Lending for the new normal.

together.

British society is undergoing a period of significant change.

Changing **employment** trends are being driven by a combination of political and economic factors, resulting in booming self-employment[1], the emergence of the gig economy, and the prevalence of zero-hours contracts. This means incomes are less regular, which impacts money management and can lead to **credit** issues.

Changes in **property** reflect Britain's ongoing re-urbanisation[2]. Residential towers routinely scale more than six storeys, and builders are turning to unconventional materials and techniques to save both time and cost. The housing shortage is also pushing up prices[3], meaning our **path to purchase** is changing - many of us are buying with the help from family, or official schemes.

These changes have taken place over decades, becoming particularly acute in recent years, and have become normalised for people across all ages and backgrounds. For many under-30s, it's all they've ever known.

Our pragmatic approach to mortgage underwriting is flexible enough to account for lives across this growing spectrum of lifestyles. However, this approach is not shared by all mortgage providers, whose automated decision-making and rigid criteria preclude many people from accessing the borrowing they need - as demonstrated by the statistics presented here.

[1] 2017: 4.8m vs. 2007: 3.3m. Office of National Statistics, February 2018.
[2] 2017: 83.1% vs. 2007: 80.5%. World Bank, July 2018.
[3] UK average, Jan 2017: £218,255 vs. Jan 2007: £176,758, Office of National Statistics, July 2018.

Reasons for rejection

54%
of mortgage applicants rejected for reasons considered as being part of 'the new normal'.

12%
of rejected mortgage applicants are turned down for employment choices.

66%
of millennials turned down by mortgage lenders for lifestyle choices.

27%
of rejected mortgage applicants are put off ever applying again.

- 66% of millennials, aged 18-34, are rejected for reasons identified as being part of 'the new normal' (vs. 46% for over-55s)
- Affordability issues less likely to cause mortgage rejections - only 9% turned down due to small deposit size, and just 16% for not earning enough to make repayments

- 12% of rejected applicants have an employment or income type that is not suitable, and 3% have insufficient employment history
- 10% of rejected applicants wanted to mortgage a property the lender would not accept

- 31% of millennials, aged 18-34, are rejected for having a lack of credit history, or low credit score, compared to just 12% of over-55s
- 19% of millennials are rejected for having too much debt or too many mortgage applications, compared to just 8% of over-55s

- 32% of over-55s put off applying again, falling to just 2% among millennials
- 23% of rejected applicants are unsure / don't know what to do next
- 13% of applicants pull out of the process because it's too complicated, and 7% say there were too many stages
- Only 17% say they will reapply once finances fit the relevant criteria

Age group responses

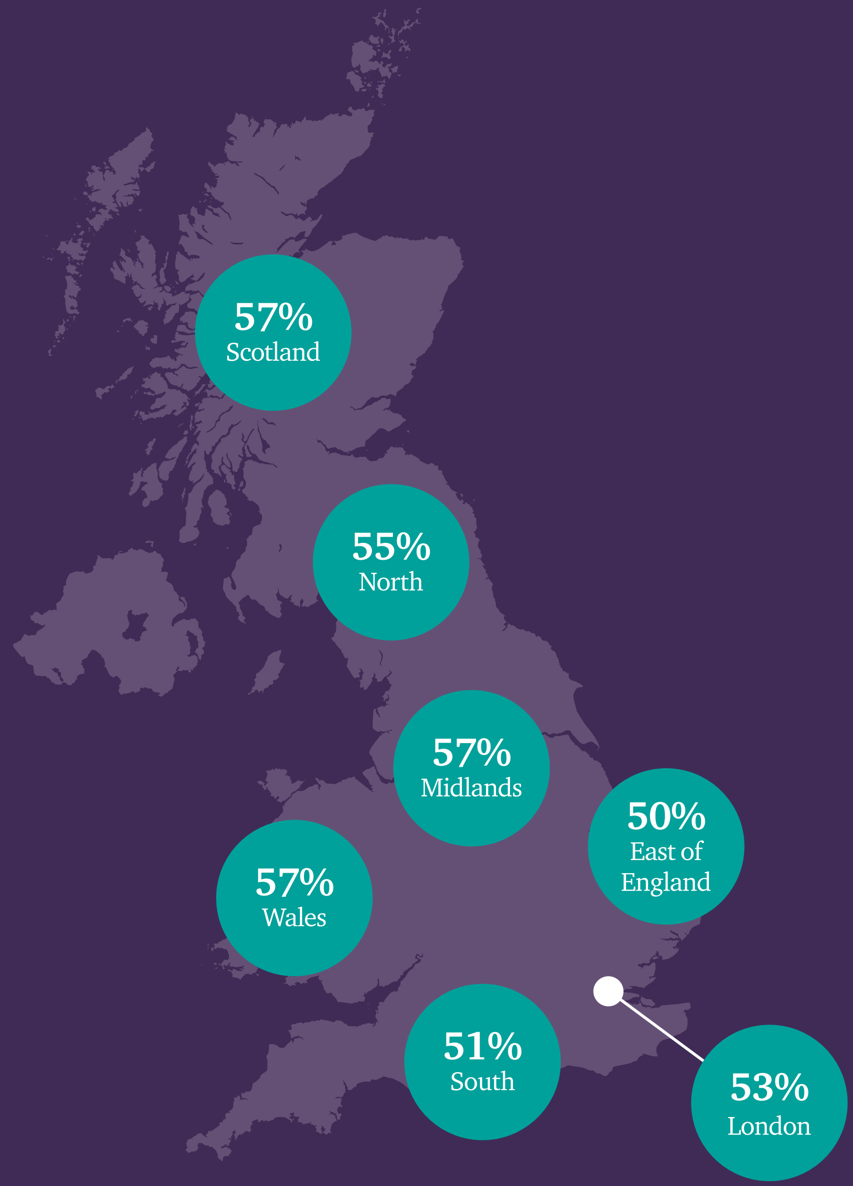
Reason for rejection	All ages	Millenials	Over-55s
I/we had a low credit score/lack of credit history.	**18%**	**31%**	**12%**
I/we did not earn enough to make repayments.	16%	14%	16%
I/we had too much debt/too many credit applications.	**13%**	**19%**	**8%**
My/our type of employment/income was not suitable (e.g. self-employed, contract worker, dividend income etc.).	**12%**	**14%**	**10%**
The provider would not lend on the type of property I/we wanted (e.g. non-standard construction, high rise flat, conversion etc.).	**10%**	**12%**	**11%**
My/our deposit was too small.	9%	13%	9%
I/we were too near retirement age.	**6%**	**3%**	**10%**
I/we had insufficient employment history (e.g. in current job for less than six months etc.).	**3%**	**2%**	**3%**
I/we had lived in the UK for less than three years.	**1%**	**1%**	**1%**
I/we had taken out payday loans within the last six years.	1%	2%	1%
I/we were not registered to vote.	0%	2%	0%

Factors in bold make up the "new normal" that automated mortgage processes are likely to reject and of which Together considers the "new normal".

Please note: responses do not add up to 54% as the questions allowed respondents to provide more than one answer and the data has therefore been re-calculated.

Regional responses

54%
of UK mortgage applicants turned down for reasons that should be considered 'the new normal'.



Regional responses

Reason for rejection	Average	North	Midlands	East	London	South	Wales	Scotland
I/we had a low credit score/lack of credit history.	**18%**	19%	15%	15%	13%	17%	30%	21%
I/we did not earn enough to make repayments.	**16%**	14%	15%	22%	21%	16%	18%	10%
I/we had too much debt/too many credit applications.	**13%**	15%	15%	22%	22%	9%	10%	16%
My/our type of employment was not suitable.	**12%**	11%	16%	11%	11%	12%	15%	6%
The provider would not lend on the type of property I/we wanted.	**10%**	8%	10%	5%	21%	9%	8%	13%
My/our deposit was too small.	**9%**	6%	11%	12%	7%	9%	10%	6%
I/we were too near retirement age.	**6%**	7%	5%	6%	8%	8%	2%	6%
I/we had insufficient employment history.	**3%**	2%	3%	2%	3%	5%	5%	1%
I/we had lived in the UK for less than 3 years.	**1%**	0%	1%	2%	1%	1%	-	1%
I/we had taken out a payday loan within the last 6 years.	**1%**	0%	1%	2%	1%	1%	-	1%
I/we were not registered to vote.	**0%**	1%	1%	-	-	1%	-	-

About Together

Established in 1974, Together has been bringing common sense to the UK specialist secured lending market for over 40 years. Our expertise in lending means we can look beyond mainstream lending criteria to take an individual view of customers' needs and treat each application on its own merits.

We offer a wide range of specifically designed products, including short-term finance, auction finance, residential, buy-to-let and commercial mortgages and secured loans through our established distribution network.

In the full year to 30 June 2018, our 700+ colleagues advanced £138.3m per month, an increase of 40% year-on-year, growing our loan book to £3.0bn with new originations remaining at a very conservative loan to value of just 58.0%.

Additionally, the Group generated £121.7m underlying profit before tax.

In 2018 we placed 34th in the Sunday Times Top 100 Best Companies to Work for, and received its special award for "Giving something back", placing 9th for charity and 10th for community in the UK. We were also named in the Sunday Times 2018 Top Track 250 awards.

THE SUNDAY TIMES 100 BEST COMPANIES TO WORK FOR 2018

TOP TRACK 250

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Methodology

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2003 adults. Fieldwork was undertaken between 31st May - 25th June 2018. The survey was carried out online.