Centre for Responsible Credit

# Good Score, Empty Cupboard:

## The credit score trap forcing households to cut spending on essentials


**DAMON GIBBONS & DR. ANA RITA PENA**



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# About the Centre for Responsible Credit

The Centre for Responsible Credit is a registered charity working to improve how credit is provided to lower income households, and to create better support and solutions for people struggling with debt. We undertake research and design, test, and evaluate interventions to improve policy, services and support.

We are committed to promoting greater equity and social justice; to inclusivity and the celebration of diversity, and to empowering lower income people and communities to exercise agency. For further information, see **responsible-credit.org.uk**

# About the Authors

**Damon Gibbons** is CfRC's Chief Executive, and has more than thirty years' experience of providing, designing, commissioning, and evaluating services to meet the needs of disadvantaged groups and communities. Damon has been involved in consumer campaigns at the national and international levels on issues of credit, debt, and financial exclusion for over two decades. He holds a BA (Hons) Economics and Politics from the University of Warwick and an MA Public Policy (With Distinction) from the University of Nottingham.

Damon is the author of 'Britain's Personal Debt Crisis: How we got here and what to do about it', published by Searching Finance in 2014. His latest book, 'Trust and Power in Consumer Credit Relationships: Rethinking Creditworthiness in the Data-driven Age', will be published by Palgrave Macmillan in early 2026.

**Dr. Ana Rita Pena** is a CfRC researcher focused on the use of Machine Learning technologies in the UK consumer credit industry, with an interest in responsible finance solutions. She has experience of working in both the financial and digital healthcare industries. Ana Rita holds an Msc (Hons) Mathematical Physics and a PhD in Social and Computer Science, both from the University of Nottingham.

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# Executive Summary

Credit scores have become a central feature of financial life for low-to-middle income (LMI) households, influencing their access to credit and shaping day-to-day financial decisions. For many, maintaining a "good" score is seen as essential for accessing credit, even when it comes at significant personal cost.

Many borrowers have become extremely sensitive to their credit scores, often cutting back spending on essentials to preserve these. This strong influence is intensified by the widespread use of online dashboards, mobile apps and notifications which encourage frequent score checking, and deepen financial vulnerability.

This report, based on a representative survey of over 3,400 LMI households and thirty in-depth qualitative interviews, highlights how the credit scoring system also deters people from getting help with their financial problems and often encourages people to take on unaffordable debt.

The cost-of-living crisis has exposed the limitations of a system that has failed to balance lender and borrower interests. This report shines a spotlight on the harms being caused, and calls for urgent reform.

## Credit scores in the cost-of-living crisis

- The cost-of-living crisis has shattered the finances of millions of LMI adults in Great Britain. **More than one in four (28%)—around 7.5 million people—are unable to cover their basic daily expenses at least some months of the year, and one in ten, rarely or never do so**. Additionally, 44% (about 11.7 million people) seldom have any money remaining at the end of each month.

- Three quarters of the LMI population are using some form of credit, mainly credit cards, overdrafts and Buy Now Pay Later. **One third, equivalent to 6.4 million people, are cutting back on essentials such as food and heating to preserve their credit scores**.

- **One fifth of low-income borrowers (18%) are specifically taking on credit to improve their credit scores**, with one in ten (12%) borrowing to service previous debts.

- Our data reveals a pattern of frequent score monitoring, often prompted by providers: **a third of LMI borrowers check their score more than once a month, with 3.5 million adults (18%) checking their score at least weekly**.

- People checking their scores most frequently (more than once a week) are **twice as likely (52%) to have cut back on essentials to preserve their scores** as those who check less often than once a month (26%).

Our qualitative interviews reveal the sacrifices behind these figures. Interviewees described changing their shopping habits to focus solely on essentials, shopping at cheaper stores, and reducing spend on basic clothing.

For some, even these measures are not enough, forcing them to cut spending on food and heating, and using food banks and utility vouchers to get by. As one participant explained, accessing credit is now a means of survival:

> *"The thing is, you're assuming I have a choice. If I was to not use credit, then we don't have any food to eat. There's no choice."*

## The influence of credit score dashboards and marketing

Consumer-facing credit score dashboards and apps have become a key interface between borrowers and the credit system. While often presented as tools for financial empowerment, our findings highlight their role in marketing credit products.

**More than half (55%) of the survey respondents reported receiving offers for additional credit products when checking their scores**.

Critically, **half of this group (49%) felt these offers encouraged them to take on more credit than they could afford**.

The messaging is often subtle, and includes prompts that taking on further credit, rather than getting help with debts, would improve their credit score by 'reducing credit limit utilisation rates'.

When borrowers act on these suggestions, the outcomes are frequently negative. **Of those prompted by their score provider to take on more credit, our research shows that 43% act on the suggestions they receive**.

While many see an initial improvement in their credit scores, **the real-world impact within six months is often detrimental, leading to significant financial distress**. The consequences for those who took up the suggested credit include:

- **Increased debt and stress:** Approximately one in five (21%) saw their overall level of debt increase, and the same proportion experienced stress or anxiety.
- **Struggling with repayments and cutting back on essentials:** 18% struggled to make the new repayments, and 18% were also forced to cut back on essentials to meet the new obligations.
- **Further borrowing and default:** 14% had to borrow more money to cover the new repayments, and around one in ten subsequently missed payments or defaulted.

This evidence demonstrates that credit score dashboards function as powerful marketing platforms that can exacerbate financial problems. They are encouraging many LMI borrowers showing signs of financial distress to take on additional credit under the guise of improving their scores, often leading to a worsening of their financial situation.

## Credit scores: a key barrier to seeking help with debts

A critical concern highlighted by our research is the extent to which the credit scoring system deters borrowers from seeking help. Our survey found that **47% of LMI borrowers either believe seeking independent debt advice will harm their credit score (17%) or are unsure of the impact (30%)**.

These concerns are even more pronounced when it comes to approaching lenders directly for assistance. **Over a third (34%) actively believe seeking help will lower their score, with a further 41% unsure of the consequences – three quarters of people in total**. This uncertainty is most acute among those already in arrears or unable to clear their credit card balances at the end of the month, of whom only a quarter were confident that seeking help would not damage their score.

This apprehension towards lenders may be warranted: regulatory findings show that forbearance and payment arrangements are recorded inconsistently across the main credit reporting agencies, creating genuine uncertainty. Consequently, individuals in severe financial difficulty avoid contacting the very organisations that can help them—both lenders and independent advice agencies—for fear of damage to their credit standing.

## The need for context

Underlying these issues is a widespread perception that the credit reporting system is fundamentally unfair because it lacks context. Borrowers are reduced to a single score, with little opportunity to explain the circumstances behind missed payments. This view is held by a clear majority of consumers, with **nearly three-quarters (72%) of LMI borrowers agreeing that score providers should take account of the reasons for missed payments**. Just as many would also be prepared to share information about their personal circumstances, including job-loss and health problems, if this would improve their score.

## Recommendations

The evidence points to an urgent need for reform. Our credit scoring architecture has been built around the needs of lenders and reporting agencies and prioritises lender profitability over borrower wellbeing. It disciplines vulnerable households, encourages them to over-borrow, deters them from seeking help, and fails to account for the realities of financial hardship.

To address these challenges, we recommend that the newly created Credit Information Governance Body (CIGB) and the Financial Conduct Authority (FCA) work together with industry and consumer agencies to rebalance the credit reporting system.

**As part of the FCA's Consumer Duty to prevent foreseeable harm, it is necessary to ethically re-design, test, and set standards for credit score dashboards and their marketing:**

- Review messaging about 'credit limit utilisation rates', so that providers don't promote credit to people already showing signs of financial difficulties.
- Make it clear that maintaining credit scores should not come at the expense of meeting basic needs.
- Encourage forbearance requests and debt advice seeking by ensuring dashboards proactively identify borrowers in financial difficulties and link these to independent advice and support.
- Limit push notifications and dashboard marketing, to prevent borrowers from focusing on marginal score changes, and only allowing notifications when underlying credit report information has significantly changed.

**Ensure that debtors entering forbearance arrangements and debt solutions can regain access to credit within a reasonable period**. The credit scoring architecture needs to recognise the wider public policy objective of encouraging a 'fresh start' for over-indebted borrowers.

**Provide borrowers with the right to add context to their files** and require lenders to consider this in decision-making.

**Undertake further research and monitoring**, including the lived experiences of LMI borrowers, to ensure credit information practices deliver fair outcomes for consumers.

**More broadly than this, our research suggests the FCA should strengthen affordability rules on lenders to prevent unaffordable debt:** The current rules are meant to leave borrowers with sufficient resources to lead a "basic quality of life". However, in the quest for profitability, some lenders, working with credit score providers as brokers, appear to be taking the concept to an unacceptable extreme. We therefore call for greater clarity and definition in the FCA's rule-book to close this loophole and ensure struggling borrowers are properly protected.

## Towards a fairer system

Credit scores are inherently a reflection of both borrower and lender behaviour, and these recommendations are necessary first steps to rebalance the system. But much more is needed for this to become genuinely fair: credit reporting must move beyond one-way surveillance, provide greater opportunities for engagement with borrowers experiencing financial difficulties, and become a mechanism for mutual accountability

This requires a reimagining of the credit file: incorporating contextual information for borrower behaviour but also bringing lender actions—such as how they respond to forbearance requests, whether they have 'hiked' credit limits irresponsibly, or re-priced credit agreements—out of the shadows.

**Transforming the credit report into a relational and dynamic document, would empower consumers to influence outcomes, and support better lending decisions and more responsible practice. It would also give regulators more effective oversight of emerging risks.**

The technology to support this shift exists. While previous technologies required highly structured data inputs (e.g., whether a payment has been missed or not), AI and Large Language Models can make sense of unstructured information, such as borrower explanations for missed payments. **The FCA and CIGB need to encourage innovation in the sector to test how new technologies could be used to rebalance our credit reporting architecture and improve outcomes for borrowers and lenders alike**.

The cost-of-living crisis has exposed the limitations of a system built around lender priorities. To restore trust and build resilience, we must be ambitious in our vision for change. Only by centring the wellbeing of borrowers and rebalancing our reporting system can we create a credit market that serves society as a whole.

# 1 Introduction

The ongoing cost-of-living crisis has compelled many low-to-middle income (LMI) households to use consumer credit to pay for essentials. At the same time, online dashboards and mobile apps that display credit scores—along with frequent reminders to check them—are influencing how these households handle their finances. This report combines two types of evidence to illustrate the harms this is causing and their prevalence.

First, a quantitative survey of over 3,400 LMI adults across Great Britain examines the extent of their credit use, how frequently individuals monitor their credit scores, and the actions they take to maintain their score. Second, qualitative interviews with thirty borrowers give voice to the lived experience behind those numbers. Taken together, the evidence identifies a clear "disciplinary effect" in which borrowers cut essential spending to preserve their credit scores. We also find that many are deterred from seeking debt advice for fear of hurting their score.

By linking the broad patterns from the survey with the personal stories from the interviews, the report shows that the current credit reporting and scoring architecture is encouraging behaviours that benefit lenders—such as maintaining higher balances, making timely repayments, and ongoing borrowing—while simultaneously increasing financial pressure on individuals at breaking point. The findings point to a system that is disciplining vulnerable households rather than supporting them, and they set the stage for recommendations aimed at rebalancing the relationship between borrowers and lenders.

## Structure of the report

The report is structured as follows.

Section two provides the broader context for our study: reviewing the role of credit scores, identifying the tension between creditworthiness and affordability assessments and highlighting how the use of dashboards to market credit scores to consumers transforms concerns over access into marketing opportunities. We also look at the changes currently in train for the governance of the UK's credit reporting system. Finally, the section sets out the research questions that have guided our research and the methodology employed.

Section three reports our findings, presenting the scale and nature of the harm caused by current credit scoring practices. Critically, around one third (32%) of LMI borrowers have cut back on day-to-day expenses to preserve their credit scores—a figure that equates to approximately 6.4 million GB adults aged 18 and over in the lower half of the income distribution. The section then examines why this occurs. It shows that frequent score checking intensifies the disciplinary effect, with borrowers who check more than once per month markedly more likely to sacrifice essential spending. It also demonstrates how credit score dashboards actively encourage financially distressed borrowers to take on additional credit and the types of harm that result. Finally, the section highlights how widespread misunderstandings and confusion about how scores work deters people with debt problems from seeking advice—for example, 17% of all LMI adults believe that seeking independent debt advice will harm their score. A further 30% do not know whether it will harm their score or not.

Finally, section four provides our conclusions and recommendations for policy and practice. There are several steps that the FCA and the new Credit Information Governance Body (CIGB) can take to mitigate current harms, but there is also a need to ensure a more fundamental rebalancing of our credit reporting architecture.

# 2 Credit scores in context

Consumer credit can help households handle unexpected costs, obtain goods and services they can't otherwise immediately afford, and invest in their futures. Yet, the cost-of-living crisis—worsened by previous decisions to cut welfare—has made credit less affordable for many.[1] As financial stress increases, household relationships with credit become more complicated. What once may have helped them progress risks becoming harmful, with borrowing used to cover ongoing and significant shortfalls between income and essential expenditure. This can lead to repeated borrowing and over-indebtedness: where it is impossible to meet financial obligations without sacrificing basic living standards.[2]

Credit relationships are also shaped by our credit reporting and scoring systems, which influence both the types and terms of credit that can be accessed. Although the authority to approve or deny credit lies solely with lenders, credit reporting agencies play a critical role in categorising borrowers.[3] Reporting agencies also assist lenders with their product design and marketing strategies[4], which can identify and take advantage of behavioural biases revealed in borrower repayment patterns to maximise profitability at the expense of consumer welfare.[5] The use of credit scores as initial marketing filters can also result in the exclusion of individuals who have experienced previous financial difficulties, irrespective of the circumstances surrounding those or whether they have subsequently been addressed.[6]

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1 StepChange's (2025) briefing, **Somewhere safe to turn**, "estimates 4 in 10 UK adults—almost 22 million people —would need to borrow to meet an unexpected £1,000 expense. However, 4 in 10 of those who would need to borrow—equivalent to almost 8 million people—could not actually afford to take out a loan because they are not able to make any additional repayments after meeting their essential costs. A further 3 in 10 could not afford to repay more than £50 each month, meaning they could not afford to borrow enough to cover a significant cost."

2 **Our previous analysis** of the Money and Pensions Service Debt Needs Survey for 2023 found that just under a quarter of UK adults (24.4%)—equating to approximately 13.1 million people—were over-indebted: reporting that their bills and credit commitments are a heavy burden, and/or that they have already fallen behind with their payments in any three of the previous six months.

3 Writing in 2011, **So & Thomas** (p.2) observed "Since the advent of credit cards in the 1960s, lenders have used credit scoring...to monitor and control default risk. However, in the last decade the lenders' objectives have changed from minimising default rates to maximising profit." See also, Hand & Henley (1997) who identify that the use of statistical techniques goes far beyond classifying borrowers into 'good' or 'bad' credit risks. Behavioural scoring is also used to determine credit limits, risk-based pricing, and the likely profitability of borrowers.

4 The Credit Reference Agency Information Notice ('CRAIN), version 1.2, December 2024, available at **https://www.equifax.co.uk/privacy-hub/crain** explicitly references the use of information for these purposes.

5 For example, **Janger & Block-Lieb** (2010, p.70) note that "cognitive and heuristic biases are well understood by lenders, who use teaser rates, back-end fees and balloon payments to hide the true cost of loans". This has also been confirmed by **Ru & Schoar** (2020) who undertook empirical studies of over 1 million preapproved credit card offers sent to a representative set of U.S. customers between 1999 and 2011.

6 **Avery et al (2004)** note that "situational circumstances" (e.g., local economic circumstances and individual trigger events such as job loss or periods of ill-health) can have a major bearing on default risk and call for research into "whether modifications in the structure of the credit reporting system could be made, to permit increased use of individual situational information that would yield greater accuracy in prediction and lower average credit losses and cost of borrowing."

Knowing that credit scores impact their access to credit can also encourage borrowers to maintain behaviours that are profitable to lenders, even when they are experiencing financial hardship.[7] Borrowers can make considerable personal sacrifices; cut back spending on food and other essentials, fall into arrears with household bills, or borrow more (for example, by consolidating or 'rolling over' debts) to avoid defaulting.[8] For households in financial hardship, sensitivity to their credit scores (a proxy for their ability to access credit in the future) can therefore exert a considerable "disciplinary effect": encouraging them to avoid defaulting for longer than would otherwise be the case. Credit information sharing could also make some borrowers reluctant to seek forbearance or debt advice if they mistakenly believe that doing so will negatively impact their score. This increases their profitability for lenders but has negative welfare impacts. It could also increase the risk of significant 'debt overhangs', curtailing consumption and acting as a brake on economic growth.[9]

In the context of this prior literature, this report presents the findings from a major research project investigating how credit scores have been interacting with the financial behaviours and welfare of lower income households in the cost-of-living crisis. Building on initial qualitative evidence and substantiated by quantitative analysis, it offers a comprehensive view of a system that is not always working in consumers' best interests—and calls for reforms to ensure credit supports, rather than undermines, the wellbeing of those most at risk.

## Scores, lending decisions, and discipline

Credit scores are calculated by commercial credit reporting agencies. In the U.K, this market is dominated by three multi-national companies: Equifax, Experian and TransUnion. These pull together a variety of data sources concerning individuals and assemble these in credit files. Administrative data sources include how long someone has been registered on the electoral roll at their address, as well as records of County Court Judgments and insolvencies. Lenders and some service providers (e.g., telecommunications, utilities companies and insurers) also feed in information, providing details of outstanding balances, available credit limits, and repayment history—including any instances of late or missed payments and defaults. The number of times an individual applies for credit is also monitored.

Borrowers have a statutory right to see the information contained in their credit files, as a means of ensuring accuracy, and in recent years credit reporting

7 See, for example, Japelli & Pagano (2005).

8 See, for example, Dearden et al (2010).

9 Lombardi et al (2017) point out that the macroeconomic effects associated with debt overhangs are greater in countries with strong "creditor protections": for example, where creditors can efficiently exercise rights to repossess property and recover any further losses from debtors following sale. While such protections are aimed at addressing moral hazards, they act as a disincentive to borrowers to default or enter bankruptcy. Whilst this reduces losses for creditors it extends the duration of the debt overhang. Although not specifically investigated by the authors it is possible that the disciplinary effect of credit data sharing performs a similar role.

agencies have encouraged consumers to check these files regularly. They have also enabled the monitoring of changes to scores by providing consumers with access to online dashboards. These dashboards (table 1, below) are both provided directly by the credit reporting agencies and via partnerships with FinTechs such as ClearScore (which draws from Equifax records) and Credit Karma (which uses TransUnion's files). It is also possible for consumers to check their credit scores via apps provided by their banks. For example, Lloyds Bank provides details of a score provided to it by TransUnion.

## Table 1: How to check your credit score, dashboards available as at November 2025

| Provider | Details |
|---|---|
| Equifax | Free dashboard for 30 days then £14.95 per month |
| Experian | Free dashboard, but also offers a 'Credit Expert' product which is free for 30 days then £14.99 per month |
| TransUnion | Statutory credit report available on-line but no direct credit score dashboard |
| ClearScore | Free dashboard, uses Equifax data |
| Credit Karma | Free dashboard, uses TransUnion data |
| TotallyMoney | Free dashboard, uses TransUnion data |
| Checkmyfile | Free for 30 days, then £14.99 per month, uses Experian, Equifax, and TransUnion data |
| Bank apps | UK banks commonly provide free credit score checks using credit reference agency data, for example Lloyds Bank provides a dashboard using TransUnion data. However, these dashboards do not promote products from other lenders. |

Although borrowers can view the information on their files and are provided with a summary score, they are not told exactly how the different data points have been weighted to produce this. The scores provided by each credit reporting agency are also calculated differently. To add further confusion, lenders do not always share their credit information with all three credit reporting agencies and both lenders and borrowers can therefore see different information depending on which agency they use. As well as confusing borrowers, this can potentially lead to inappropriate lending decisions. The Financial Conduct Authority (FCA)[10] has also uncovered significant inconsistencies in how default events are reported to and recorded by the credit reference agencies, including when borrowers enter Debt Management Plans and other payment arrangements. This both confuses consumers and debt advisors, who are unable to provide accurate information on how a debt solution will affect a credit file.

[10] Financial Conduct Authority (2023) 'Credit Information Market Study – Final Report', available at https://www.fca.org.uk/publication/market-studies/ms-19-1-3.pdf

Neither do borrowers know the specific ways lenders use the information held on credit files in combination with the other data they hold when making their decisions. For instance, lenders may request (or estimate) income and essential expenditure details during the application process. They also commonly seek information regarding age, relationship, housing and employment status, and the number of dependents. Prior lending relationships can also give them access to additional internal data. Historically, banks benefited from exclusive access to their customers' bank account transactions for example. However, Open Banking[11] now allows applicants to share this data with other potential lenders.

Distinguishing between a credit score—a single figure from credit reporting agencies that summarises an individual's creditworthiness relative to others—and a lending decision is crucial. Lending decisions involve a broader review of an applicant's situation, including their ability to repay. However, when someone's application is declined, they are not told why; instead, they are directed toward their credit scores and files, which do not reveal all the factors considered in the decision. This process lacks transparency and leaves rejected applicants unable to clearly understand how to improve their chances of approval for future credit products.

Nevertheless, the datasets that credit reference agencies have access to are now expanding to include some information that has previously been the preserve of lenders. For example, Experian's BOOST product[12] encourages consumers to provide it with access to transactional information, which it then incorporates into its credit score, and ClearScore[13] encourages consumers to "unlock more credit benefits" by linking their current account "to see how you look to lenders, get additional insights into your finances and discover if you're eligible for more tailored credit offers." Most recently, Experian has also moved to include rent payment histories in credit files and score calculations.[14]

## Creditworthiness and affordability

Since the 1980s, the information shared by credit reporting agencies about borrowers' financial histories and repayment behaviours has increasingly been used by lenders to develop profit optimisation strategies, sometimes at the expense of borrower welfare.[15] Credit scores group borrowers according to how they can benefit the credit industry financially. For instance, borrowers with high

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[11] Open Banking enables consumers to share details of their current account and credit card transactions with third parties, making this data portable and available to other potential financial services providers.

[12] See https://www.experian.co.uk/experian-account/boost.html

[13] ClearScore app used by the authors, 15th November 2025.

[14] BBC News, 3rd November 2025. 'Credit scores to include rental payments, says major ratings agency'. Available at https://www.bbc.co.uk/news/articles/c8jrw8e1w0lo

[15] See footnote 3, above.

scores are typically offered credit cards with larger limits, which earn profits through frequent usage and transaction fees paid to card providers. Key product design features for this part of the market include reward schemes, for example 'cash back' on purchases to encourage spending.[16] In contrast, those with lower scores are targeted with cards that start with modest limits, but which are often increased over time. These primarily generate revenues from interest and late payment charges. To attract customers who are unlikely to clear their balances in full at the end of the month, key product features often include time-limited 0% balance transfers. While consumers taking up these offers may expect to pay down their debt over the interest-free promotional period, their actual usage of the card can vary from their initial expectations and often results in interest charges.[17]

Credit scores are therefore used to provide an initial segmentation of the consumer credit market, but this is not based purely on the risk of default. Credit scores provide an initial view of how different groups of potential applicants can be relied upon to adopt different types of profitable behaviours, and for how long. As we now discuss below, credit scoring has another important role to play in this respect: it disciplines borrowers into delaying default for as long as possible even when they are experiencing considerable hardship.

## The disciplinary effect of credit scoring

Ultimately, borrowers seek relationships with lenders rather than credit reference agencies. However, they rarely receive complete explanations for lending decisions; instead, they are referred to their credit scores and encouraged to adopt behaviours that can enhance these. Those behaviours are governed by the data that is included in credit files and can be broadly summarised as maintaining a stable address, using credit on an ongoing basis, making payments on time, and avoiding default at all costs. Maintaining these behaviours over time leads to higher scores, access to larger sums of credit and better terms. By marketing scores as the gatekeepers to credit access and lower prices, the credit reporting architecture therefore encourages profitable behaviours for lenders.

However, it also has the potential to cause harm to households who may go to great lengths to maintain and improve their credit scores even when they are experiencing considerable, wider, financial hardship. Whether someone will repay, and whether they can reasonably afford to do so are two different questions. Similarly, even if someone repays as agreed, they may still be facing financial difficulties, which are not visible to lenders or credit reporting agencies.

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16 See **Guttman-Kenney & Shahidinejad** (2025).

17 The FCA's (2016) Credit Market Study found that "consumers do not always choose the best credit card for their circumstances." They can give "insufficient weight to certain product features – for example...of consumers looking for a balance transfer card, only 20% of respondents stated that they considered both the introductory offer on balance transfers and the balance transfer fee" and "their actual card usage differed from what they expected – for example, 19% of consumers...surveyed who paid interest on their main credit card in the previous 12 months did not expect to do so when they took it out."

Responding to the potential for harm, in 2018 the FCA introduced rules requiring lenders to assess affordability alongside creditworthiness.[18] Since then, lenders have had to take reasonable steps to ensure a customer can meet their repayments without incurring financial difficulties or compromising their ability to lead a "basic quality of life".[19] When introducing the affordability rules, the FCA explicitly recognised that without this requirement, lenders might be motivated to offer unaffordable credit to profitable but vulnerable customers. Nevertheless, the rules fail to define a clear lower bound, and some lenders are still able to 'game' the assessments and push the concept of affordability to its extreme.[20]

## The marketing of credit scores and credit brokering

The use of credit scores to classify potential applicants into different groups has historically underpinned lender marketing strategies. Different lenders target different types of consumers with their products, and credit reporting agencies provide services[21] "to help organisations to better direct their marketing to consumers..., for example excluding individuals from advertising for credit products they would not be eligible for." They also "use the data to predict information or characteristics about the population, to inform product and marketing strategy, to help organisations identify who they want to market their products and services to, and how they should be delivered."

The evolution of consumer facing credit score dashboards takes the marketing function of credit reference agencies further still. These platforms let users check their credit scores and see supporting information, but they also serve as marketing tools. Except for those created by banks—which advertise only their own products—the dashboards present users with tailored offers for credit cards and loans from panels of different lenders. The dashboard providers act as credit brokers and earn commissions on successful leads provided to their lending panels.

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[18] FCA Policy Statement 18/19. "Assessing creditworthiness in consumer credit – Feedback on CP17/27 and final rules and guidance."

[19] FCA Consumer Credit Sourcebook (CONC) 5.2A.18.

[20] Assessing whether lending practices breach the affordability requirements falls to the Financial Ombudsman Service, which adopts a case-by-case approach.

[21] Credit Reference Agency Information Notice ('CRAIN), version 1.2, December 2024, available at https://www.equifax.co.uk/privacy-hub/crain

## The governance of the credit reporting system

This report is being published at a time of considerable change in the governance arrangements for the UK's credit reporting system.

The FCA's Credit Information Market Study identified significant and material differences in the data coverage between the three large credit reporting agencies, which could be leading to inappropriate lending decisions and causing consumer harm. There was also evidence of data quality issues, including inaccuracies, and a lack of consistency regarding how events such as forbearance, payment arrangements, and debt solutions were reported and recorded. The FCA also noted a lack of consumer engagement, with many consumers unaware of how to access their credit information or how to dispute incorrect data.

Importantly, the FCA concluded that the existing industry governance body, the Steering Committee on Reciprocity (SCOR), was found to be ineffective: slow to respond to emerging issues, narrow in its focus and representation, and lacking input from consumers or challenger firms to the established reporting agencies. The FCA concluded that these shortcomings were potentially hindering the market's development in the interests of all participants and could lead to poor consumer outcomes. It therefore recommended that a new Credit Information Governance Body (CIGB) be established to address several of the problems[22] identified within the market study. The CIGB, which includes consumer representatives on its Board, is expected to be fully operational in the Summer of 2026, and has objectives to support the credit information industry to build transparency, trust, understanding and fairness. In doing so, it will consider the impact credit information has on consumers and financial inclusion in terms of access to credit and other goods or services within its decision-making processes.

## Research questions

The relationship between borrowers, lenders, and credit reporting and scoring systems is influenced by a web of complex and often opaque interactions. For LMI households in the cost-of-living crisis, rising financial pressures have made credit both a necessity and a potential risk. Borrowers are increasingly exposed to systems that shape not only their access to credit but also their everyday financial decisions. The marketing of credit scores—driven by the proliferation of dashboards and apps—encourages frequent monitoring and positions score maintenance as central to financial wellbeing. These platforms broaden borrower exposure to a wide array of lending products, but there appear to be few safeguards in place to ensure those products are suitable for the individual's circumstances.

[22] The FCA has also directly led some remedies. These include the introduction of a mandatory requirement for lenders to share credit information with designated reporting agencies, and the creation of a new regulatory reporting framework for the agencies themselves.

Despite FCA intervention to promote affordability, lenders retain significant discretion and, in some cases, may be incentivised to game affordability assessments to maintain lending volumes—especially in segments where borrowers are most financially stressed. At the same time, the emphasis on maintaining credit scores could be deterring those with financial problems from seeking advice and obtaining the relief that they need from their debts.

This context gave rise to the following central research questions, which our research has been designed to answer:

- **Credit use in the cost-of-living crisis:** How have LMI borrowers been using consumer credit to navigate the cost-of-living crisis? What role has it played in managing their finances and meeting the cost of essentials?

- **Borrower sensitivity and behaviour:** How do borrowers check their credit scores, and how often? How does this influence their financial behaviour? Specifically, do borrowers feel encouraged by these platforms to take on further credit as a means of improving their scores, and, if so, what are the impacts?

- **The disciplinary effect:** To what extent does sensitivity to credit scores exert a disciplinary effect, causing borrowers to prioritise credit repayments over essential household bills and other spending?

- **Barriers to seeking help:** How does the perceived importance of a 'good' credit score affect the willingness of borrowers in financial difficulty to seek forbearance from lenders or engage with independent debt advice?

- **Consumer understanding and views:** What are the perceptions and understanding of LMI borrowers regarding the credit reporting and scoring system? Do they consider it to be 'fair'? What improvements would they like to see?

- **Policy and practice interventions:** What changes in policy and industry practice are needed to mitigate the risk of harm and ensure the credit reporting system better serves the financial wellbeing of consumers?

## Methods

To explore these questions, the project employed a mixed-methods and phased approach.

**An initial, exploratory phase** consisted of a small-scale qualitative study involving online, semi-structured interviews with thirty working-age borrowers. These interviews explored participants' financial pressures, their sensitivity to credit scores, and the impact of scores on their financial decisions.

Participants were recruited from three sources: our own consumer panel comprised mainly of residents in South London; a commercial recruitment agency (to include private sector tenants from other regions of England), and the Scottish Poverty Alliance's research panel (to ensure representation from Scotland). All participants completed a screening survey to ensure these were predominantly low (<£15k per annum) to middle income (up to £30k per annum) borrowers and the sample was intentionally varied by gender, housing, ethnicity, and region. Most participants were tenants, with a mix of social housing and private sector renters. To ensure that the interviews provided insights into the possible harms caused by sensitivity to credit scores, participants also needed to have checked their credit score at least five times in the previous 12 months.

The findings from this qualitative phase were written up as an **interim report**, published in July 2025. A Parliamentary roundtable to discuss the findings with stakeholders was then held, chaired by Gill Furniss MP in her capacity as Chair of the All-Party Parliamentary Group on Debt and Financial Inclusion.

**A quantitative survey** was then designed in collaboration with Walnut Unlimited. This was subsequently conducted by Walnut amongst 3,415 adults aged 18+ in Great Britain who were earning below £30,000 per annum. The survey was carried out online between 26th August – 5th September 2025. Quotas were set based on gender, age, region and ethnicity and weighting was applied after data was collected to make sure the this was representative of those earning below the average income in Great Britain.[23] Data analysis was then conducted in STATA by Centre for Responsible Credit using the weighted sample.

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[23] Weightings were undertaken with respect to gender, age, region and ethnicity. The quotas and the weighting scheme were set using ONS data and panel data to make sure our sample was representative of those earning below average income in Great Britain.

# 3 Findings

In this section, we present our findings and address the main research questions introduced earlier. We describe the demographics of LMI borrowers and analyse how they have been using consumer credit during the cost-of-living crisis. Next, we discuss how frequently these borrowers check their credit scores and the methods they use. More than half report receiving offers for additional credit products when checking their scores, so we explored their responses to these offers and the experiences of those who accepted them.

We then report our findings concerning the disciplinary effect of credit scores: around one third (32%) of all LMI borrowers have "cut back on day-to-day expenses to preserve" their credit scores. This equates to around 6.4 million GB adults aged 18+.[24] This behaviour is most likely amongst borrowers who are using credit to improve their scores; pay for essentials due to income shortfalls or because of cost-of-living pressures, or to pay off other debts. It is also more likely among those checking their scores more than once per month, after controlling for age, income, housing tenure and the number of credit products that they hold.

We then proceed to report issues relating to the accuracy and understanding of credit scores and consumer views regarding the fairness of credit reporting. The research reveals issues with the accuracy of credit reports, low consumer understanding of credit scoring mechanics, and widespread views that the system is unfair because it fails to consider individual circumstances.

## Credit use in the cost-of-living crisis

Our survey gathered information regarding the age, gender, ethnicity, income bands, and housing tenures of participants along with details of the types of consumer credit that they were currently using. These were categorised as credit cards, overdrafts, personal loans, Buy Now Pay Later, and 'other'. Overall, our survey indicates that three quarters (74.3%) of the LMI population are using some form of consumer credit. In Great Britain, this equates to around 19.8 million adults aged 18+. Gender and ethnicity were not found to impact usage levels but (figure 1, below) age, housing tenure and income all have a significant effect.[25]

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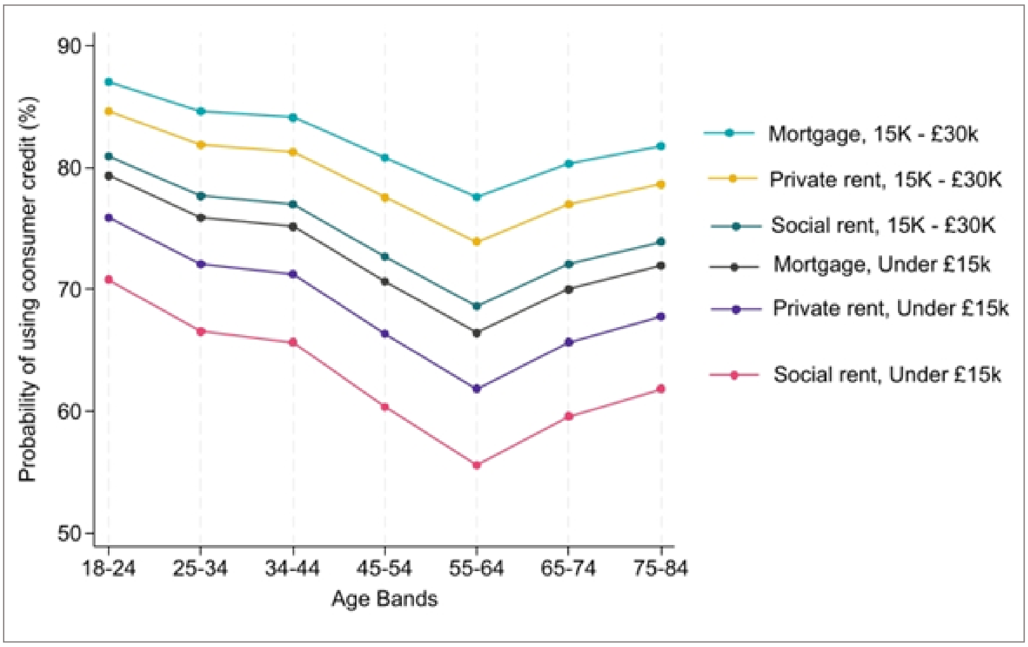
[24] Extrapolations to the GB adult population are derived from ONS Population estimates for the UK, England, Wales, Scotland and Northern Ireland: mid-2024, available here.

[25] Logistic regression ($N = 3{,}152$). The model used weighted responses to account for the survey design and ensure representativeness of the target population. The overall model was statistically significant ($F(13, 3139) = 6.30$, $p < .001$), indicating that the included predictors collectively contribute to explaining the likelihood of having unsecured credit. The goodness-of-fit test ($F(9, 3143) = 1.16$, $p = 0.3182$) suggests the model adequately represents the data.

## Figure 1: Probability of consumer credit use by age group, selected tenures and income bands

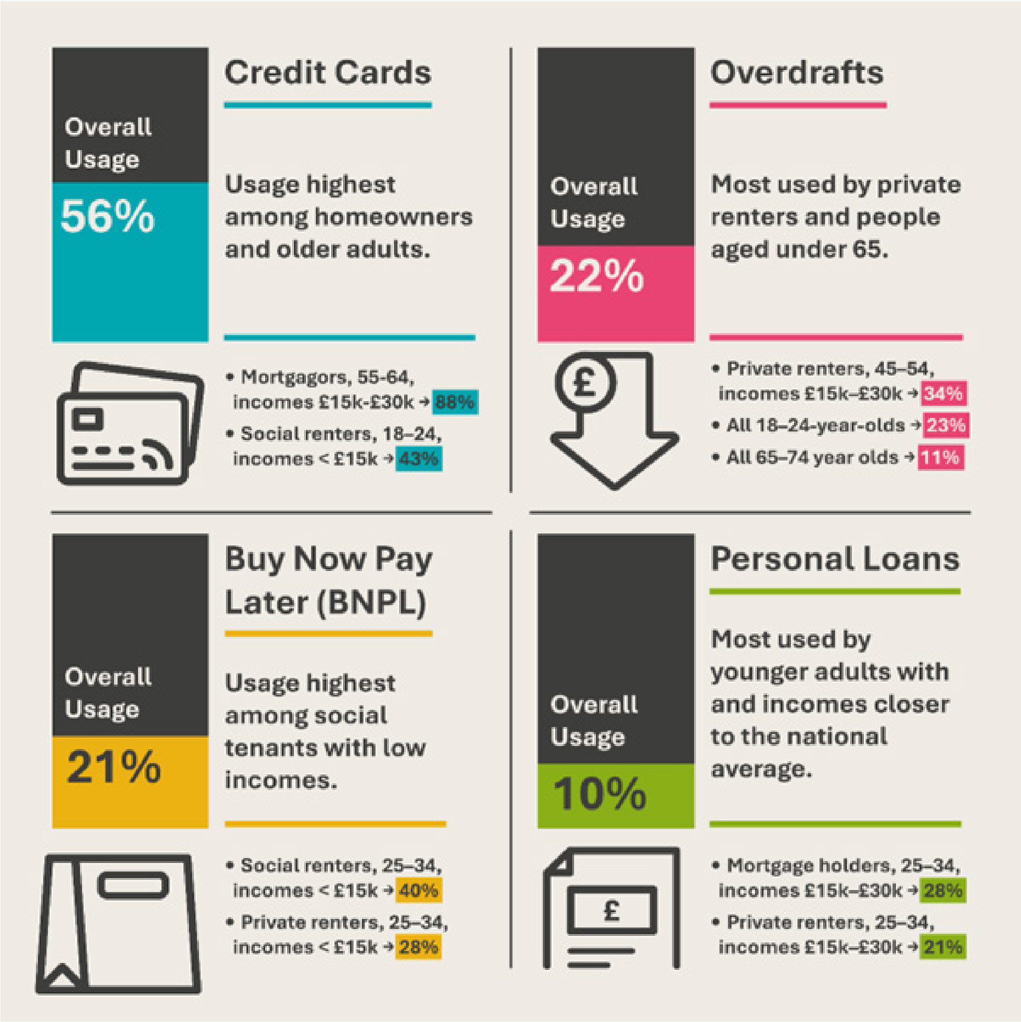



Across all age groups, the likelihood of using consumer credit rises with income. However, housing tenure also has a significant impact. Mortgage holders consistently show the highest probabilities of consumer credit use, often above 80% when their incomes are around the national average. Private renters have moderately high probabilities, while social housing tenants with very low incomes (<£15k) are the least likely to use credit. Nevertheless, the likelihood of these tenants using credit remains above 50%. Age adds further nuance: while credit use declines as people age through their working lives, there is a clear resurgence in use among older adults (65+).

## Types of credit

Credit cards are the most common form of credit among LMI individuals, used by 56%. This is over twice the usage rate of overdrafts (22%) or Buy Now Pay Later (21%), and more than five times that of personal loans (10%). Fewer than 1% reported using other types of consumer credit. However, our analysis also revealed some significant demographic variations in the users of different credit types (figure 2, below).

## Figure 2: Types of credit product, key demographic differences




### Credit cards

Credit card usage is highest among older adults and homeowners. For example, there is an 88% likelihood of using credit cards among those who are buying their homes with a mortgage, aged 55-64 and with incomes between £15,000 and £30,000 per year, while for social renters aged 18–24 with incomes under £15,000 the probability of credit card use is only 43%. Where their incomes are closer to the national average this rises to 54%. For private renters in the same age and income groups the probabilities are 54% and 65% respectively.

### Overdrafts

Overdrafts are most likely to be used (34%) by private renters aged 45–54 with incomes between £15,000 and £30,000. However, the use of overdrafts is only marginally higher than for both social renters and mortgage holders in the same age and income group (32%). In contrast to credit cards, age is more important than both tenure and income. Across all housing tenures and income levels, 23% of 18–24-year-olds use overdrafts, and this rises slightly to 27% by age 45-54. Overdraft usage then drops significantly to just 11% amongst 65–74-year-olds.

## Buy Now Pay Later (BNPL)

BNPL is most used by younger renters, with low incomes. Social renters aged 25–34 with incomes under £15,000 have a probability of 40%, while private renters in the same group have 28%. Usage drops sharply with age and among homeowners; for example, outright homeowners aged 75–84 with income under £15,000 have a probability of only 3%.

## Personal Loans

Personal loans are most likely to be used by younger adults with mortgages or renting privately and with incomes closer to the national average. Mortgage holders aged 25–34 with incomes between £15,000 and £30,000 have a probability of 28%, and private renters in the same group have 21%. Usage is lowest among older adults and outright homeowners, with outright owners aged 75–84 and income under £15,000 at just 2%.

## Multiple product use

Among LMI borrowers, nearly two thirds (64%) use just one type of product, while a quarter use two and one in ten use three or four. For instance, 17% of LMI borrowers combine credit cards with overdrafts, 16% use credit cards and BNPL together, and 6% use all three of these products.

- Borrowers using both credit cards and overdrafts are typically aged 25-54 with incomes between £20,000 and £30,000. They are also more likely to be living in rented accommodation than either mortgaging or owning their home outright.

- Borrowers using credit cards with BNPL are also most likely to be living in rented accommodation but are over-represented amongst social housing tenants. They typically have a slightly younger age profile (aged 25-44), and income does not appear to be as significant a factor, with this combination of credit types reaching further into the group with incomes of less than £15,000 per year.

- Those using all three of these products have incomes closer to the national average, but they are also over-represented amongst social housing tenants.

## Uses of credit

According to our survey, most LMI borrowers use credit to pay for daily expenses such as food and bills (40%). Just under a third (30%) use credit to spread out payments for major purchases such as appliances, while a quarter use it to pay for leisure activities, including holidays.  A quarter also turn to credit when faced with unexpected emergencies.

However, a fifth (19%, and roughly 3.7 million adults aged over 18) are using credit to pay for essentials during periods of income shortage or because of rising living costs, while a similar proportion (18%) use credit specifically to boost their credit scores. Over one in ten (12%) are borrowing to pay off previous debts.

Those using credit to pay off other debts, improve their scores and to pay for essentials due income shortfalls or cost-of-living pressures are more likely to use credit products in combination (table, 2, below).

### Table 2: Selected uses of credit by number of product types

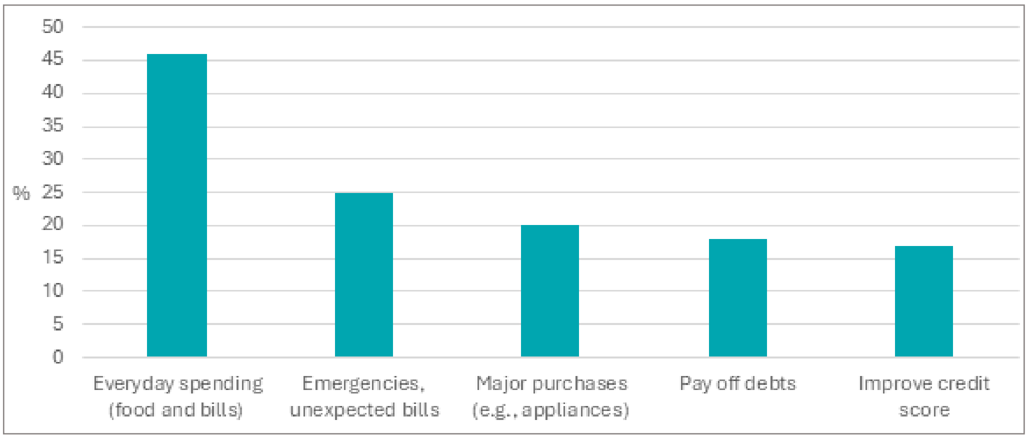
| Number of product types | One | Two | Three or more |
|---|---|---|---|
| N | 1,621 (63.9%) | 672 (26.5%) | 243 (9.6%) |
| Uses of credit | | | |
| Pay for essentials - due to income shortfall/ cost-of-living crisis | 13.8% | 26.5% | 35.0% |
| Improve credit score | 14.7% | 21.7% | 29.9% |
| Pay off other debts | 7.5% | 17.2% | 27.9% |

## Financial pressures

More than one in four (28%) LMI adults—around 7.5 million people aged 18 and older—are unable to cover their basic daily expenses every month. Additionally, 44% (about 11.7 million adults) seldom have any money remaining at the end of each month.

Among those unable to meet their basic needs, 45%—3.4 million people—are using credit to pay for food and bills, while 18% are borrowing to pay previous debts and 17% are doing so to improve their credit scores (figure 3, below).

## Figure 3: Uses of credit among borrowers unable to meet their basic monthly living costs[26]




## Box 1: Living on the Edge: What Participants Told Us

Our qualitative interviews with thirty LMI borrowers revealed the harsh realities behind these figures. More than half (18) of the people we interviewed said they had struggled financially in the past 12 months. Half (15) were behind on household bills or had made late payments. A third (10) borrowed money from friends or family, and another third (11) cut back on energy use. Six relied on food banks or utility vouchers to get by.

These problems persist even after severe cutbacks. Except for one participant, everyone reported changing their spending habits in response to rising costs—shopping at cheaper stores, comparing prices, and seeking out discounts. Most had eliminated luxuries and non-essential items. Budgets are now focused entirely on basics, with many reducing food choices and cutting cultural and social activities for themselves and their children.

### In Their Words:

*"Definitely, there's no more like impulse buying. (...) It's a case of do you want to, or do you need it as the question?"*

*"I have just stopped buying anything that's not an essential food item."*

*"I haven't had heat in the radiator. It has been switched off in my room for more than two years because I can't afford it... I wake up absolutely freezing in the winter."*

Even these sacrifices have not been enough for many households, who are now forced to use credit to pay for essentials. A third of our interviewees told us they used credit to pay for these.

*"The thing is, you're assuming I have a choice. There's no choice. If I was to not use credit, then we don't have any food to eat."*

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26 N=942.

The likelihood of being able to pay for essentials reduces as the number of consumer credit products held by borrowers increases, after controlling for age, income and housing tenure. While borrowing using just one type of consumer credit product does not significantly impact the likelihood of being unable to meet essential living costs (probability of 25%), around one third of borrowers using two or three types of credit products are unable to meet these costs, and this rises further to 44% amongst borrowers with four product types.

The ability to pay for essentials also reduces significantly amongst borrowers if they are in arrears with their credit repayments or have credit cards they cannot afford to clear at the end of the month. Overall, one fifth of LMI borrowers (roughly 4 million adults aged over 18) are in this position, and 40% (1.5 million) of these are unable to cover essential living costs.

These borrowers also report that they are finding it difficult to manage their debts. This is causing stress and anxiety for 38%, with many losing sleep and reporting negative mental health impacts. Over a third have cut back essential spending and missed or delayed paying household bills, while more than a quarter are having to borrow more credit to keep up. The same proportion feel embarrassed by their financial situation and are avoiding social situations due to a lack of money. A fifth have had to put life plans (including their education or starting a family) on hold, and more than one in ten have had to move or change their living arrangements.

## Credit scores

Slightly fewer than half (48%) of all consumer credit borrowers in our survey had checked their credit score in the month prior to the survey, and a further 13% had done so within the past three months. However, slightly more than one fifth (22%) had not checked their score for at least four months, and 17% had never done so.

Of those checking their score at least once in the past 12 months, three quarters had done so with at least one of the three credit reporting agencies (46% with Experian, 12% with Equifax, and 7% with TransUnion). However, other providers were also popular: 40% used ClearScore, 16% CreditKarma, and 25% used apps provided by their banks. Although most (61%) borrowers used only one of these providers, a quarter had used two and the remainder had used three or more.

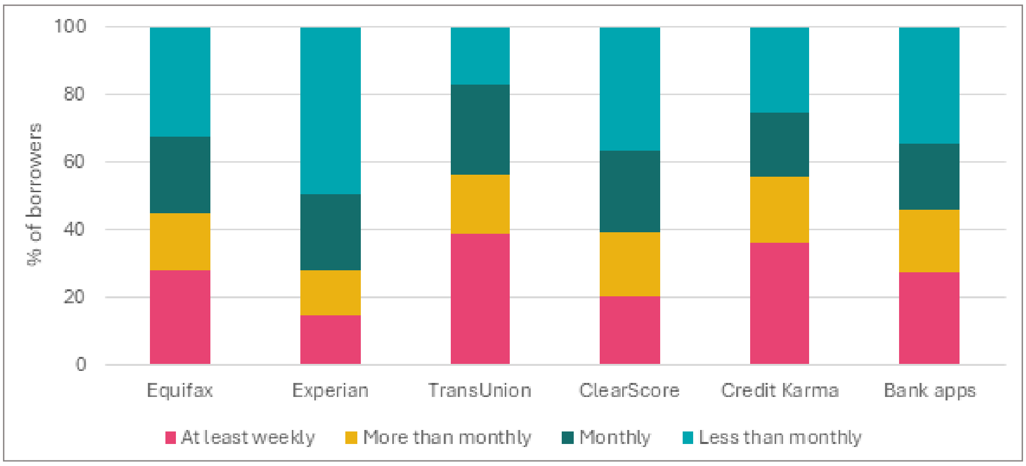
### Score importance and frequency of checking

Just under half (46%) of all survey respondents told us their credit scores were very important to them, with a further 43% indicating they were "somewhat important".

Despite this general sense of importance, there is significant variation in the extent to which LMI borrowers check their scores. Just under one fifth (18%, 3.5 million adults) check these at least once per week, and an additional 15% do so more than once per month. A further fifth (21%) check their scores monthly. However, 46% do so less frequently, and 17% do so less than once every six months.

Figure 4, below, reveals some significant variations in the frequencies of score checking by provider. For example, over half of TransUnion and Credit Karma users are checking their scores more than once per month, while only slightly more than a quarter of Experian's users do so.

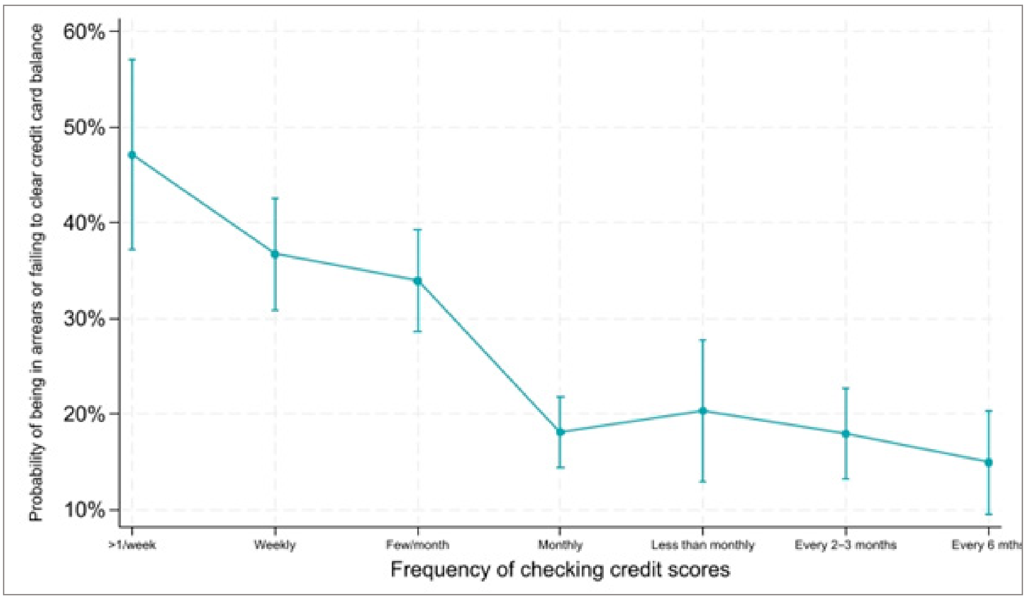
## Figure 4: Variations in credit score checking by score provider




The frequency of checking scores more than once per month correlates with both using credit to pay off other debts and as a means of improving scores after controlling for age, income and housing tenure.

Around half of those checking their scores more than once per week are also likely to be in arrears with their credit payments or unable to clear their credit card balances at the end of the month (figure 5, below). This reduces to around 20% for those who check their scores monthly.

## Figure 5: Likelihood of arrears and/or outstanding credit card debt by score check frequency



Our qualitative interviews indicate that the checking of scores is usually undertaken in response to an email or app notification from their score provider. 'Frequent checkers' comprised a sub-group of study participants who were extremely sensitive to their scores and who seem to be targeted with more frequent communications.

*" I check my account maybe once a day or once every other day. I get emails quite a lot. I feel like sometimes the emails are a bit misleading because they'll say your scores changed and I click on, and it's been the same... [If I didn't get the e-mails] I would probably still check maybe like once a week, but I wouldn't be doing it, you know, every day or every other day. "*

## Product suggestions when checking scores

When checking their scores with dashboards other than those provided by banks, consumers enter a marketplace for credit products. Our survey indicates that over half (55%) of all survey respondents had received suggestions or offers for credit products from their credit score provider. Half of those (49%) felt that the offers they received encouraged them to take on more credit than they could afford, and over a quarter of (28%) reported feeling pressured to accept the offers that were made to them.

### The promotion of 'credit limit utilisation rates'

Our qualitative interviews shed further light on this aspect. Interviewees told that us that their score providers particularly highlighted the importance of maintaining low 'credit limit utilisation rates'. This is a term used by providers to describe how much of the borrower's agreed credit limit is still available to them. For example, ClearScore advise that they "look at total borrowing over the last six months across all of your credit cards" and that "keeping below 70% of your credit limits shows lenders your borrowing is under control".

However, there are two ways in which borrowers can react to this type of messaging. Either by paying down debt, or by taking out a new credit card and boosting their overall credit limit. Participants in our study were aware of this and reported feeling encouraged to take on more lines of credit as a means of improving their scores.

*" The way it's set up is if I wanted to improve my score right now, if I took out two credit cards right now that I don't need, initially my score would go down, but then it would fly up because my utilisation [rate] would [improve]. [I'd be] incredibly more vulnerable because I've just put loads more potential debt around my neck, but that would increase my score. "*

## Acting on suggested offers

Our survey found that nearly half (43%) of those being prompted to take up offers of credit by their score providers act on the suggestions they receive. Acting on suggestions was statistically more likely among those now using credit to pay off previous debts and those using credit to improve their scores.

Those checking their scores frequently are also more likely to act on the suggestions that they receive. Around 70% of people checking their scores more than once per week act on the suggestions they receive, compared to just 32% of those who check their scores only once per month.

While around three-quarters felt that taking up offers of credit suggested by their score providers had a positive impact on their credit score, many experienced negative impacts within six months of doing so. Around one in five saw their overall level of debt increase, and the same proportion (21%) experienced stress or anxiety. 18% struggled to make the repayments. 18% also cut back their spending on essentials, while 14% had to borrow more to cover the repayments, and around one in ten missed payments or defaulted.

This evidence suggests that the FCA's affordability rules may require strengthening. Although the rules require lenders to establish whether their customers can afford their repayments and other essential outgoings and still be left with sufficient resources to lead a "basic quality of life", that phrase is not defined, providing lenders with considerable discretion. Some appear to be taking the concept to an unacceptable extreme.

## The disciplinary effect

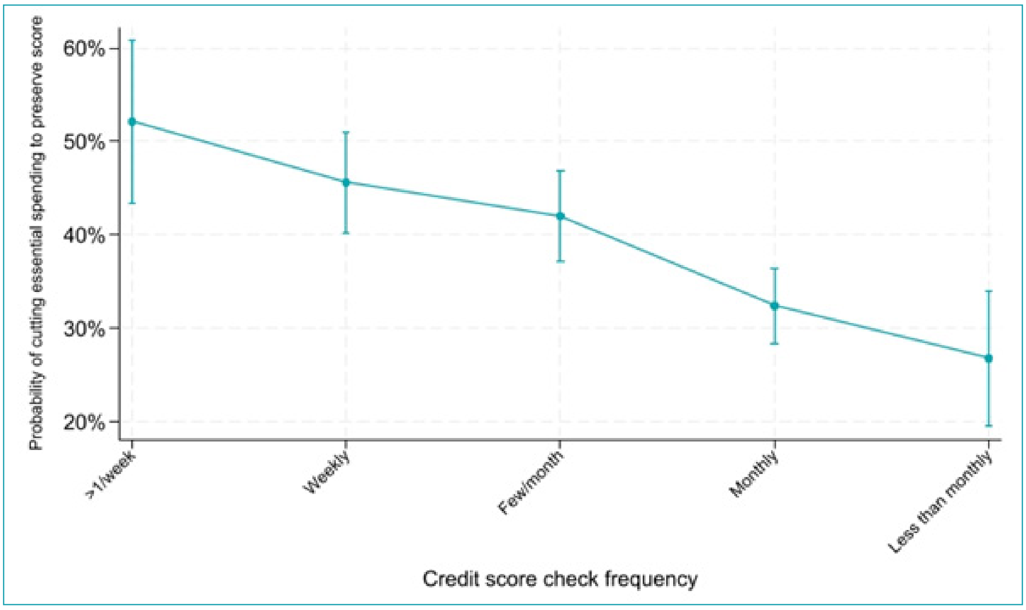
Our survey also found clear evidence of a disciplinary effect, with one third (32%, and equivalent to 6.3 million adults aged over 18) of all LMI borrowers telling us they have "cut back on day-to-day expenses to preserve" their credit scores.

This rises to 45% of borrowers (1.6 million people) who are using credit specifically to improve their scores, and to 55% of borrowers using credit to pay off other debts (1.3 million people).

We also found a statistically significant relationship[27] between the likelihood of cutting back on essentials to preserve scores and the frequency of score checking. After controlling for age, housing tenure and incomes, over half (52%) of those checking their score more than once per week have cut back on essentials to preserve their score, as have 45% of those checking their score at least at few times per month (figure 6, below). This contrasts with just 26% of those who check their score less frequently than once per month.

[27] Survey-weighted logistic regression, controlling for age, housing tenure, and income. The model was statistically significant overall ($F(21, 2265) = 13.94$, $p < 0.001$) and showed good fit ($F(9, 2277) = 0.46$, $p = 0.9031$).

### Figure 6: Cutting back essentials to preserve scores, by credit score check frequency




## Accuracy, understanding and views

Overall, 15% of those ever having checked their credit report have identified an error in this (equivalent to around 3.3 million people). Nearly all of these (94%) reported the error, and slightly more than half (52%) told us this was resolved within three months. However, nearly a third told us resolving errors took longer than this, and 12% told us that they had not managed to resolve their issue at all.

Only one in ten LMI adults report that they have a very good understanding of how credit scores are calculated, although a further 51% consider that they have a reasonable or moderate understanding. Just over a third, however, self-report little understanding.

Actual, as opposed to self-reported, understanding of credit scores may, however, be lower still. Our survey included several true or false statements, which many respondents—even those with high self-reported knowledge—got wrong. For example:

- 46% believe that incomes are factored into the credit score calculation, which is incorrect. A further 35% did not know, leaving fewer than one in five answering correctly.
- A fifth do not know whether paying off their credit card balance in full at the end of each month will improve or hurt their score, and
- 35% don't know whether taking out an additional credit card if they can't clear their existing balance would be of help to their score or not. Overall, one quarter of LMI adults believe this is true. However, amongst those in arrears or unable to clear their existing balances at the end of the month, this rises to 40%.

There was also a significant lack of understanding about how credit scores are now being used for 'off-line purposes' such as for tenant and employee screening: overall, a quarter of respondents did not know whether credit scores were used by landlords or employers, but a third of private tenants also either got this question wrong or did not know.

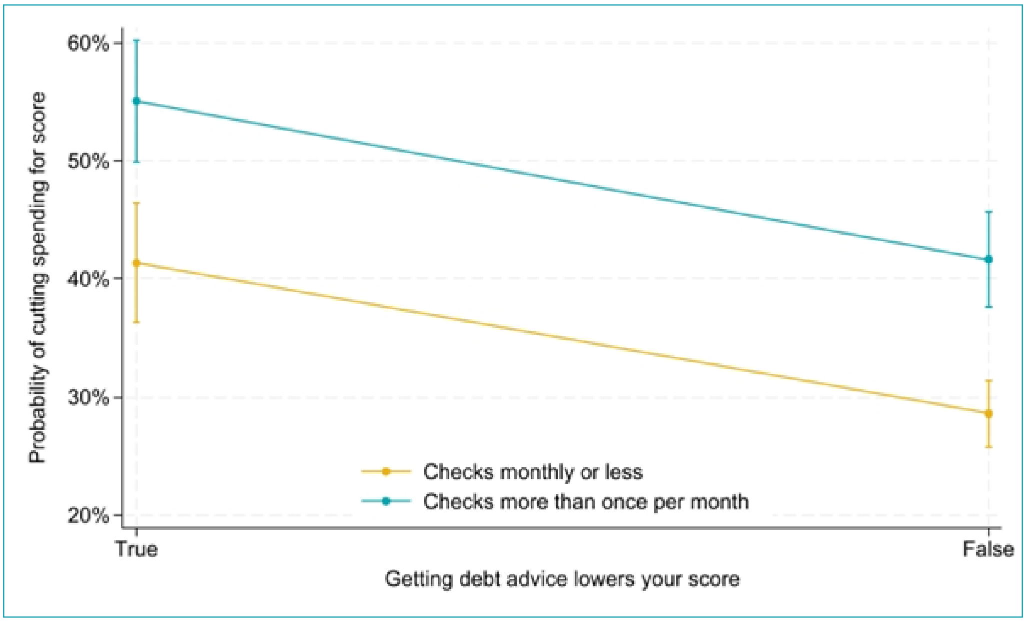
Worryingly, concerns about their credit scores are also likely to be preventing people from seeking help with their debt problems. A third of all respondents (34%) believe that asking their lenders for help when they experience difficulties repaying can lower their credit score and a further 41% do not know whether it will or not. Of those respondents in arrears or unable to clear their credit card balances at the end of the month, only a quarter got this question right.

While 53% of all respondents were aware that seeking advice about debt problems (e.g., from Citizens Advice) would not lower their credit scores, 17% believed it would and 30% did not know. These figures were slightly worse amongst those with arrears or unable to clear their credit card balances, with only 48% of these answering the question correctly.

## Relationship to the disciplinary effect

Our analysis also revealed statistically significant relationships between LMI borrowers' awareness of how seeking assistance with debt problems may affect their credit scores, the frequency with which credit scores are checked, and the probability that they reduce spending on essentials to maintain those scores (figure 7, below).

## Figure 7: Spending cuts to maintain score, by debt advice belief and frequency of checking



Around 40% of borrowers checking their scores monthly or less and believing that seeking debt advice will negatively impact their score, are cutting back on essential spending to preserve their score. This reduces to around 30% for those who correctly identify that seeking debt advice will not impact their score.

These percentages shift upwards if borrowers are checking their score more frequently than once per month. 55% of these borrowers will cut back on essential spending to preserve their scores if they believe that seeking advice would have a negative impact, compared to 40% of those correctly identifying that debt advice seeking does not have an impact. As with previous logistic regressions, these results control for age, housing tenure, and income groups. The results indicate that both the frequency of checking scores and the mistaken belief that seeking debt advice negatively impacts scores exhibit disciplinary effects for LMI borrowers.

## Views regarding the fairness of credit scoring

When asked whether they considered credit scoring to be 'fair' or not, nearly one quarter of respondents said that they had no opinion (didn't know) and a further fifth were neutral. Of the remainder, two thirds felt credit scoring to be fair and one third, unfair.

There are some statistically significant predictors of perceived unfairness. People using credit to pay for essentials because of income shortfalls or cost of living pressures; borrowers in arrears or unable to clear their credit cards at the end of the month, and those feeling pressured to accept offers of credit marketed to them by their score providers are all more likely to feel the system is unfair.

Nearly three-quarters (72%) of all respondents also agreed with the statement that "credit score providers should take into account reasons for missed payments when calculating someone's credit score", and the same proportion stated that they would be willing to share details (e.g. redundancy, illness) with lenders or credit score providers if this meant that their score improved.

Our qualitative interviews explored this further. Several participants were clear about the need for scores to reflect situational context. For example, one of the interviewees told us:

*"I feel like credit scores…can be a bit negative because some people… may have ended up going bankrupt once. But it's just that because things like COVID came in. I know a lot of people lost businesses and ended up having to declare bankruptcy because of COVID. And so obviously their credit score has been affected due to those issues. And I feel that that's where…the negativity comes into it."*

The prior debt experiences of participants had also changed their financial attitudes and behaviours over time, which they felt made their previous payment behaviours less relevant.

*"I feel like it's very historical. I was in a different job. I was in a different mindset. I lived somewhere else. I didn't understand how they can determine it. I don't know. I feel like maybe looking at more recent spending patterns [would help]."*

While Open Banking and the use of additional data sources could potentially aid access to credit for people with prior experience of debt problems, questions nevertheless remain regarding whether that data will be used responsibly, or whether the drive to maximise profits will over-ride consumer welfare considerations. We return to this issue in the following section.

# 4 Conclusions, policy implications and recommendations

The findings from our research provide evidence that the contemporary credit scoring system, as experienced by LMI households during the cost-of-living crisis, functions less as a neutral tool for risk assessment and more as a disciplinary mechanism that prioritises lender profitability over borrower wellbeing.

## The disciplinary effect inflicts widespread, tangible harm

The most significant conclusion is the real-world harm caused by the disciplinary effect of credit scoring. Quantitative data reveals that a third of LMI borrowers—equivalent to 6.4 million adults in Great Britain—have cut back on essential day-to-day expenses such as food and heating specifically to preserve their credit scores. Qualitative interviews reinforce this, showing that borrowers often prioritise credit repayments over essential household bills, even under extreme financial pressure. For millions, sensitivity to their credit score forces a damaging trade-off between immediate wellbeing and perceived future credit access.

## The system actively deters borrowers from seeking help

A critical failure of the current system is its failure to encourage borrowers in financial difficulty to speak to their lenders and, if necessary, seek independent debt advice. Widespread misunderstanding means nearly half of LMI borrowers could be deterred from seeking independent debt advice—either because they believe it will harm their score or are unsure of the impact. This fear creates a dangerous silence, trapping individuals in cycles of debt when effective help is available. The system thus not only fails to support those in distress but actively discourages them from seeking remedies for fear of reputational damage within the same system.

The fear of reputational damage, may, in fact be warranted. In 2023, the FCA's Credit Information Market Study found that events such as forbearance, payment arrangements, and debt solutions were reported and recorded differently across the three main reporting agencies. It is far from clear to consumers how their scores will be impacted should they seek assistance.

## Credit score dashboards can amplify financial distress

Consumer-facing credit score dashboards and apps are not neutral information tools; they function as marketing platforms that can exacerbate financial precarity. These platforms actively encourage financially distressed borrowers to take on additional credit as a means of improving their scores. While the suggestions they provide may offer a short-term score increase, the consequences are often negative: increased overall debt, heightened stress and anxiety, and greater difficulty meeting new repayment obligations. This finding challenges the narrative that frequent score monitoring is inherently positive financial behaviour.

## A fundamental lack of fairness and context undermines trust

Underlying these issues is a widespread perception among consumers that the credit reporting system is fundamentally unfair because it lacks context. Borrowers are reduced to predictive profiles and scores, with no mechanism to explain the circumstances behind financial difficulties such as job loss or illness. Lenders are seen to place excessive emphasis on scores while ignoring changed circumstances. This one-sided surveillance—where borrower conduct is recorded but lender behaviour and relational context are not—deepens the power imbalance and erodes trust in the system's legitimacy.

Lender conduct—as well as the conduct of other data providers including utility companies—is likely just as important as that of borrowers in shaping outcomes. For example, a failure to provide effective forbearance to borrowers in financial distress is likely to increase the risk of missed payments and defaults. Yet, the actions of lenders—including whether the products being offered to consumers are appropriate to their needs and their responses to forbearance requests—remain invisible.

**In summary**, the evidence demonstrates that the current credit scoring system, as it is experienced by LMI households, perpetuates a cycle of financial vulnerability. It disciplines borrowers into behaviours that benefit lenders, often at the expense of their own wellbeing, and systematically deters them from seeking help. The lack of contextual fairness and the invisibility of lender behaviours further undermines trust and highlights the urgent need for reform.

### Is more, and alternative, data the answer?

In recent years, Open Banking has increased the use of transactional data to inform lending decisions, and Experian has also encouraged consumers to make this data available to it as a means of 'boosting' their credit scores. Experian has also started to reflect rental payment histories within their score calculations.

While the developments may help some LMI borrowers access credit who would otherwise struggle to satisfy traditional credit checks, several risks are also apparent that have thus far been under-researched. While the expansion of data could be used to design more appropriate products and services, to better assess risk and affordability, it could also be used to target financially distressed consumers with products that take advantage of their dependence on credit to meet basic needs, and which exploit their financial behaviours in increasingly sophisticated ways.

Experian's BOOST product, which encourages consumers to make transactional data available to it in return for improved scores, also appears to only report positive indicators, creating a curated depiction of financial behaviour that may obscure, or 'mask', underlying financial distress. This curated view could then provide a rationale for lenders to extend credit to individuals who are struggling but who nevertheless appear profitable, while the pressure to maintain a good score can transform everyday financial habits into a form of 'credit theatre'. Consumers may feel compelled to alter their spending to align with algorithmic expectations, potentially prioritising transactions that are important and visible to scoring models over spending on necessities. For example, BOOST emphasises[28] "payments to savings accounts, Council Tax payments, and digital entertainment payments to the likes of Netflix and Spotify."

The inclusion of data such as utility, Council Tax, and rent payments can also unfairly penalise borrowers for institutional issues, such as rigid Council Tax enforcement or delayed social security benefits, rather than their own financial behaviour. By incorporating transactional data into credit decisioning and reporting, lenders and score providers are reaching far beyond individual financial behaviours—into the structural conditions of where people live, how they interact with social security systems, who provides their services, and how payments are collected. For example, with respect to utility payments, scores become impacted by the generosity or otherwise of social tariffs, or the eligibility criteria for debt write off schemes, such as that currently being proposed by Ofgem. With respect to Council Tax collection, different local authorities have different relief schemes, and there are also variations with respect to debt write off policies. While such factors clearly impact the ability of borrowers to afford credit repayments, the conflation of systemic issues with individual behaviour, punishes vulnerability, and reinforces the power imbalance between lenders and borrowers.

If the main goal is to better understand borrowers and motivate them to act responsibly throughout their credit relationship, a stronger strategy might be to invite them to talk about their overall financial situation, their plans for the future and the challenges they face, and to customise products and services that help strengthen their long-term financial resilience.

[28] https://www.experian.co.uk/consumer/experian-boost.html on 28th November 2025.

## Recommendations

There is a clear need to mitigate the disciplinary effects of credit scoring and reporting; to encourage borrowers in financial difficulty to engage with their lenders and, where appropriate, seek independent debt advice.

We therefore recommend that the CIGB and FCA work with the industry and consumer representatives to design, test and evaluate the use of warnings and guidance within credit dashboards and communications, making clear that maintaining a credit score should not come at the expense of meeting basic needs.

The CIGB and FCA should also ensure that dashboards include links to independent advice and support whenever signs of financial distress are detected.

However, the fact that many borrowers showing signs of distress are receiving offers of credit indicates a possible broader problem with the FCA's affordability rules. These require lenders to establish whether their customers can afford their repayments and other essential outgoings and still be left with sufficient resources to lead a "basic quality of life". However, that phrase is not defined, providing lenders with considerable discretion. Some, working with credit score dashboard providers as brokers, appear to be taking the concept to an unacceptable extreme. We therefore call for the FCA to strengthen its requirements in this respect.

Our research also shows how credit score dashboards act as marketing platforms, encouraging further borrowing and increasing vulnerability. The CIGB should therefore lead on the development of standards for the ethical design of these dashboards. Messaging concerning 'credit limit utilisation rates' needs to be reviewed as part of this work, but FCA should also consider prohibiting the targeting of clearly financially vulnerable consumers by the dashboard providers and members of their lending panels. Limitations on the number of push notifications and dashboard marketing e-mails being sent to consumers should also be considered, unless the underlying information on their credit reports has significantly changed.

The CIGB and FCA should also thoroughly assess and clarify how forbearance arrangements and debt solutions are currently affecting credit scores and what this means for financial inclusion. The current system works against the public policy objective of securing a 'fresh start' for over-indebted borrowers, and a re-design of the system is required to facilitate this.

Additionally, it's necessary to have wider discussions about incorporating more contextual data into credit reporting, so that short-term setbacks do not lead to poor outcomes for consumers for a protracted period. Borrowers should have the right to add explanatory statements to their files, and lenders should be required to consider these in decision-making.

Finally, the credit reporting system's impacts are dynamic and may evolve as new products and technologies emerge. The CIGB should therefore establish a regular programme of research and monitoring, including the lived experiences of LMI borrowers, to ensure that credit information practices provide fair outcomes for consumers.

## Future directions for a fairer credit reporting system

The recommendations outlined above are crucial first steps to mitigate the immediate harms identified in our research. By adding warnings to dashboards, clarifying the impact of debt advice, and giving borrowers a right to explain their circumstances, we can begin to address the system's most acute failings.

However, our findings also point to the need for a more fundamental reimagining of the consumer credit relationship itself. The issues of disciplinary harm and eroded trust are not isolated flaws; they are symptoms of a credit reporting architecture built around the priorities of lenders and reporting agencies, which has ignored consumer interests for far too long. To build a system that is truly fair, resilient, and supportive of financial wellbeing, the conversation must evolve beyond incremental fixes.

The current system functions as a tool for one-way surveillance, where borrower behaviour is meticulously recorded while lender conduct remains largely invisible. A fairer system would require mechanisms that create accountability in both directions. This means exploring how the credit file could capture not just a borrower's payment history, but also a lender's responsiveness to requests for forbearance and their adherence to principles of fair treatment. Future reforms should aim to reimagine the credit file as a more dynamic and relational record—one that can accommodate context, document resilience, and reflect the interactive nature of the borrower-lender relationship over time.

We believe that there would be benefits for borrowers, lenders, and regulators alike. For borrowers, the immediate gains are greater, and genuine, agency as they become empowered to influence outcomes rather than passively accept them. For lenders, this shift promises improved decision accuracy through richer, contextualised data, reducing the information asymmetry that currently obscures a borrower's future financial outlook and fostering greater relationship stability. Regulators, in turn, would gain near real-time visibility of fairness and accountability indicators across the market, enabling more proactive, evidence-led oversight and the ability to identify systemic risks before they escalate. Ultimately, this transformation reimagines the credit system as a site of mutual accountability, fostering a more resilient, efficient, and trustworthy financial ecosystem for the entire market.

Reimagining credit reporting will be a long-term project, but it is a necessary one. The evidence from this study demonstrates that the current system is not fit for purpose for millions of households. To restore trust and create a credit market that serves society as a whole, we must be ambitious in our vision for change.

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