

Department for Work and Pensions

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# **Child Maintenance and Other Payments Bill: Disclosure of information to credit reference agencies – exploratory analysis**

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A report of research carried out by the Department for Work and Pensions and  
Experian Information Solutions

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# 1 Background

## 1.1 Policy background

The Child Maintenance White Paper<sup>1</sup>, published on 13 December 2006, set out the Government's intention to disclose information about non-resident parents (NRPs) to credit reference agencies (CRAs) for the purposes of linking payment of child maintenance with the ability to obtain credit. This could only be achieved through primary legislation.

In its response to the feedback received during the White Paper consultation period, the Government announced that it would seek to introduce the necessary legislation. The Child Maintenance and Other Payments Bill (which was introduced on 5 June 2007) contained the provision detailed below.

### 1.1.1 Disclosure of information to credit reference agencies

After section 49A of the Child Support Act 1991 (inserted by section 32 of this Act) insert—

#### **"49B Disclosure of information to credit reference agencies**

(1) Subject to subsection (3), the Commission may supply qualifying information to a credit reference agency for use for the purpose of furnishing information relevant to the financial standing of individuals.

(2) The reference in subsection (1) to qualifying information is to information which—

- (a) is held by the Commission for the purposes of this Act,
- (b) relates to a person who is liable to pay child support maintenance, and
- (c) is of a prescribed description.

(3) Information may not be supplied under subsection (1) without the consent of the person to whom it relates, unless a liability order against that person is in force.

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<sup>1</sup> [http://www.dwp.gov.uk/childmaintenance/csa\\_report.pdf](http://www.dwp.gov.uk/childmaintenance/csa_report.pdf)

(4) No provision may be made under section 14(3) authorising the supply of information by the Commission to credit reference agencies.

(5) In this section, “credit reference agency” has the same meaning as in the Consumer Credit Act 1974 (c. 39).”

In summary, where the non-resident parent gives their consent, or where a liability order<sup>2</sup> is in force against a non-resident parent, the Child Maintenance and Enforcement Commission (C-MEC)<sup>3</sup> will be able to pass payment information about the non-resident parent to CRAs. The exact information will be described in regulations. Financial services companies will, after carrying out an authorised credit check with a CRA, have the opportunity to take the financial liability, and/or the payment performance relating to the liability, into account when considering applications for new or extended credit facilities and other financial products<sup>4</sup>.

It is recognised that there are ‘emotional’ factors inherent within a child maintenance situation as opposed to other forms of credit. A person may have the means to pay maintenance but refuse to do so on principle as, for example, they are unhappy with current contact arrangements. However, whilst research shows that these are factors related to compliance<sup>5</sup>, the Government does not consider that these are legitimate reasons for non-payment of child maintenance.

It is precisely because child maintenance is such a unique form of financial liability that we have undertaken exploratory analysis to examine the links between payments of child maintenance and credit behaviour. Clearly, this information will be useful to the clients of the CRAs if there is a link between child maintenance payments and payments on other financial products. It is anticipated that financial services companies will utilise the information provided by C-MEC where they feel it is both relevant and has a positive impact upon their decision making criteria.

## 1.2 Credit reference data and its uses

People who use financial services products do so in the knowledge that the way in which they conduct their business with the financial provider will influence their relationship with that organisation and others in the future.

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<sup>2</sup> A legal recognition of an amount owed in unpaid child maintenance.

<sup>3</sup> The new Non-Departmental Public Body being introduced to take on responsibility for the delivery of the new child maintenance system.

<sup>4</sup> Financial products includes a wide range of facilities, from fixed-terms products such as personal loans and motor finance, to revolving products such as credit cards, mail order accounts and store cards, through to specialist financial products such as hire purchase and contract-based mobile telephony.

<sup>5</sup> <http://www.dwp.gov.uk/asd/asd5/rports2007-2008/rrep404.pdf>

This understanding is achieved through a fair processing statement presented to the individual at the point a financial product is obtained. This informs the individual that how they manage that product will affect their ability to obtain further products, not only with the current company but, due to data sharing, with other organisations.

The vast majority of financial information reported to CRAs describes accounts being conducted in an acceptable manner and generally assists consumers to obtain further credit should they require it. However, it also contains information where individuals have not adhered to the terms of the product such as defaulting on a bank loan.

When granting access to products, financial providers base their decisions on a combination of their own experience of an individual's credit behaviour, if available; other organisations' experience of that individual; and, if appropriate factors such as postcode.

If an individual is currently operating or has previously broken the terms of a financial product in an unsatisfactory manner, a financial organisation would take this information into account when subsequently granting a further extension of credit.

Every organisation may have different criteria and systems in order to assess the individual and make the most appropriate decision. Sophisticated models look at all the available information, therefore, there tends **not** to be one single article of information which guarantees either acceptance or denial of a financial product. These decisions will normally include an assessment of the individual's ability to afford the product by considering income and expenditure.



## 2 Methodology

In order to develop its policy the Department commissioned analysis to examine and understand the credit behaviour of NRPs and examine the link between child maintenance arrears and other registered arrears. The wider goals were to determine if there was potential for C-MEC-sourced information to be used in a way that may influence the behaviour of an NRP; or indeed to assist an NRP in gaining access to mainstream financial services products<sup>6</sup>.

A schedule of analysis was designed to examine and illustrate the usage of financial services products within the NRP population. And for those using these services – their conduct and behaviour. Along with the desire within the NRP population to obtain financial products.

### 2.1 Research questions

Two broad questions were examined:

- 1** To what extent is there an enforcement potential, because of the deterrent effect, for using C-MEC-sourced derogatory financial information (i.e. missed child maintenance payments) to influence the NRP's chances of obtaining financial products; and
- 2** To what extent is there a potential NRP benefit of logging positive financial information where maintenance agreements are in order.

### 2.2 Research methodology

Quantitative analysis was conducted using two key data sets from the Child Support Agency (CSA) and Experian. The details are outlined overleaf.

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<sup>6</sup> Experian Information Solutions were approached to conduct this exploratory analysis for a nominal fee.

## 2.3 Sample design

A representative NRP sample was drawn from the CSA's CS2 database. When the new child maintenance calculation scheme was introduced in March 2003, a new database was created (known as CS2). All new cases were put on CS2 and the intention was to transfer cases from the old – CSCS – database. However, because of a number of issues, including IT problems, there has been only partial transfer of cases from CSCS to CS2. Specifically:

- some cases were successfully transferred from CSCS to CS2 with the new calculation method. These were cases with a link to a new case, for example, if a parent with care (PWC) already received child maintenance for one child, and then made a new application on or after 3 March 2003 for another child with a different NRP. In this instance, both cases were moved to CS2 with the new calculation method;
- some cases were migrated to CS2 – moving onto the new database but without changing to the new calculation method (i.e. the old rules still apply);
- the remaining cases stayed on CSCS.

This means that while the CSCS only includes old rules cases from before March 2003, the CS2 system contains new and old rules cases. At the time the sample was drawn (April 2007), 56 per cent of the CSA caseload were on old rules and 44 per cent were on new rules.

## 2.4 Sampling from CSCS

Until recently the use of data from CSCS was limited to a five per cent sample scan. While there is now a 100 per cent file at the time of sampling, there had been limited use of this information. Therefore, it was decided to conduct the analysis on CS2 only and to use old rules cases as a proxy for CSCS cases. We accept that there are likely to be differences between the cases; in particular that the old rule cases on CS2 may be involved in multiple applications which may impact on how they behave.

## 2.5 Arrears and compliance

Two key stages of analysis were conducted: firstly looking at CSA compliant groups<sup>7</sup> and secondly looking at CSA arrears groups.

A decision was made to use the arrears marker from the data and the arrears variable used indicates whether a customer has arrears or not registered regardless of the reason for those arrears<sup>8</sup>.

Whilst this approach was straightforward, it meant that the work did not look at differences between the reasons for arrears. The two main reasons that arrears are registered are non-payment/compliance issues and delays in allocation. The analysis did not seek to look at the levels of arrears nor if the person was paying these off.

By looking at arrears we were able to take in a wider range of customers who may be affected by the data sharing policy in the future. It is known that there is a link between arrears and compliance in the sense that non-compliant cases have arrears. However, the strength of this link is not known.

Using just arrears as the key variable of interest has weaknesses in that customers with small arrears or unallocated payments are included in the analysis.

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<sup>7</sup> There are three forms of compliance: nil compliance where charges are greater than zero and receipts are zero, i.e. assessment £50 and payment £0; partial compliance where charges are greater than zero and receipts are greater than zero but less than charges, i.e. assessment £50 and payment £15; and full compliance where charges are greater than zero and receipts are equal to or greater than charges, i.e. assessment £50 and payments £50.

<sup>8</sup> Technical Detail – Variable ‘cac\_arr\_mt’ was used to determine whether a person had arrears or not. The actual definition is – the total amount (in pounds and pence) of all valid charges for the period related to arrears schedules and charges which would have been excluded because of effective dates but are linked to a valid receipt in the period. Charges are based on the planned collection amount in entries from the ‘Planned Collection’ table which link to Collection type financial schedules. Effective start date and end dates for these financial schedules are created based on when the schedule status was active or new, and when it became inactive or complete. Effective end dates are extended by the relevant amount for cases which have protected days, these are identified by the inbound transaction method type of the case. Financial schedules that have never been new or active at some point are excluded.

## 2.6 Sample selection and merging CRA and CS2 data

Five hundred and twenty thousand anonymised records, representing the month end position of the CS2 database at the end of March 2007, were selected and sent to Experian. Basic checks were performed on the data prior to any specific analysis and the Department for Work and Pensions (DWP) ensured Experian analysts had a working knowledge of the data.

The only issues raised during this process were minor discrepancies between the data and the data documentation. Therefore, the data audit phase concluded that the data quality was good and subsequently enabled and informed the design of a contemporary sample that was representative of the current operational/behavioural environment.

From this file 61,000 records with calculation dates between quarter 3 2004 and quarter 4 2006 were selected to provide the basis for the analysis. These case reference numbers were sent to DWP. The relevant non-anonymised data was then sent from the Department's data division – on a password protected CD-ROM by registered post to Experian's Central Media Gateway in accordance with the prevailing DWP and Experian data security protocols.

Each record within the sample represented a PWC/NRP relationship. Each record was then supplemented with the Experian personal financial performance information relating to the activities of the NRP at two points in time.

The first point in time was the CS2 date of maintenance calculation. This was the date at which the CSA had sufficient information to make a formal financial arrangement between the parties involved. This date acted as a consistent fixed reference point for the relationship.

The second point, known as the 'outcome point', was the end of March 2007.

By applying the Experian personal financial information at two points in time, it enabled the analysis to monitor changes in personal circumstances and behaviour between the assessment date and a date in the future – the outcome point.

# 3 Analysis of Child Support Agency compliance and credit reference agencies information

## 3.1 Compliance and financial product information

Figure 3.1 identifies those in the compliance groups with and without active financial accounts. There were higher levels of nil compliant customers without any financial history. This included those who could not be traced or matched on the Credit Account Information Sharing (CAIS) database<sup>9</sup>. However, there were still 29.4 per cent of the case load who were non-compliant (nil or partial), with financial histories that the data sharing measure could affect. There were an additional 14.9 per cent of compliant customers with no financial activity, who could also benefit from positive postings on their files.

Overall, 70 per cent of the caseload were affected in the way we expected, i.e. non-compliant customers with financial accounts would have their accounts adversely marked; and compliant cases with and without financial accounts would have their accounts positively marked (providing they consented).

At this point we are not able to state how the information logged on CRAs files would be used by financial institutions. However, early indications suggest that CSA data would add to any risk profiling conducted. This will need to be confirmed once we are able to commission a case study.

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<sup>9</sup> The CAIS holds information on over 260 million credit accounts worth £625bn. CAIS files are held on the majority of the active credit population with an average of five records held per applicant. Information is provided by virtually every major consumer-lending organisation in the UK. Currently, details from utilities aren't included in CAIS but they will be in the future.

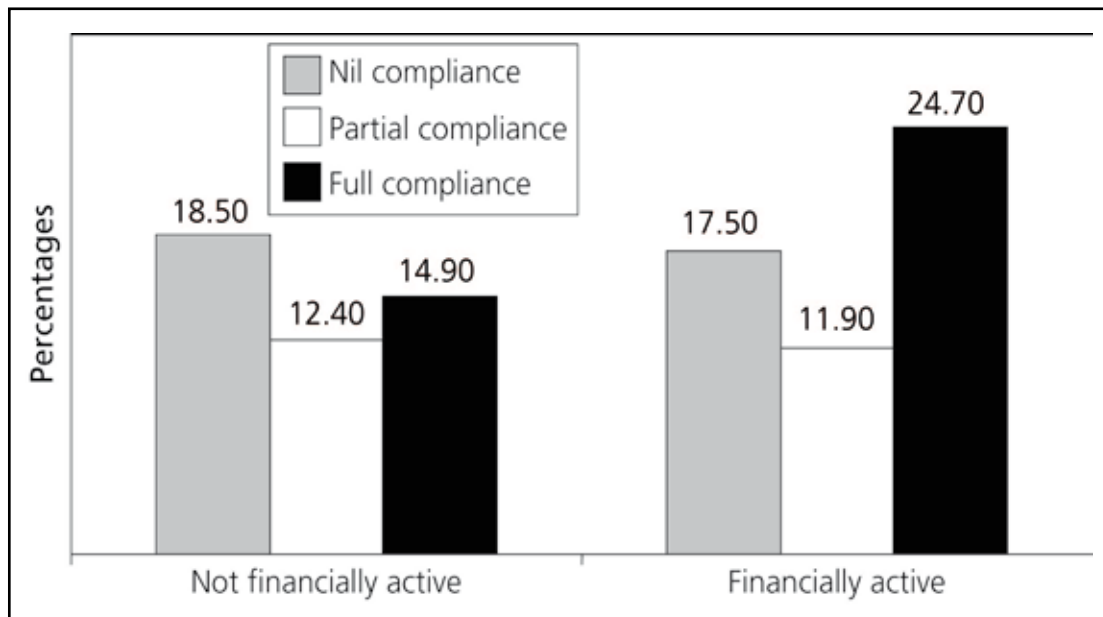
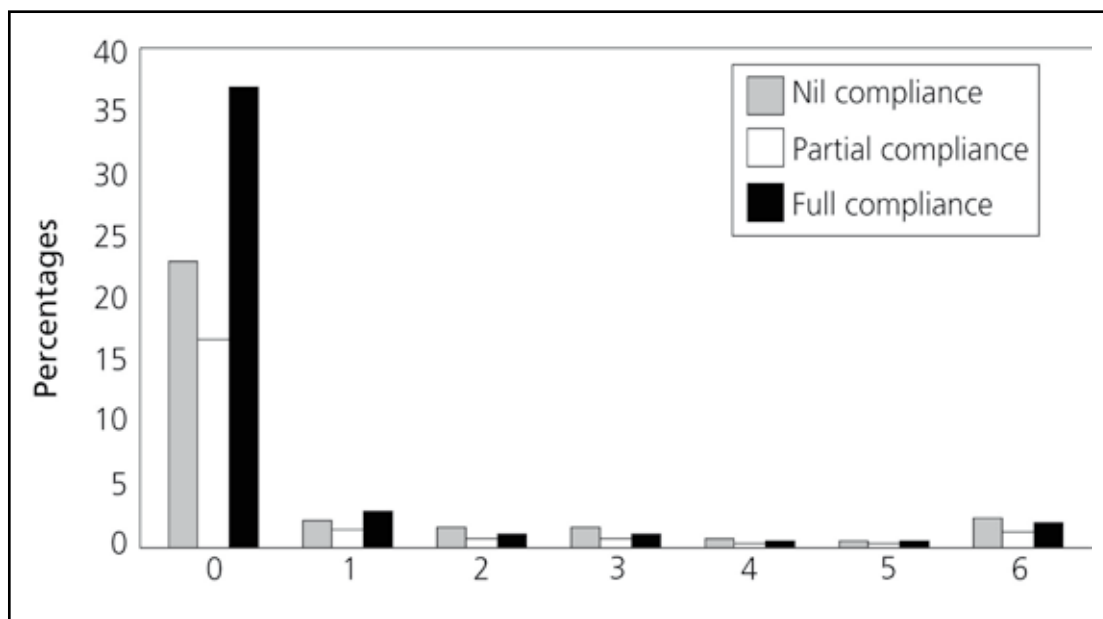
**Figure 3.1 Compliance and financial activity**

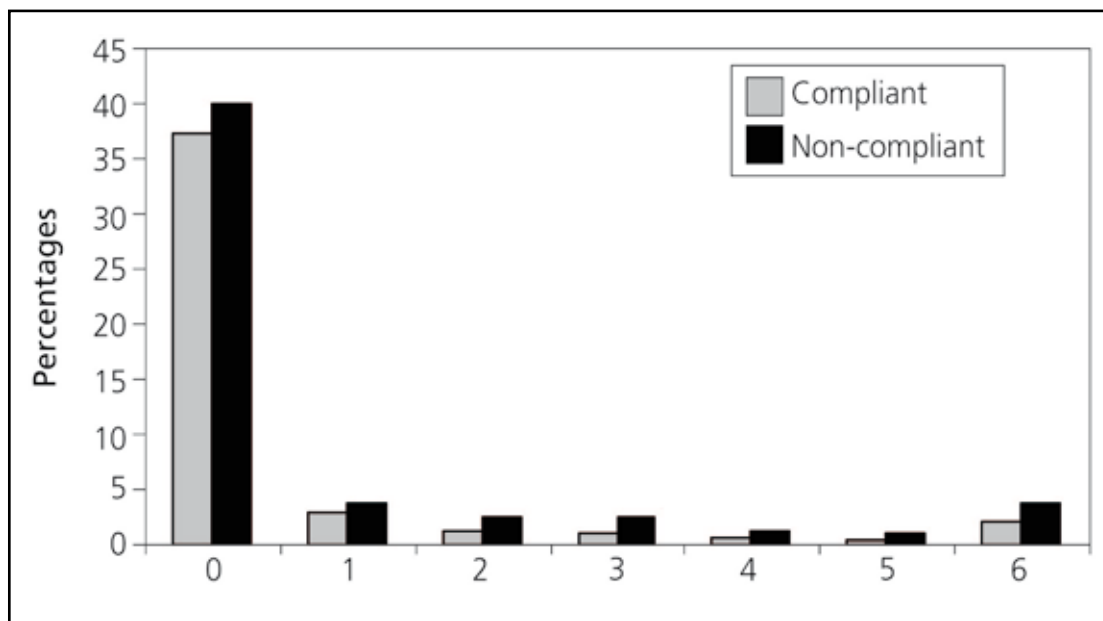
Figure 3.2 shows the number of defaults on a person's worst performing financial product<sup>10</sup>. As can be seen, a greater proportion of nil compliance customers have defaulted on other financial products than compliant groups.

**Figure 3.2 Compliance and levels of financial product defaults**

<sup>10</sup> This means out of the financial products a person has the product with the most number of defaults on it is shown.

If we then group nil and partial compliant customers together we see that non-compliant customers are more likely to default on financial products than compliant groups. After conducting a significance test we are content that this difference is statistically significantly different – meaning we can be sure that the difference has not occurred due to chance.

**Figure 3.3 Financial product defaults by compliance and non-compliance**



### 3.2 Arrears analysis

In the remaining analysis we examined the result for the whole population and then looked specifically at an arrears subgroup to identify any differences in observed behaviour.

The first stage was for Experian to audit the CS2 dataset, to ensure that the information for the analysis was applicable to that which a mainstream consumer finance organisation would apply in the development of a system to assess the personal situation of a (potential) customer. The data was considered to be robust, apart from some minor issues, and the quality was found to be of a good enough standard to enable and support robust analysis.

In order to seek the answers to our two broad questions, it was considered to be appropriate to conduct a straightforward univariate examination of the distribution of values within key Experian Credit Bureau variables, for example, the number of financial services products held.

### 3.3 Financially and not financially active

In order to examine the potential effects of C-MEC information registration, the representative sample was divided into two core components, NRPs who were found to be financially active<sup>11</sup> during the 12 months leading up to the assessment date to look at the potential effects of C-MEC non-compliance information, and those not financially active during the same period to look at the potential of positive account information.

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<sup>11</sup> Financially active was defined to be any financial activity logged against the NRP on the Experian Credit Bureau in the 12 months to the assessment date.

# 4 Financially active Child Support Agency customers

## 4.1 Key findings on active customers

At the date of assessment 58.5 per cent of the sample were found to be financially active. Approximately 70 per cent of this group of NRPs were aged between 22 and 40 years, which was an age profile similar to financial activity being recorded with Experian.

This group was therefore demonstrating a need or desire to operate a financial product<sup>12</sup>, with nearly 50 per cent operating two or more products<sup>13</sup> at the assessment date and 17 per cent of NRP's were experiencing financial pressures<sup>14</sup> on at least one of these products, at the assessment date.

This level of pressure was higher than we would have expected to see in comparison to a mainstream financial services cohort.

When we examined the group who were financially active and would move on to ultimately register arrears with the CSA, we found that just over 20 per cent were experiencing financial pressure at the assessment date.

We observed other key measures – including financial pressure being experienced by the NRPs in the six months to the assessment date; their total account holdings at the assessment date; and their desire for financial services products in the six months to the assessment date. There was no significant behaviour difference between the arrears subgroup and the group of financially active NRP's.

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<sup>12</sup> Based on the observed number of accounts held and/or enquiries made about the NRP to Experian by Financial Services organisations.

<sup>13</sup> See step 2 of the Analysis Schedule.

<sup>14</sup> In this case – two or more payments in arrears on at least one account.

When we examined the County Court Judgement (CCJ)<sup>15</sup> (including bankruptcies) levels at the outcome point there was a dramatic shift from ten per cent at the assessment date to 17 per cent at the outcome date in the group as a whole. This indicated that in the intervening period the NRP financially active group had experienced significant pressures which had resulted in successful court action.

When examining the levels of CCJs there was no marked difference at the assessment date between those who go on to register arrears and the whole financially active group.

CCJ information is widely used by financial services organisations in the assessment of the individual. Whilst it is a negative piece of information and can harm the application, organisations will tend to consider all of the available information when making decisions.

For example, a CCJ lodged during a personal dispute with a builder does not necessarily mean that the individual is a poor credit risk. In addition there can be situations where a CCJ is lodged against an individual without the knowledge of the individual, therefore not giving them the chance to query or address the situation.

Examining financial pressure being experienced by the NRPs at the outcome date and in the six months to the outcome date, their total account holdings at the outcome date and their desire for financial services products in the six months to the outcome date showed no significant difference between the group who go on to register arrears and the rest of the group.

When comparing the profiles of the total group at the assessment date and the outcome date, whilst there was a small decline in the total number of accounts held at the outcome point there was no dramatic shift in behaviours being observed in the data. This was consistent with the increase of CCJ information present within the group at the outcome point

Therefore, those NRPs who had arrears registered with the CSA were conducting their affairs in a very similar manner to those who did not have arrears registered. The arrears status with the CSA did not appear to have significantly affected their behaviour.

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<sup>15</sup> A CCJ is the successful result of a civil action brought by a creditor, in a County Court, against a debtor. The County Court has adjudged that the monies are legally due, enabling the creditor to use various remedies (such as bailiffs) if so required. The CCJ is publicly available information and is usually stored electronically by CRAs.

Applying a 'classic risk definition'<sup>16</sup> to the financially active group, over 87 per cent of the group as a whole (51 per cent of the total sample) would have been assessed as 'good risk' or 'moderate risk'. It is entirely possible that C-MEC arrears registered against these individuals and then considered by financial service providers would affect this status and ultimately affect access to the best 'deals' or indeed products as a whole.

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<sup>16</sup> A set of criteria used by a financial services provider to develop business policy which can predict the likelihood of a satisfactory relationship (new or ongoing) with the individual.



# 5 Non-financially active Child Support Agency customers

## 5.1 Key findings on non-financially active customers

Individuals who, at the assessment date, were not financially active and remain inactive, are unlikely to be affected by arrears information filing by the C-MEC. Those individuals who were not found to be financially active at the assessment date exhibit a CSA arrears rate of 18 per cent, seven percentage points lower than the 25 per cent arrears rate of those who were active at the assessment date.

In the six months leading up to the assessment date, just over ten per cent of this group expressed a desire or enquired about a financial services product (financial hunger)<sup>17</sup> in comparison to a near 50 per cent observed in the financially active group.

Whilst this demonstrated that the financially active and non-active groups are different when monitoring the levels of financial hunger, we observed that significant differences within the not active group – when comparing those with child maintenance arrears and those without – do not exist.

Within the group of NRPs who were not financially active at the assessment date there was no significant difference between those with and without arrears, in their desire for a financial services product, in the six months leading up to the assessment date.<sup>18</sup>

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<sup>17</sup> Measured by observing the number of enquiries made about the individual by financial services organisations with Experian in the previous six months (either to the assessment date or the outcome date).

<sup>18</sup> See Step 5 of the Analysis Schedule.

However, for the not active group, the outcome point was of more importance, as this allowed the examination of their appetite or need for a financial services product, their success in obtaining such a product and allowed the quantification of how many individuals may be assisted by the registering of positive payment information by the C-MEC.

There is a group of individuals who demonstrated financial hunger in the six months to the outcome period, this was 20 per cent of the not active group, and the majority of these NRPs went on to obtain a financial account. Therefore, this group became subject to the potential benefits of positive information registration and negative information registration.

Interestingly, there was a group of NRPs who were not noted as financially active at the assessment date did not demonstrate any financial hunger in the six months to the outcome date, but who obtained at least one account in the intervening period. The financial services products owned by individuals in this group were being operated in an exemplary manner when we observed account delinquency rates.<sup>19</sup>

Within the not active group, and representing 26 per cent of the total sample (62.5 per cent of the not active group), are a cohort of NRPs who demonstrated no financial hunger in the six months to the outcome point and had no financial products logged at the outcome point. This group would have neither benefited from positive account performance information nor indeed suffered from negative account performance information being registered.

However, this does mean that 74 per cent of the total sample would potentially have had their status affected in either a positive or behaviour modification manner via CSA information registration and use, via a CRA. Table 5.1, presents the total sample and how components may be affected.

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<sup>19</sup> See Step 8 of the Analysis Schedule.

**Table 5.1 Analysis overview**

<p>THE CSA CS2 SAMPLE</p> <p>60,130 records</p> <p>Step 1 of the Analysis Schedule describes the division of the sample into <b>financially active</b> and <b>not financially active</b>.</p> <p><i>All percentages displayed relate to the total records in the sample unless otherwise noted.</i></p> <p><i>Of the selected random sample 21.8 per cent have arrears registered on the CS2 system.</i></p>	<p>Recent financial activity at the assessment date – <b>financially active</b>.</p> <p>35,173 records (58.5 per cent). 8,662 (14.4 per cent) have arrears registered.</p> <p>25 per cent child maintenance arrears rate.</p> <p>Steps 2 and 3 of the Analysis Schedule describe the behaviour profile of this subgroup at the assessment date and the outcome date.</p>	<p><i>Applying an industry standard financial services risk classification which divides the sample into high, medium and low risk individuals based upon their conduct of financial accounts held.</i></p> <p>Step 4 of the Analysis Schedule describes the overlay of the risk classification.</p>	<p>Good/Low risk – 29,057 (48.3 per cent). (6,766 – 23 per cent of this subgroup have child maintenance arrears). This group most affected by negative data submissions.</p> <p>Moderate risk – 1,638 (2.7 per cent). This group affected by positive and negative data submissions.</p> <p>Poor/high risk – 4,478 (7.4 per cent). (1,415 – 32 per cent of this subgroup have child maintenance arrears). Data submissions would probably be of limited effect for this group.</p>
<p>No recent financial activity at the assessment date – <b>not financially active</b>.</p> <p>24,957 records (41.5 per cent). 4,435 (7.4 per cent) have arrears registered.</p> <p>18 per cent child maintenance arrears rate.</p> <p>Steps 5 and 6 of the Analysis Schedule describe the overlay of the credit hunger measure.</p>	<p>Individuals demonstrating financial hunger in the six months to the outcome date.</p> <p>5,095 (8.5 per cent).</p> <p>Step 7 of the Analysis Schedule describes the behaviour profile of this subgroup.</p> <p>No demonstration of financial hunger in the six months to the outcome date.</p> <p>19,862 (33.0 per cent).</p> <p>Step 8 of the Analysis Schedule describes the behaviour profile of this subgroup.</p>	<p>Individuals who obtained a financial account.</p> <p>3,473 (5.8 per cent).</p> <p>This group affected by positive and negative data submissions.</p> <p>Individuals who did not obtain a financial account.</p> <p>1,622 (2.7 per cent).</p> <p>This group affected by positive and negative data submissions.</p> <p>Individuals who had obtained an account six months prior to the outcome.</p> <p>4,266 (7.1 per cent).</p> <p>This group affected by positive and negative data submissions.</p> <p>Individuals with no account registered.</p> <p>5,596 (26.0 per cent).</p> <p>Data submissions would probably be of limited effect for this group.</p>	



# Appendix

## Technical results

### Analysis Schedule: Step 1

#### Financial activity at assessment date

In order to examine the two specific project rationale the assessment sample was broken down into two components, those financially active (according to Experian Information Solutions) and those who were not.

Financial activity at assessment date	35,173 records (58.5 per cent of the sample)
No financial activity at assessment date	24,957 records (41.5 per cent of the sample)

Financial activity was within the previous 12 months to assessment date.

**Table A.1 The age profile of the sample**

Age of NRP	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
00-21	4,229	7.03	4,229	7.03
22-30	18,000	29.94	22,229	36.97
31-40	24,220	40.28	46,449	77.25
41-50	11,678	19.42	58,127	96.67
51-60	1,776	2.95	59,903	99.62
61+	227	0.38	60,130	100

As can be seen from the above figures nearly 60 per cent of the sample was deemed financially active at the assessment date according to Experian Information Solutions data assets. This set of individuals represented those NRPs who could potentially be affected by the logging of data relating to non-payment of child maintenance.

Those with no financial activity but with a known credit hunger, might benefit by C-MEC data contribution adding to the building of a 'personal financial identity' which can be drawn upon when the NRP seeks consumer finance products.

In addition to this split in the file, a further overlay was applied. This overlay was derived from the CSA CS2 system and indicated arrears against the NRP.

Of those 35,173 records which were financially active at assessment date, 8,662 (24.63 per cent) had arrears registered.

Of those 24,957 records which were not financially active at assessment date, 4,435 (17.77 per cent) had arrears registered.

## Analysis Schedule: Step 2

### **Profile of active NRP individuals at the assessment date (35,173 records eligible for analysis)**

In order to understand these NRP individuals in more detail, they were profiled utilising Experian data assets. First the age profile of financially active NRPs at assessment date.

**Table A.2 Age profile of financially active NRPs**

Age of NRP	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
00-21	1,682	4.78	1,682	4.78
22-30	9,228	26.24	10,910	31.02
31-40	15,088	42.9	25,998	73.91
41-50	7,897	22.45	33,895	96.37
51-60	1,135	3.23	35,030	99.59
61+	143	0.41	35,173	100

### **CCJ and bankruptcy information**

Observing the profile of derogatory public information we could see that just over ten per cent of NRPs had these records attributable to them at the date of assessment. This percentage is higher than would be expected in a 'mainstream credit' application sample.

We also observed that about three per cent possessed multiple derogatory public information entries.

## Count of number of individual judgements registered in the past six years

**Table A.3 Total number public information (CCJs and bankruptcies) – total group**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	31,617	89.89	31,617	89.89
1	2,440	6.94	34,057	96.83
2	758	2.16	34,815	98.98
3	214	0.61	35,029	99.59
4	87	0.25	35,116	99.84
5	34	0.1	35,150	99.93
6	13	0.04	35,163	99.97
7	5	0.01	35,168	99.99
8	3	0.01	35,171	99.99
9	2	0.01	35,173	100

### Notes

Note that 'counts' are 'capped' at 9 - unless otherwise noted, i.e. a value of ten or more is added into the 9 count.

Note that some counts return a special value of '-1' – which in this analysis is equivalent to a '0' (zero) value.

**Table A.4 Total number public information (CCJs and bankruptcies) – arrears subgroup**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	7,706	88.96	7,706	88.96
1	634	7.32	8,340	96.28
2	223	2.57	8,563	98.86
3	63	0.73	8,626	99.58
4	22	0.25	8,648	99.84
5	8	0.09	8,656	99.93
6	4	0.05	8,660	99.98
7	2	0.02	8,662	100

### Notes

Note that 'counts' are 'capped' at 9 - unless otherwise noted, i.e. a value of ten or more is added into the 9 count.

Note that some counts return a special value of '-1' – which in this analysis is equivalent to a '0' (zero) value.

### Worst payment status of products (in the six months to assessment date)

This was further reflected when looking at the performance of accounts operated by NRPs in the six months to the assessment date, where significant numbers of individuals had recorded delinquent performance behaviour.

**Table A.5 Worst payment status L6M – total group**

Status	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	15,023	42.71	15,023	42.71
1	5,104	14.51	20,127	57.22
2	2,092	5.95	22,219	63.17
3	1,391	3.95	23,610	67.13
4	746	2.12	24,356	69.25
5	515	1.46	24,871	70.71
6	1,295	3.68	26,166	74.39
N	3,148	8.95	29,314	83.34
U	5,859	16.66	35,173	100

#### Status code Description

U	Unclassified – The member is unable to make any statement, whether positive or adverse, on the performance of this account for the period in question. A 'U' may be used for the first period of the life of an account when the first payment is yet to be made.
N	Person not found.
0	In advance, up-to-date or less than one payment due but unpaid (or were due and unpaid when settled).
1	More than one but less than two payments due but unpaid (or were due and unpaid when settled).
2	More than two but less than three payments due but unpaid (or were due and unpaid when settled).
3	More than three but less than four payments due but unpaid (or were due and unpaid when settled).
4	More than four but less than five payments due but unpaid (or were due and unpaid when settled).
5	More than five but less than six payments due but unpaid (or were due and unpaid when settled).
6	Six or more payments due but unpaid or (or due and unpaid when settled).

**Table A.6 Worst payment status L6M – arrears subgroup**

Status	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	3,558	41.08	3,558	41.08
1	1,359	15.69	4,917	56.77
2	598	6.9	5,515	63.67
3	427	4.93	5,942	68.6
4	220	2.54	6,162	71.14
5	131	1.51	6,293	72.65
6	364	4.2	6,657	76.85
N	631	7.28	7,288	84.14
U	1,374	15.86	8,662	100

**Status code Description**

U	Unclassified – The member is unable to make any statement, whether positive or adverse, on the performance of this account for the period in question. A 'U' may be used for the first period of the life of an account when the first payment is yet to be made.
N	Person not found.
0	In advance, up-to-date or less than one payment due but unpaid (or were due and unpaid when settled).
1	More than one but less than two payments due but unpaid (or were due and unpaid when settled).
2	More than two but less than three payments due but unpaid (or were due and unpaid when settled).
3	More than three but less than four payments due but unpaid (or were due and unpaid when settled).
4	More than four but less than five payments due but unpaid (or were due and unpaid when settled).
5	More than five but less than six payments due but unpaid (or were due and unpaid when settled).
6	Six or more payments due but unpaid or (or due and unpaid when settled).

**Worst payment status of products at assessment date**

However, when we looked at the worst 'current' status of accounts operated by the NRPs at the assessment date, we noted that there was a demonstrable ability to bring accounts back into order (or better order), be this prompted by the lender or self-cured by the NRP.

**Table A.7 Worst current status of all accounts at assessment date – total group**

Status	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	21,612	61.44	21,612	61.44
1	2,645	7.52	24,257	68.96
2	1,232	3.5	25,489	72.47
3	1,016	2.89	26,505	75.36
4	536	1.52	27,041	76.88
5	427	1.21	27,468	78.09
6	1,115	3.17	28,583	81.26
N	3,148	8.95	31,731	90.21
U	3,442	9.79	35,173	100

**Status code Description**

U	Unclassified – The member is unable to make any statement, whether positive or adverse, on the performance of this account for the period in question. A 'U' may be used for the first period of the life of an account when the first payment is yet to be made.
N	Person not found.
0	In advance, up-to-date or less than one payment due but unpaid (or were due and unpaid when settled).
1	More than one but less than two payments due but unpaid (or were due and unpaid when settled).
2	More than two but less than three payments due but unpaid (or were due and unpaid when settled).
3	More than three but less than four payments due but unpaid (or were due and unpaid when settled).
4	More than four but less than five payments due but unpaid (or were due and unpaid when settled).
5	More than five but less than six payments due but unpaid (or were due and unpaid when settled).
6	Six or more payments due but unpaid or (or due and unpaid when settled).

**Table A.8 Worst current status of all accounts at assessment date – arrears subgroup**

Status	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	5,258	60.7	5,258	60.7
1	739	8.53	5,997	69.23
2	358	4.13	6,355	73.37
3	302	3.49	6,657	76.85
4	160	1.85	6,817	78.7
5	104	1.2	6,921	79.9
6	301	3.47	7,222	83.38
N	631	7.28	7,853	90.66
U	809	9.34	8,662	100

**Status code Description**

U	Unclassified – The member is unable to make any statement, whether positive or adverse, on the performance of this account for the period in question. A 'U' may be used for the first period of the life of an account when the first payment is yet to be made.
N	Person not found.
0	In advance, up-to-date or less than one payment due but unpaid (or were due and unpaid when settled).
1	More than one but less than two payments due but unpaid (or were due and unpaid when settled).
2	More than two but less than three payments due but unpaid (or were due and unpaid when settled).
3	More than three but less than four payments due but unpaid (or were due and unpaid when settled).
4	More than four but less than five payments due but unpaid (or were due and unpaid when settled).
5	More than five but less than six payments due but unpaid (or were due and unpaid when settled).
6	Six or more payments due but unpaid or (or due and unpaid when settled).

**Total number of active accounts**

Where the NRPs were reported as possessing active accounts, the majority had more than one active account at the assessment date, with about half of the NRPs demonstrating a desire to obtain (additional) financial services within the six months to assessment date.

**Table A.9 Total number of active accounts at assessment date – total group**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	3,148	8.95	3,148	8.95
1	9,409	26.75	12,557	35.7
2	6,446	18.33	19,003	54.03
3	4,681	13.31	23,684	67.34
4	3,469	9.86	27,153	77.2
5	2,429	6.91	29,582	84.1
6	1,820	5.17	31,402	89.28
7	1,208	3.43	32,610	92.71
8	823	2.34	33,433	95.05
9	1,740	4.95	35,173	100

**Table A.10 Total number of active accounts at assessment date – arrears subgroup**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	631	7.28	631	7.28
1	2,238	25.84	2,869	33.12
2	1,690	19.51	4,559	52.63
3	1,217	14.05	5,776	66.68
4	885	10.22	6,661	76.9
5	645	7.45	7,306	84.35
6	459	5.3	7,765	89.64
7	289	3.34	8,054	92.98
8	200	2.31	8,254	95.29
9	408	4.71	8,662	100

**Activity in the six months to assessment date**

This measured 'credit hunger'/'credit desire' in the six months before the assessment date.

As noted previously, where the NRPs were reported as possessing active accounts, the majority have more than one active account at the assessment date, with about half of the NRPs demonstrating a desire to obtain (additional) financial services within the six months to assessment date.

**Table A.11 Previous searches – total number L6M – total group**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	18,761	53.34	18,761	53.34
1	7,889	22.43	26,650	75.77
2	3,814	10.84	30,464	86.61
3	1,896	5.39	32,360	92
4	1,041	2.96	33,401	94.96
5	613	1.74	34,014	96.7
6	357	1.01	34,371	97.72
7	273	0.78	34,644	98.5
8	167	0.47	34,811	98.97
9	362	1.03	35,173	100

**Table A.12 Previous searches – total number L6M – arrears subgroup**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	4,443	51.29	4,443	51.29
1	1,950	22.51	6,393	73.81
2	953	11	7,346	84.81
3	520	6	7,866	90.81
4	289	3.34	8,155	94.15
5	181	2.09	8,336	96.24
6	107	1.24	8,443	97.47
7	69	0.8	8,512	98.27
8	56	0.65	8,568	98.91
9	94	1.09	8,662	100

### Analysis Schedule: Step 3

#### **Profile of the active NRPs at assessment date – at the outcome point**

This step looked at the profile of the active NRPs at the outcome point, to investigate if there had been a particular shift in behaviour since the assessment date.

There had been a marked deterioration in the levels of derogatory public information which had been registered. The deterioration itself was not particularly regarded as a surprise given the prevailing circumstances for the NRP at the assessment date, however the shift from ten per cent to 17 per cent was significant and the magnitude a little surprising. The arrears subgroup had slightly more CCJs registered than the total group.

### CCJ and bankruptcy information at the outcome point

**Table A.13 Total number public information (CCJs and bankruptcies) – total group**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	29,264	83.2	29,264	83.2
1	3,786	10.76	33,050	93.96
2	1,376	3.91	34,426	97.88
3	445	1.27	34,871	99.14
4	172	0.49	35,043	99.63
5	70	0.2	35,113	99.83
6	26	0.07	35,139	99.9
7	17	0.05	35,156	99.95
8	8	0.02	35,164	99.97
9	9	0.03	35,173	100

**Table A.14 Total number public information (CCJs and bankruptcies) – arrears subgroup**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	6,940	80.12	6,940	80.12
1	1,082	12.49	8,022	92.61
2	396	4.57	8,418	97.18
3	154	1.78	8,572	98.96
4	54	0.62	8,626	99.58
5	21	0.24	8,647	99.83
6	5	0.06	8,652	99.88
7	7	0.08	8,659	99.97
9	3	0.03	8,662	100

However, and very interestingly, in contrast to the performance of the NRPs against the public information, the performance (or status) of active financial relationships for this group remained stable in comparison to the assessment date. The general position of both active accounts in the six months to the outcome period was largely consistent with the manner in which accounts were conducted in the six months leading up to the assessment date.

Given the level of increase in the public sector derogatory information recorded for this group (above), one might have assumed that the conduct of active accounts would also suffer, however, this was not the case.

### Worst payment status of products (in the six months to the outcome date)

**Table A.15 Worst payment status L6M – total group**

Status	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	14,718	41.84	14,718	41.84
1	4,152	11.8	18,870	53.65
2	1,638	4.66	20,508	58.31
3	1,223	3.48	21,731	61.78
4	780	2.22	22,511	64
5	528	1.5	23,039	65.5
6	1,947	5.54	24,986	71.04
N	3,564	10.13	28,550	81.17
U	6,623	18.83	35,173	100

#### Status code Description

U	Unclassified – The member is unable to make any statement, whether positive or adverse, on the performance of this account for the period in question. A 'U' may be used for the first period of the life of an account when the first payment is yet to be made.
N	Person not found.
0	In advance, up-to-date or less than one payment due but unpaid (or were due and unpaid when settled).
1	More than one but less than two payments due but unpaid (or were due and unpaid when settled).
2	More than two but less than three payments due but unpaid (or were due and unpaid when settled).
3	More than three but less than four payments due but unpaid (or were due and unpaid when settled).
4	More than four but less than five payments due but unpaid (or were due and unpaid when settled).
5	More than five but less than six payments due but unpaid (or were due and unpaid when settled).
6	Six or more payments due but unpaid or (or due and unpaid when settled).

**Table A.16 Worst payment status L6M – arrears subgroup**

Status	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	3,420	39.48	3,420	39.48
1	1,132	13.07	4,552	52.55
2	481	5.55	5,033	58.1
3	378	4.36	5,411	62.47
4	242	2.79	5,653	65.26
5	169	1.95	5,822	67.21
6	626	7.23	6,448	74.44
N	710	8.2	7,158	82.64
U	1,504	17.36	8,662	100

**Status code Description**

U	Unclassified – The member is unable to make any statement, whether positive or adverse, on the performance of this account for the period in question. A 'U' may be used for the first period of the life of an account when the first payment is yet to be made.
N	Person not found.
0	In advance, up-to-date or less than one payment due but unpaid (or were due and unpaid when settled).
1	More than one but less than two payments due but unpaid (or were due and unpaid when settled).
2	More than two but less than three payments due but unpaid (or were due and unpaid when settled).
3	More than three but less than four payments due but unpaid (or were due and unpaid when settled).
4	More than four but less than five payments due but unpaid (or were due and unpaid when settled).
5	More than five but less than six payments due but unpaid (or were due and unpaid when settled).
6	Six or more payments due but unpaid or (or due and unpaid when settled).

This same consistency in account conduct was observed in the month prior to the outcome.

Note that the same pattern of cure was demonstrated at the observation point as with the assessment date. As a single month measure, this statistic can be subject to some volatility, but none was demonstrated here. Financially active NRPs (at the date of assessment) were, as a group, more likely to exhibit delinquency on consumer finance products.

## Worst payment status of products at the outcome date

**Table A.17 Worst current status of all accounts at outcome date – total group**

Status	Frequency count	Per cent of total frequency	Cumulative count	Cumulative percentage
0	20,516	58.33	20,516	58.33
1	2,069	5.88	22,585	64.21
2	1,005	2.86	23,590	67.07
3	874	2.48	24,464	69.55
4	557	1.58	25,021	71.14
5	423	1.2	25,444	72.34
6	1,793	5.1	27,237	77.44
N	3,564	10.13	30,801	87.57
U	4,372	12.43	35,173	100

Status code Description

U	Unclassified – The member is unable to make any statement, whether positive or adverse on the performance of this account for the period in question. A 'U' may be used for the first period of the life of an account when the first payment is yet to be made.
N	Person not found
0	In advance, up-to-date or less than one payment due but unpaid (or were due and unpaid when settled).
1	More than one but less than two payments due but unpaid (or were due and unpaid when settled).
2	More than two but less than three payments due but unpaid (or were due and unpaid when settled).
3	More than three but less than four payments due but unpaid (or were due and unpaid when settled).
4	More than four but less than five payments due but unpaid (or were due and unpaid when settled).
5	More than five but less than six payments due but unpaid (or were due and unpaid when settled).
6	Six or more payments due but unpaid or (or due and unpaid when settled).

**Table A.18 Worst current status of all accounts at outcome date – arrears subgroup**

Status	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	4,868	56.2	4,868	56.2
1	584	6.74	5,452	62.94
2	310	3.58	5,762	66.52
3	289	3.34	6,051	69.86
4	174	2.01	6,225	71.87
5	136	1.57	6,361	73.44
6	572	6.6	6,933	80.04
N	710	8.2	7,643	88.24
U	1,019	11.76	8,662	100

**Status code Description**

U	Unclassified – The member is unable to make any statement, whether positive or adverse, on the performance of this account for the period in question. A 'U' may be used for the first period of the life of an account when the first payment is yet to be made.
N	Person not found.
0	In advance, up-to-date or less than one payment due but unpaid (or were due and unpaid when settled).
1	More than one but less than two payments due but unpaid (or were due and unpaid when settled).
2	More than two but less than three payments due but unpaid (or were due and unpaid when settled).
3	More than three but less than four payments due but unpaid (or were due and unpaid when settled).
4	More than four but less than five payments due but unpaid (or were due and unpaid when settled).
5	More than five but less than six payments due but unpaid (or were due and unpaid when settled).
6	Six or more payments due but unpaid or (or due and unpaid when settled).

### Total number of active accounts at outcome date

There was a slight decline in the total number of accounts held which was in line with the increase in public derogatory data.

**Table A.19 Total number of active accounts at outcome date – total group**

Status	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	3,564	10.13	3,564	10.13
1	6,107	17.36	9,671	27.5
2	5,459	15.52	15,130	43.02
3	4,664	13.26	19,794	56.28
4	3,849	10.94	23,643	67.22
5	3,157	8.98	26,800	76.19
6	2,440	6.94	29,240	83.13
7	1,815	5.16	31,055	88.29
8	1,297	3.69	32,352	91.98
9	2,821	8.02	35,173	100

#### Status code Description

0	In advance, up-to-date or less than one payment due but unpaid (or were due and unpaid when settled).
1	More than one but less than two payments due but unpaid (or were due and unpaid when settled).
2	More than two but less than three payments due but unpaid (or were due and unpaid when settled).
3	More than three but less than four payments due but unpaid (or were due and unpaid when settled).
4	More than four but less than five payments due but unpaid (or were due and unpaid when settled).
5	More than five but less than six payments due but unpaid (or were due and unpaid when settled).
6	Six or more payments due but unpaid or (or due and unpaid when settled).
8	Defaulted balance – At the date of default the customer had failed to meet the contractual obligations and had failed to satisfactorily respond to requests that the account be put into order. As best practice, defaults should not normally be filed where the debt is less than three consecutive months in arrears. Accounts where payments have not been received for six months should normally be filed as being in default.

**Table A.20 Total number of active accounts at outcome date – arrears subgroup**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	710	8.2	710	8.2
1	1,411	16.29	2,121	24.49
2	1,452	16.76	3,573	41.25
3	1,228	14.18	4,801	55.43
4	999	11.53	5,800	66.96
5	852	9.84	6,652	76.8
6	623	7.19	7,275	83.99
7	447	5.16	7,722	89.15
8	293	3.38	8,015	92.53
9	647	7.47	8,662	100

**Status code Description**

0	In advance, up-to-date or less than one payment due but unpaid (or were due and unpaid when settled).
1	More than one but less than two payments due but unpaid (or were due and unpaid when settled).
2	More than two but less than three payments due but unpaid (or were due and unpaid when settled).
3	More than three but less than four payments due but unpaid (or were due and unpaid when settled).
4	More than four but less than five payments due but unpaid (or were due and unpaid when settled).
5	More than five but less than six payments due but unpaid (or were due and unpaid when settled).
6	Six or more payments due but unpaid or (or due and unpaid when settled).
8	Defaulted balance – At the date of default the customer had failed to meet the contractual obligations and had failed to satisfactorily respond to requests that the account be put into order. As best practice, defaults should not normally be filed where the debt is less than three consecutive months in arrears. Accounts where payments have not been received for six months should normally be filed as being in default.

**Activity in the six months to outcome date**

There was a consistently eager desire for credit products in the six months to outcome when compared directly to the six months to the assessment date, with about half NRPs enquiring about consumer finance products.

**Table A.21 Previous searches – total number L6M – total group**

<b>Count</b>	<b>Frequency count</b>	<b>Percentage of total frequency</b>	<b>Cumulative count</b>	<b>Cumulative percentage</b>
0	19,151	54.45	19,151	54.45
1	7,814	22.22	26,965	76.66
2	3,747	10.65	30,712	87.32
3	1,855	5.27	32,567	92.59
4	989	2.81	33,556	95.4
5	607	1.73	34,163	97.13
6	322	0.92	34,485	98.04
7	184	0.52	34,669	98.57
8	147	0.42	34,816	98.99
9	357	1.01	35,173	100

**Table A.22 Previous searches – total number L6M – arrears subgroup**

<b>Count</b>	<b>Frequency count</b>	<b>Percentage of total frequency</b>	<b>Cumulative count</b>	<b>Cumulative percentage</b>
0	4,464	51.54	4,464	51.54
1	1,954	22.56	6,418	74.09
2	957	11.05	7,375	85.14
3	490	5.66	7,865	90.8
4	301	3.47	8,166	94.27
5	179	2.07	8,345	96.34
6	102	1.18	8,447	97.52
7	56	0.65	8,503	98.16
8	44	0.51	8,547	98.67
9	115	1.33	8,662	100

## Analysis Schedule: Step 4

### **Application of a 'classic' performance definition, at the outcome point**

A 'classic' performance definition, typically used by mainstream lenders, was now applied to the account conduct of the financially active NRPs at the outcome point.

Accounts a service provider would generally classify as 'good (low) risk'	29,057 records (82.61 per cent)
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Accounts a service provider would generally classify as 'moderate risk'	1,638 records (4.66 per cent)
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Accounts a service provider would generally classify as 'poor (high) risk'	4,478 records (12.73 per cent)
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This definition was applied using the financial performance of active accounts. The definition did not take into account derogatory public information, even so nearly 13 per cent were identified as being generally perceived as a poor risk.

Looking at the profile of derogatory public information showed that those NRPs rated as performing 'well' with their financial products still had a significant (near 15 per cent) derogatory public information profile.

This was higher than we would have expected in a general population. But this statistic was indicative that these individuals were mindful, and capable, of keeping their financial services products in good order. Therefore, being able to ensure continued access to these services.

In contrast, where financially active NRPs were rated high risk due to the performance of their accounts, the penetration rate of public sector derogatory data was a staggering 30 per cent. These individuals, with poor public and financial data would experience extreme difficulty in obtaining mainstream credit, and potential difficulty in obtaining specialist financial products, and perhaps even debt consolidation products, and they would certainly expect unfavourable terms on any product that is offered.

## CCJ and bankruptcy information

*Profile of those rated as a 'good risk' by lenders*

**Table A.23 Total number public information (CCJs and bankruptcies)**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	24,811	85.39	24,811	85.39
1	2,741	9.43	27,552	94.82
2	999	3.44	28,551	98.26
3	318	1.09	28,869	99.35
4	108	0.37	28,977	99.72
5	44	0.15	29,021	99.88
6	16	0.06	29,037	99.93
7	10	0.03	29,047	99.97
8	5	0.02	29,052	99.98
9	5	0.02	29,057	100

*Profile of those rated as a 'high risk' by lenders*

**Table A.24 Total number public information (CCJs and bankruptcies)**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	3,136	70.03	3,136	70.03
1	827	18.47	3,963	88.5
2	311	6.95	4,274	95.44
3	106	2.37	4,380	97.81
4	56	1.25	4,436	99.06
5	21	0.47	4,457	99.53
6	8	0.18	4,465	99.71
7	6	0.13	4,471	99.84
8	3	0.07	4,474	99.91
9	4	0.09	4,478	100

## Activity in the six months to outcome date

Mindful of the profile of the high risk group, there was no less credit hunger in this group. The application activity in the six months to outcome was comparable to both the whole group and the good risk group NRPs at outcome.

*Profile of those rated as a 'good risk' by lenders*

**Table A.25 Previous searches – total number L6M**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	16,196	55.74	16,196	55.74
1	6,507	22.39	22,703	78.13
2	3,003	10.33	25,706	88.47
3	1,481	5.1	27,187	93.56
4	741	2.55	27,928	96.11
5	469	1.61	28,397	97.73
6	231	0.79	28,628	98.52
7	117	0.4	28,745	98.93
8	91	0.31	28,836	99.24
9	221	0.76	29,057	100

*Profile of those rated as a 'high/poor risk' by lenders*

**Table A.26 Previous searches – total number L6M**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	2,276	50.83	2,276	50.83
1	913	20.39	3,189	71.21
2	523	11.68	3,712	82.89
3	263	5.87	3,975	88.77
4	172	3.84	4,147	92.61
5	97	2.17	4,244	94.77
6	62	1.38	4,306	96.16
7	43	0.96	4,349	97.12
8	37	0.83	4,386	97.95
9	92	2.05	4,478	100

*Profile of those rated as a 'good risk' by lenders – subgroup child maintenance arrears*

No significant profile differences were exhibited between 'good' and 'high/poor risk' groups (Tables A.25 and A.26).

**Table A.27 Total number public information (CCJs and bankruptcies)**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	5,602	82.8	5,602	82.8
1	735	10.86	6,337	93.66
2	272	4.02	6,609	97.68
3	103	1.52	6,712	99.2
4	36	0.53	6,748	99.73
5	10	0.15	6,758	99.88
6	2	0.03	6,760	99.91
7	5	0.07	6,765	99.99
9	1	0.01	6,766	100

**Table A.28 Worst payment status L6M**

Status	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	3,420	50.55	3,420	50.55
1	1,132	16.73	4,552	67.28
N	710	10.49	5,262	77.77
U	1,504	22.23	6,766	100

**Status code Description**

U	Unclassified – The member is unable to make any statement, whether positive or adverse, on the performance of this account for the period in question. A 'U' may be used for the first period of the life of an account when the first payment is yet to be made.
N	Person not found.
0	In advance, up-to-date or less than one payment due but unpaid (or were due and unpaid when settled).
1	More than one but less than two payments due but unpaid (or were due and unpaid when settled).

*Profile of those rated as a 'good risk' by lenders – subgroup child maintenance arrears*

No significant profile differences were exhibited when comparing public and private status (Tables A.27 and A.28).

**Table A.29 For all active CAIS accounts – worst current status**

Status	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	4,660	68.87	4,660	68.87
1	440	6.5	5,100	75.38
N	710	10.49	5,810	85.87
U	956	14.13	6,766	100

**Status code Description**

U	Unclassified – The member is unable to make any statement, whether positive or adverse, on the performance of this account for the period in question. A 'U' may be used for the first period of the life of an account when the first payment is yet to be made.
N	Person not found.
0	In advance, up-to-date or less than one payment due but unpaid (or were due and unpaid when settled).
1	More than one but less than two payments due but unpaid (or were due and unpaid when settled).

**Table A.30 Total number of active accounts**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	710	10.49	710	10.49
1	1,209	17.87	1,919	28.36
2	1,104	16.32	3,023	44.68
3	911	13.46	3,934	58.14
4	725	10.72	4,659	68.86
5	639	9.44	5,298	78.3
6	436	6.44	5,734	84.75
7	344	5.08	6,078	89.83
8	223	3.3	6,301	93.13
9	465	6.87	6,766	100

*Profile of those rated as a 'high/poor risk' by lenders – subgroup child maintenance arrears*

Again no significant profile differences were exhibited when comparing CAIS and active accounts (Tables A.29 and A.30).

**Table A.31 Total number public information (CCJs and bankruptcies)**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	959	67.77	959	67.77
1	278	19.65	1,237	87.42
2	101	7.14	1,338	94.56
3	44	3.11	1,382	97.67
4	16	1.13	1,398	98.8
5	10	0.71	1,408	99.51
6	3	0.21	1,411	99.72
7	2	0.14	1,413	99.86
9	2	0.14	1,415	100

*Profile of those rated as a 'high/poor risk' by lenders – subgroup child maintenance arrears*

Again no significant profile differences were exhibited when compared to the equivalent table presented above in this section.

**Table A.32 Worst payment status L6M**

Status	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
3	378	26.71	378	26.71
4	242	17.1	620	43.82
5	169	11.94	789	55.76
6	626	44.24	1,415	100

Status code Description

- 3 More than three but less than four payments due but unpaid (or were due and unpaid when settled).
- 4 More than four but less than five payments due but unpaid (or were due and unpaid when settled).
- 5 More than five but less than six payments due but unpaid (or were due and unpaid when settled).
- 6 Six or more payments due but unpaid or (or due and unpaid when settled).

**Table A.33 Worst current payment status**

Status	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	99	7	99	7
1	58	4.1	157	11.1
2	58	4.1	215	15.19
3	289	20.42	504	35.62
4	174	12.3	678	47.92
5	136	9.61	814	57.53
6	572	40.42	1,386	97.95
U	29	2.05	1,415	100

**Status code Description**

U	Unclassified – The member is unable to make any statement, whether positive or adverse, on the performance of this account for the period in question. A 'U' may be used for the first period of the life of an account when the first payment is yet to be made.
0	In advance, up-to-date or less than one payment due but unpaid (or were due and unpaid when settled).
1	More than one but less than two payments due but unpaid (or were due and unpaid when settled).
2	More than two but less than three payments due but unpaid (or were due and unpaid when settled).
3	More than three but less than four payments due but unpaid (or were due and unpaid when settled).
4	More than four but less than five payments due but unpaid (or were due and unpaid when settled).
5	More than five but less than six payments due but unpaid (or were due and unpaid when settled).
6	Six or more payments due but unpaid or (or due and unpaid when settled).

*Profile of those rated as a 'high/poor risk' by lenders – subgroup child maintenance arrears*

No significant profile differences were exhibited when compared to the equivalent table presented above in this section.

**Table A.34 Total number of active accounts**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
1	159	11.24	159	11.24
2	279	19.72	438	30.95
3	232	16.4	670	47.35
4	210	14.84	880	62.19
5	159	11.24	1,039	73.43
6	134	9.47	1,173	82.9
7	71	5.02	1,244	87.92
8	53	3.75	1,297	91.66
9	118	8.34	1,415	100

**Table A.35 Previous searches – total number L6M**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	677	47.84	677	47.84
1	303	21.41	980	69.26
2	176	12.44	1,156	81.7
3	83	5.87	1,239	87.56
4	57	4.03	1,296	91.59
5	32	2.26	1,328	93.85
6	23	1.63	1,351	95.48
7	17	1.2	1,368	96.68
8	14	0.99	1,382	97.67
9	33	2.33	1,415	100

### Analysis Schedule: Step 5

#### **Credit hunger within the none financially active NRPs at the assessment date (24,957 records eligible for analysis)**

Just over ten per cent were demonstrating a need or interest for credit in the six months leading up to the assessment date and there was certainly an effect that it is easier to get credit products if the individual is already operating financial products.

It is certain that a positive payment record – potentially provided by C-MEC – would have assisted here.

It should also be noted that some of these individuals may have successfully opened credit policy some time after the assessment date (this measurement is not available to the analysis).

**Table A.36 Previous searches – total number L6M to assessment date**

Number of searches	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	22,357	89.58	22,357	89.58
1	1,705	6.83	24,062	96.41
2	481	1.93	24,543	98.34
3	203	0.81	24,746	99.15
4	96	0.38	24,842	99.54
5	43	0.17	24,885	99.71
6	24	0.1	24,909	99.81
7	15	0.06	24,924	99.87
8	10	0.04	24,934	99.91
9	23	0.09	24,957	100

Of the 2,600 NRPs detailed above demonstrating financial hunger at the assessment date, 1,094 were still exhibiting the same behaviour at the outcome date. The age profile was largely that of the group – however, there was a larger proportion of 22-30 year olds.

**Table A.37 Age profile of credit hungry financially active NRPs**

Age	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
00-21	2,547	10.21	2,547	10.21
22-30	8,772	35.15	11,319	45.35
31-40	9,132	36.59	20,451	81.94
41-50	3,781	15.15	24,232	97.1
51-60	641	2.57	24,873	99.66
61+	84	0.34	24,957	100

NRPs who went on to have arrears registered demonstrate no significant difference from the group as a whole.

**Table A.38 Previous searches – total number L6M to assessment data – subgroup arrears**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	3,904	88.03	3,904	88.03
1	321	7.24	4,225	95.26
2	111	2.5	4,336	97.77
3	45	1.01	4,381	98.78
4	19	0.43	4,400	99.21
5	14	0.32	4,414	99.53
6	4	0.09	4,418	99.62
7	8	0.18	4,426	99.8
8	3	0.07	4,429	99.86
9	6	0.14	4,435	100

## Analysis Schedule: Step 6

### Financial hunger within those records none active at assessment date (24,957 records eligible for analysis) at the 'outcome' date

41.5 per cent were not financially active (as recorded by Experian Information Solutions) at the assessment date.

Records demonstrating financial hunger in the six months to outcome point 5,095 (20.42 per cent)

Records demonstrating no financial hunger in the six months to the outcome point 19,862 (79.58 per cent)

Of those 24,957 records which were not financially active at assessment date, 4,435 (17.77 per cent) had arrears registered.

## Analysis Schedule: Step 7

### Profile of records demonstrating financial hunger in the six months to outcome point 5,095 (20.42 per cent)

Looking at those NRP individuals who did not exhibit financial activity in the 12 months prior to the assessment date but demonstrated credit hunger in the six months to the outcome date, we could see that approximately 70 per cent (of the 5,095) had an operational financial product.

Whilst the ten per cent public information rate as an absolute was high, in the context of the NRP group as a whole, this was normal and the accounts – where they were active – were being conducted well.

### Tbale A.39 Total number public information (CCJs and bankruptcies) – financial hunger to outcome point

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
-1	9	0.18	9	0.18
0	4,542	89.15	4,551	89.32
1	427	8.38	4,978	97.7
2	89	1.75	5,067	99.45
3	18	0.35	5,085	99.8
4	7	0.14	5,092	99.94
5	1	0.02	5,093	99.96
6	1	0.02	5,094	99.98
7	1	0.02	5,095	100

**Table A.40 Worst current status of all accounts – financial hunger to outcome point**

Status	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	2,336	45.85	2,336	45.85
1	229	4.49	2,565	50.34
2	133	2.61	2,698	52.95
3	126	2.47	2,824	55.43
4	61	1.2	2,885	56.62
5	41	0.8	2,926	57.43
6	70	1.37	2,996	58.8
N	1,604	31.48	4,600	90.28
T	9	0.18	4,609	90.46
U	486	9.54	5,095	100

**Status code Description**

U	Unclassified – The member is unable to make any statement, whether positive or adverse, on the performance of this account for the period in question. A 'U' may be used for the first period of the life of an account when the first payment is yet to be made.
T	Address not found.
N	Person not found.
0	In advance, up-to-date or less than one payment due but unpaid (or were due and unpaid when settled).
1	More than one but less than two payments due but unpaid (or were due and unpaid when settled).
2	More than two but less than three payments due but unpaid (or were due and unpaid when settled).
3	More than three but less than four payments due but unpaid (or were due and unpaid when settled).
4	More than four but less than five payments due but unpaid (or were due and unpaid when settled).
5	More than five but less than six payments due but unpaid (or were due and unpaid when settled).
6	Six or more payments due but unpaid or (or due and unpaid when settled).

**Table A.41 Total number of accounts – financial hunger to outcome point**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
-1	9	0.18	9	0.18
0	1,604	31.48	1,613	31.66
1	1,510	29.64	3,123	61.3
2	820	16.09	3,943	77.39
3	502	9.85	4,445	87.24
4	266	5.22	4,711	92.46
5	166	3.26	4,877	95.72
6	85	1.67	4,962	97.39
7	59	1.16	5,021	98.55
8	34	0.67	5,055	99.21
9	40	0.79	5,095	100

Observing the profile of the subgroup which had maintenance arrears registered we concluded that again there was no significant profile difference.

**Table A.42 Total number public information (CCJs and bankruptcies) – financial hunger to outcome point – subgroup arrears**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
-1	4	0.38	4	0.38
0	936	87.97	940	88.35
1	95	8.93	1,035	97.27
2	22	2.07	1,057	99.34
3	4	0.38	1,061	99.72
4	3	0.28	1,064	100

**Table A.43 Worst current status of active accounts – financial hunger to outcome point – subgroup arrears**

Status	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	532	50	532	50
1	49	4.61	581	54.61
2	25	2.35	606	56.95
3	24	2.26	630	59.21
4	15	1.41	645	60.62
5	9	0.85	654	61.47
6	25	2.35	679	63.82
N	268	25.19	947	89
T	4	0.38	951	89.38
U	113	10.62	1,064	100

**Status code Description**

U	Unclassified – The member is unable to make any statement, whether positive or adverse, on the performance of this account for the period in question. A 'U' may be used for the first period of the life of an account when the first payment is yet to be made.
T	Address not found.
N	Person not found.
0	In advance, up-to-date or less than one payment due but unpaid (or were due and unpaid when settled).
1	More than one but less than two payments due but unpaid (or were due and unpaid when settled).
2	More than two but less than three payments due but unpaid (or were due and unpaid when settled).
3	More than three but less than four payments due but unpaid (or were due and unpaid when settled).
4	More than four but less than five payments due but unpaid (or were due and unpaid when settled).
5	More than five but less than six payments due but unpaid (or were due and unpaid when settled).
6	Six or more payments due but unpaid or (or due and unpaid when settled).

**Table A.44 Total number of active accounts – financial hunger to outcome point – subgroup arrears**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
-1	4	0.38	4	0.38
0	268	25.19	272	25.56
1	287	26.97	559	52.54
2	189	17.76	748	70.3
3	131	12.31	879	82.61
4	68	6.39	947	89
5	55	5.17	1,002	94.17
6	27	2.54	1,029	96.71
7	17	1.6	1,046	98.31
8	8	0.75	1,054	99.06
9	10	0.94	1,064	100

### Analysis Schedule: Step 8

#### **Profile of records demonstrating no financial hunger in the six months to the outcome point 19,862 (79.58 per cent)**

Those NRPs who were not financially active in the 12 months to assessment date, and who had shown no interest in obtaining new financial products in the six months to the outcome point. Again the age profile conformed to that of the group – a slight skew to the older ranges.

**Table A.45 Age profile of non-financially active and no financial hunger cases**

Age	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
00-21	806	4.06	806	4.06
22-30	6,560	33.03	7,366	37.09
31-40	7,380	37.16	14,746	74.24
41-50	4,217	21.23	18,963	95.47
51-60	767	3.86	19,730	99.34
61+	132	0.66	19,862	100

#### **CCJ and bankruptcy information**

A very clean group with respect to public sector derogatory information – with a six per cent penetration rate, and where the information was logged it was rarely more than once, and there was no significant profile difference between those with child maintenance arrears and those without.

**Table A.46 Total number public information (CCJs and bankruptcies) – no financial hunger in the six months to the outcome point**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
-1	798	4.02	798	4.02
0	17,857	89.91	18,655	93.92
1	965	4.86	19,620	98.78
2	168	0.85	19,788	99.63
3	48	0.24	19,836	99.87
4	18	0.09	19,854	99.96
5	6	0.03	19,860	99.99
6	2	0.01	19,862	100

**Table A.47 Total number public information (CCJs and bankruptcies) – no financial hunger in the six months to the outcome point – subgroup arrears**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
-1	183	5.43	183	5.43
0	2,962	87.87	3,145	93.3
1	174	5.16	3,319	98.46
2	30	0.89	3,349	99.35
3	14	0.42	3,363	99.76
4	5	0.15	3,368	99.91
5	1	0.03	3,369	99.94
6	2	0.06	3,371	100

### **Worst payment status of products at the outcome point**

In this group there was a paucity of records of active financial products, with 79 per cent of the group not operating an account, but it was observed where an account was operated, it was operated in a highly responsible manner.

**Table A.48 Worst current status of all accounts**

Status	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	3,454	17.39	3,454	17.39
1	141	0.71	3,595	18.1
2	99	0.5	3,694	18.6
3	87	0.44	3,781	19.04
4	33	0.17	3,814	19.2
5	36	0.18	3,850	19.38
6	89	0.45	3,939	19.83
N	14,798	74.5	18,737	94.34
T	798	4.02	19,535	98.35
U	327	1.65	19,862	100

**Status code Description**

U	Unclassified – The member is unable to make any statement, whether positive or adverse, on the performance of this account for the period in question. A 'U' may be used for the first period of the life of an account when the first payment is yet to be made.
T	Address not found.
N	Person not found.
0	In advance, up-to-date or less than one payment due but unpaid (or were due and unpaid when settled).
1	More than one but less than two payments due but unpaid (or were due and unpaid when settled).
2	More than two but less than three payments due but unpaid (or were due and unpaid when settled).
3	More than three but less than four payments due but unpaid (or were due and unpaid when settled).
4	More than four but less than five payments due but unpaid (or were due and unpaid when settled).
5	More than five but less than six payments due but unpaid (or were due and unpaid when settled).
6	Six or more payments due but unpaid or (or due and unpaid when settled).

**Table A.49 Worst current status of all accounts – arrears subgroup**

Status	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
0	702	20.82	702	20.82
1	33	0.98	735	21.8
2	17	0.5	752	22.31
3	16	0.47	768	22.78
4	3	0.09	771	22.87
5	7	0.21	778	23.08
6	18	0.53	796	23.61
N	2,326	69	3,122	92.61
T	183	5.43	3,305	98.04
U	66	1.96	3,371	100

**Status code Description**

U	Unclassified – The member is unable to make any statement, whether positive or adverse, on the performance of this account for the period in question. A 'U' may be used for the first period of the life of an account when the first payment is yet to be made.
T	Address not found.
N	Person not found.
0	In advance, up-to-date or less than one payment due but unpaid (or were due and unpaid when settled).
1	More than one but less than two payments due but unpaid (or were due and unpaid when settled).
2	More than two but less than three payments due but unpaid (or were due and unpaid when settled).
3	More than three but less than four payments due but unpaid (or were due and unpaid when settled).
4	More than four but less than five payments due but unpaid (or were due and unpaid when settled).
5	More than five but less than six payments due but unpaid (or were due and unpaid when settled).
6	Six or more payments due but unpaid or (or due and unpaid when settled).

**Total number of active accounts**

Examining the total number of active accounts within this group, we again observed no significant difference between the arrears group and the total population.

**Table A.50 Total number of active accounts at outcome date**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
-1	798	4.02	798	4.02
0	14,798	74.5	15,596	78.52
1	2,868	14.44	18,464	92.96
2	841	4.23	19,305	97.2
3	309	1.56	19,614	98.75
4	146	0.74	19,760	99.49
5	48	0.24	19,808	99.73
6	23	0.12	19,831	99.84
7	15	0.08	19,846	99.92
8	10	0.05	19,856	99.97
9	6	0.03	19,862	100

**Table A.51 Total number of active accounts at outcome date – arrears subgroup**

Count	Frequency count	Percentage of total frequency	Cumulative count	Cumulative percentage
-1	183	5.43	183	5.43
0	2,326	69	2,509	74.43
1	531	15.75	3,040	90.18
2	180	5.34	3,220	95.52
3	78	2.31	3,298	97.83
4	40	1.19	3,338	99.02
5	16	0.47	3,354	99.5
6	8	0.24	3,362	99.73
7	3	0.09	3,365	99.82
8	4	0.12	3,369	99.94
9	2	0.06	3,371	100

