

Four in five UK consumer credit applications declined due to lack of data, research concludes

London; 2 November 2020: UK lenders declined up to 1.8 million consumer credit applications worth £10.6 billion last year due to a lack of information about the consumer, rather than poor credit histories or genuine affordability concerns, according to a study by the credit reference agency, [Aire](#).

Aire analysed the experiences and credit histories of more than 2,000 UK consumers, concluding that up to 80 per cent of consumer credit applications rejected by lenders in 2019 could have been accepted without increasing lenders' appetite for risk or burdening consumers with more debt than they could afford to take on at that stage.

The analysis showed that, in 2019, lenders rejected 2% of mainstream consumer credit applications immediately and declined a further 7% following referrals to manual underwriters. Among the rejections were 721,000 applications from borrowers with spotless credit histories and 258,000 from people with disposable incomes exceeding £1,000 per month.

There were also large numbers of rejected applications made by people with limited or no UK credit histories. These included up to 541,000 applications from retirees who had paid off their mortgages more than six years before, 386,000 from recent migrants to the UK and 283,000 from young professionals.

Aire's study also indicated that a third (34%) of people applying for subprime credit products such as payday or home collection loans did so because they were rejected initially by mainstream lenders. Improving acceptance rates for mainstream products would provide other options for consumers forced to use sub-prime products today.

[Aneesh Varma, Founder and CEO at Aire, comments:](#) *"There is an undeniable problem at the heart of the UK credit system. The majority of people denied credit are not declined for historical credit risk or affordability problems, but due to a lack of data to inform lending decisions. For lenders, the impact of this problem is commercial, they've been missing out on billions of pounds a year in missed opportunities. But for the millions of people excluded from the credit system, many of whom are responsible borrowers and would make excellent customers, it's deeply personal."*

The research also found that, prior to the economic challenges brought about by Covid-19, up to 17.5 million people in the UK would have struggled to access mainstream credit products due to a shortage of historical credit data, or because their lifestyles were not compatible with older credit decisioning systems.

Among those most affected were 800,000 recent migrants and 900,000 young professionals without UK credit histories, as well as 1.5 million gig workers. 2.1 million retirees and around 900,000 returning expats, whose most recent use of credit in the UK fell outside the six-year window seen by traditional credit bureaux, were also affected.

Aneesh continues: "The pandemic has only underlined the multiple data gaps many have experienced for years within the credit ecosystem. Traditional credit bureau data is simply not dynamic enough to fairly represent the lives of consumers today - a lag that, in the current climate, throws any useful indicators of creditworthiness or affordability into freefall."

"With financial situations now prone to even faster change, many more consumers are likely to be rejected for credit as lenders struggle to get a handle on the financial health of their customers. It's the responsibility of lenders to unlock new data to solve this."

"One such source, first-party data, gathered directly and with the consent of consumers during the credit process, can help. From furlough to redundancy, to an increase in hours, first-party data builds for lenders the real-time image of the consumer traditional, historic data lacks. As the most valuable, reliable and up-to-date source available, we must now invite the consumer to play their part to unlock a fairer credit ecosystem."

ENDS

Notes for Editors

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Research Methodology

In February 2020, Aire engaged the research consultancy Opinium to interview a nationally representative study of 2,000 UK consumers about their credit histories and experiences applying for lending products. Nationwide estimates were calculated by extrapolating Opinium's findings using population data from the Office of National Statistics and Aire's proprietary knowledge gained from evaluating over \$11 billion worth of credit for UK lenders.

About Aire

Founded in 2014, Aire is a pioneering data and technology company. Powered by first-party data, Aire is the only credit bureau to provide lenders with actionable credit insight gathered directly and with the consent of the consumer. Built to automate the power of human underwriters at scale, today insights from Aire inform credit decisions across the lending lifecycle for major financial institutions and banks across the UK

and US. Aire has raised \$23 million in funding from backers that include Crane Venture Partners, White Star Capital, Orange Ventures and Experian. In 2020, Aire was awarded Risk.net's Technology award for 'Most Innovative Vendor' and the Financial Services Forum Product and Service Innovation Award for 'Data Usage and Analytics.'

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