factors to assess the deprivation of areas. Scores are deciles (i.e. 1 is in the bottom 10% of IMD scores). [See here for more details](#).

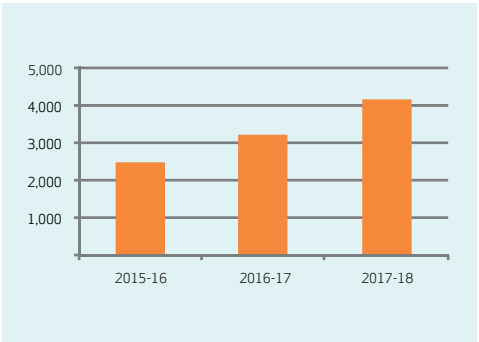
What We Do

<div> </div>		
<div> </div> <p>FPL PROVIDES AFFORDABLE PERSONAL LOANS TO INDIVIDUALS WHO DON'T HAVE ANY OR HAVE ONLY LIMITED ACCESS TO MAINSTREAM FINANCE.</p>	<div> </div> <p>FBL PROVIDES FINANCE TO SMALL AND MICROBUSINESSES, AS WELL AS SELF EMPLOYED ENTREPRENEURS STRUGGLING TO ACCESS FINANCE AT AFFORDABLE RATES AND IN A RESPONSIBLE WAY.</p>	<div> </div> <p>FMA IS A REGISTERED CHARITY PROVIDING DEBT ADVICE AND FINANCIAL CAPABILITY SERVICES, HELPING INDIVIDUALS REGAIN CONTROL OF THEIR MONEY.</p>

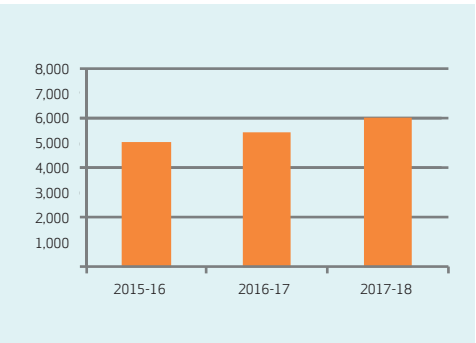
TURNOVER (£K)



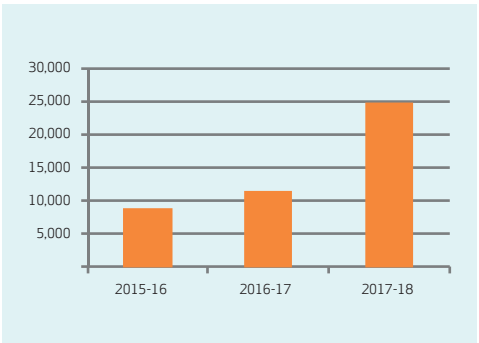
LOANS OUTSTANDING (£K)



CLIENTS



PEOPLE SUPPORTED



Fair Personal Loans (FPL) provides **responsible** and **affordable** loans to those who are excluded by mainstream finance and access high cost finance in the subprime market. We operate through our branch network in London as well as remotely, online and on the phone.

FPL'S PRODUCT

Loan Range	Loan Term	APR	Typical Loan	Typical Term
£100 - £3,000	6 - 18 months	c. 136%	£400/£1,000	12 months

HOW WE COMPARE

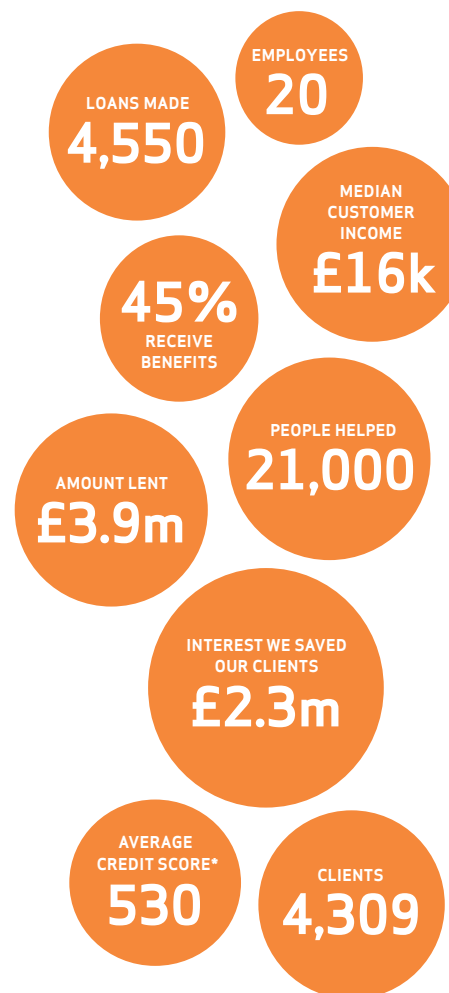
	A Typical £500 Loan Cost Over 26 Weeks	Savings
Satsuma® loans.co.uk	£957.58	£315.05
oakam	£946.26	£303.76
peachy co.uk	£916.93	£274.43
Provident	£780.00	£137.50
fair PERSONAL LOANS	£642.50	£10.4 M OF INTEREST SAVED SINCE 2010

* Source: Company websites as of June 22, 2018. Indicative for a £500 loan for 26 weeks paid weekly.
Note: Peachy and Oakam loans are paid monthly.

The year 2017-18 was a strong year which saw a major product improvement as we launched an online service. This allowed helping clients all around the UK, while our existing clients in London now have more choice on how to interact with us. Thanks to this, a continued focus on customer service in our branches, as well as strong credit control, we continued to grow our client base, increased our portfolio size while reducing credit risk compared to the prior year. As millions of individuals across the UK continue to struggle accessing affordable credit, I believe that Fair Personal Loans is more needed than ever. I am looking forward to another successful year in 2018-19.

- GUILLAUME FOUCAUD, HEAD OF FAIR PERSONAL LOANS

2017/18 KEY ACHIEVEMENTS	VISION FOR THE FUTURE
✓ Reduced credit risk	✓ Increase accessibility by opening more branches and improving our online offering
✓ Started offering a full online service across the UK	✓ Invest in technology to reduce operational costs, improve productivity and customer experience
✓ Achieved average customer satisfaction rating of 4.8 out of 5	✓ Double the loan book in the next five years



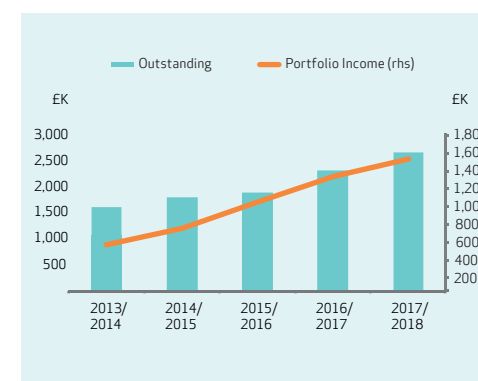
*Based on Callcredit Gauge2 Score and is considered very high risk

"I have a poor credit score and only receive benefits for my son and they gave me a chance and gave me a loan with great rates and easy weekly repayments."

- JODIE, ONLINE CLIENT

Jodie is a single mother with a low income and a less than perfect credit profile. The only type of credit she thought she was able to access was home credit. After looking at affordable loans online she applied online for a small sum to help her take her son on holiday. Although her income was limited, we worked out an affordable weekly repayment schedule on a £300 loan. During the process, we explained the savings of using a Fair Personal Loan over a home credit loan, and how much she could benefit by switching permanently to a cheaper finance provider.

LOAN AND BOOK INCOME



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 - 36 months	1.5-4.2% per month	£13,600	17 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**

Fair Business Loans is now its fourth year and has continued to grow its loan book strongly and increase its profile nationally. This year we engaged with stakeholders and clients to remodel FBL's product and service. This has seen our average loan size increase and also broadened the type of businesses we have supported. However, I'm pleased to say we've stayed true to our mission of serving those businesses struggling to access finance.

The team has worked hard this year to strengthen our infrastructure, IT systems and support functions to make us more productive and responsive to customers. In March this year we received accreditation from the British Business Bank to deliver the Enterprise Finance Guarantee scheme, which will allow us to serve more businesses and improve our offering to clients. Fair Business Loans is now primed for future growth.

- ROB BENFIELD, HEAD OF FAIR BUSINESS LOANS

2017/18 KEY ACHIEVEMENTS	VISION FOR THE FUTURE
✓ Implemented a new Customer Relationship Management (CRM) system	✓ Launch a lending product secured by EFG to better support client needs
✓ Centralised later stage collections and recoveries.	✓ Use systems and technology to drive greater efficiency, productivity and client user experience
✓ Accredited for the Enterprise Finance Guarantee (EFG) Scheme from the British Business Bank	✓ Continue to reach increasing numbers of marginalised businesses
✓ Streamlined the team structure	

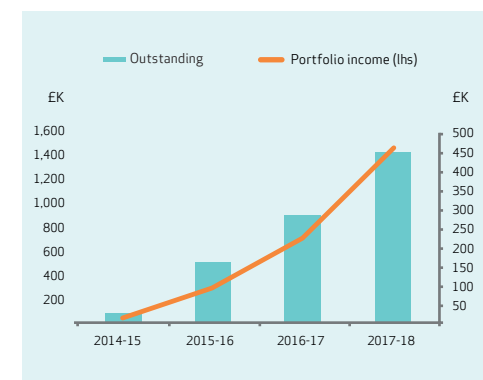


Very happy with everything. [They] went above and beyond to help me with my application.

- JAMES, OWNER 'CLASSIC CAR COMPANY'

'Classic Car company' is a classic car dealership and storage company. It was set up by James (aged 24) three years ago and has been growing ever since. He needed some money to fund the deposit on a new space and some building works to expand their showroom to meet the increased demand. James initially approached his bank for funding but was turned down. We were able to work with him to better understand his business and approve the company for the loan he needed.

LOAN BOOK AND INCOME



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

Fair Money Advice (FMA), is a specialist charity that delivers **debt advisory and financial education** services. We provide local, accessible and relevant debt advice services to clients with complex multiple needs and preventative financial capability programmes to strengthen financial literacy and resilience. We have been offering specialist free advice since 2001.

FMA PROVIDES FREE ASSISTANCE FOR

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

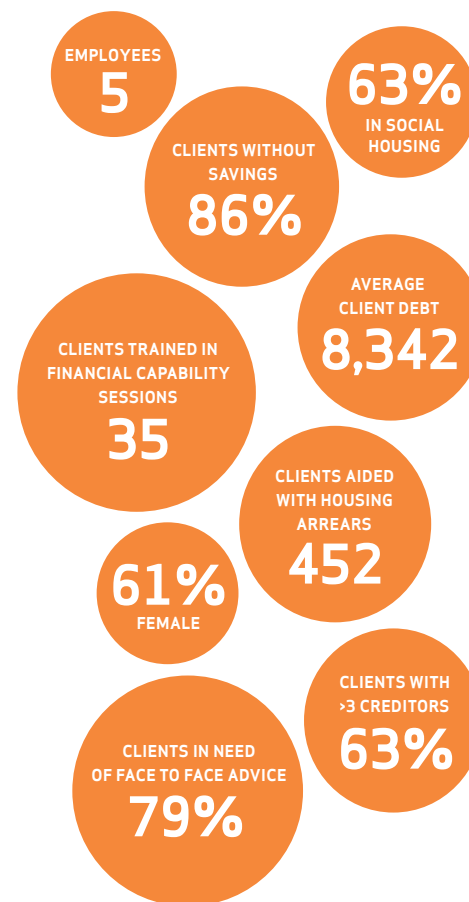
WHAT MAKES US DIFFERENT?

- > SUITE OF IN-HOUSE DEBT SOLUTIONS
- > ONE ADVISER PER CASE
- > BEHAVIOURAL COACHING
- > CREDIT RECOVERY EMBEDDED IN ADVICE
- > DEBT RELIEF ORDER INTERMEDIARIES

It's been another challenging year for FMA clients as they cope with income uncertainty, the rising cost of living in London, and attempt to navigate the complexities that financial difficulty can bring. Our focus this year has been on improving our core services to meet the changing needs and nature of our clients: our email and telephone services have been improved and expanded to ensure clients who are time poor, but vulnerable, are able to access services in a way that meets their needs. We've adjusted our group financial capability sessions to include front line staff of partner organisations to ensure a legacy of knowledge and capacity is left within the communities we serve; and launched a PayDay reduction pilot in Tower Hamlets to prevent clients from making detrimental financial decisions to avoid the long-term financial implications of their use.

- MUNA YASSIN, MD OF FAIR MONEY ADVICE

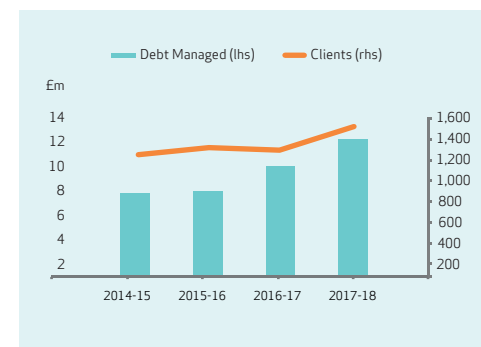
2017/18 KEY ACHIEVEMENTS	VISION FOR THE FUTURE
✓ Launched, in partnership with We Are Digital, a bespoke financial capability service for Orbit Housing Residents in Bexley	✓ Expand our specialist debt advisory services to other London boroughs
✓ Completed the evaluation of our Digital Advice pilot with Pariti, a FinTech company. The learnings from this pilot will inform FMA's digital offer for clients	✓ Expanding our 'payday loan reduction' pilot in the borough of Tower Hamlets and to other boroughs
✓ Expanded our debt advisory service to Tower Hamlets. This service provides early intervention for clients struggling with pay-day loans and high-cost credit	✓ Testing behavioural coaching interventions across Fair Finance client groups
	✓ Work with innovative local partners to ensure free face to face debt advice services are locally available for residents in the communities they live and work



"You helped me to see the light at the end of the tunnel, and gave me hope by helping me when I was in hardship. By sorting out my debts you have given me back some normality in my life."

- SARA, FMA CLIENT

Sara is dyslexic and works part time. She had a debt transferred to enforcement agents and was struggling to meet her basic needs. We recalled her case from the enforcement agents due to her vulnerability and identified she was entitled to tax credits. Thanks to our help, Sara was awarded backdated payments of over £5,000 and £130 per week ongoing. Sara has now paid her debts and is able to meet her basic needs as a result of her maximised income.



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.

***“ They listen to your circumstances,
evaluate on current status and more
importantly understand you as an
individual, not a technology statistic.***

- JOHN

fairfinance.org.uk

18 Ashwin Street

London E8 3DL

T: 0203 475 4720

E: hello@fairfinance.org.uk

East End Fair Finance Limited (trading name Fair Finance) is incorporated under the Cooperative and Community Benefit Society Act 2014 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