

A young child with short brown hair, wearing a light grey hoodie, is kneeling on a wooden floor, painting rainbows on a large window. The child is seen from behind, reaching up with their right hand to paint a vibrant rainbow on the left pane. Another rainbow is already painted on the right pane. On the windowsill, there are various items: a glass of pink liquid, several small paint pots in red, orange, and white, and a white ceramic pot filled with red tulips. A bundle of dried wheat stalks is tied to the window handle. The view outside the window shows a green lawn and a blue trampoline. The overall atmosphere is bright and creative.

SALAD

MONEY

2021-2022 IMPACT REPORT

Championing fair lending for NHS and
public sector workers

MORE THAN YOUR SCORE™

A SOCIAL ENTERPRISE HELPING KEY WORKERS IN THE NHS AND OUR PUBLIC SERVICES AVOID TOXIC HIGH-COST LENDING

WHO WE SERVE: CUSTOMERS 2021-22



GENDER

71% of customers described themselves as female and 29% as male.

AGE

- 18-25 5%
- 26-35 27%
- 36-45 35%
- 46-55 25%
- 56-65 7%
- 66-75 0.5%



HOUSEHOLD TYPE

- Single parent with children 14%
- Living with partner and children 32%
- Single adult 27%
- Living with partner 18%

Almost half (46%) of our customers have children in their household.



RESIDENTIAL

- Private tenant 40%
- Council tenant 16%
- Housing association tenant 16%
- Living with parents 10%
- Owner occupier 18%

EMPLOYMENT

- NHS 44%
- Other public sector 42%
- Other key workers 13%



ANNUAL INCOME (NET)

- £12,000-£18,000 20%
- £18,000-£24,000 38%
- £24,000-£30,000 22%
- over £30,000 18%

Over half of our customers earn £12-£24,000 per year.

	1 Sept 2021 to 31 Aug 2022	1 Sept 2020 to 31 Aug 2021	Increase
Loans agreed	15,765	6,977	126%
£ advanced	£13,926,058	£5,920,153	135%
Average loan size	£883	£849	
Approx interest saved per loan*	£335	£322	
Total interest saved for NHS and public sector workers*	£5,281,275	£2,246,594	

*Compared to average interest of a comparable loan available to Salad Customers, calculated by Responsible Finance.

WELCOME TO SALAD MONEY'S 2021-2022 IMPACT REPORT

Over the past twelve months millions more people became vulnerable to unexpected financial shocks. Around 17 million people are either ‘credit invisibles’ or have a poor credit history. Hundreds of thousands of them work in the NHS and public services and cannot access the mainstream credit so many of us take for granted.

Yet that doesn’t mean they won’t ever need a financial cushion. Nearly every adult makes use of credit and if we value our key workers as much as we like to think it is a scandal that so many have fallen prey to high cost or even illegal lenders. It’s why Salad was launched, so those NHS and public service workers can avoid toxic, high cost and illegal lenders.

Building a fairer, more inclusive credit market drives how we operate and this report covers multiple parts of our impact. The millions of pounds in interest saved and the millions in benefits we’ve helped applicants identify are staggeringly large figures. That means hundreds of pounds remain in or go into key workers’ households.

Our technology continues to evolve and we are proud to bring machine-learning and human understanding together so we can offer the lowest possible rates to customers. It can also help applicants reduce their outgoings in other ways and enables unique insights into key workers’ financial health. We are proud of our impact but could do even more with your help, and our report makes important calls for action on page 23.



Sir Tim Melville-Ross,
Chair, Salad Finance Ltd.

This report was published in November 2022. It was written and edited by Jamie Veitch with input from the Salad Money team and designed by David Palmer // www.dp-creative.co.uk. It covers an impact reporting period of 01/09/2021-31/08/2022.

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IT'S NOT RIGHT....

It's relatively easy for a lot of us to get credit for things we don't need, but want. Yet people who need credit the most can find it either impossible or prohibitively expensive.



More than a quarter of UK adults would struggle to pay an emergency bill^[1], and **22% of adults** have less than £100 in savings.^[2]

The number of 'financially vulnerable' people has leapt to **17.6 million** across the UK – many can't access essential financial services, including affordable credit, that others take for granted.^[3]

20.2 million UK adults are financially under-served, and at least **1 in 3 adults** may have difficulty accessing credit from mainstream lenders – a 50% increase in the size of this population since 2016.^[4]

One of the **key drivers for financial exclusion** is being a 'credit invisible' or having a low

or poor credit score^[5] – between 7 and 9 million people in the UK "risk being excluded from accessing affordable financial services because of flaws in credit scoring."^[6]

Those who have received a County Court Judgment (CCJ) deal with **long-lasting and significant negative impacts to their credit rating.**^[7]

1.1 million people currently borrow from illegal moneylenders^[8], who prey on financially vulnerable people. That's nearly as many as the number of full time NHS Hospital & Community Health Service (HCHS) staff.

The World Bank says financial inclusion means people having access to useful and **affordable financial products** and services that meet their needs, including **credit**, delivered in a **responsible** and sustainable way.

For many, a credit score is not a fair way to be assessed for a loan. Excluding these applicants from affordable credit only drives them to toxic lenders.

Sources:

^[1] Financial Conduct Authority (2021) Financial Lives Survey

^[2] Money and Pensions Service (2021) Financial capability of UK adults

^[3] Fair4All Finance, Trajectory and CACI (2022)

^[4] PwC and TotallyMoney (2021)

^[5] Responsible Finance Impact Report (2022)

^[6] Financial Times (2022) citing LexisNexis data

^[7] DEMOS (2022) Mapping the UK's Personal Debt

^[8] Centre for Social Justice (2022) Swimming With Sharks: Tackling illegal money lending in England.

Salad Money exists after we identified a severe lack of affordable credit for key workers, who we recognise should be defined by more than just their credit scores.

MORE THAN YOUR SCORE

Using our Open Banking application process, we can lend money to those in the public sector harshly excluded by the mainstream lenders when what they really needed was someone to look properly at whether they could truly afford a loan, and if so, grant it quickly and at a fair rate.

As a social enterprise we are committed to creating a fairer and more inclusive financial market for people like Lesley, a food service assistant at a hospital in Nottingham where she's worked for several years. She took out a Salad Money loan to help get some work done in her home:

"It was so quick when I applied. I was really surprised and pleased how fast you let me know and how soon the money was in my account. I was happy you use Open Banking because it's more accurate about whether I can afford to repay than a credit score, and it made it really quick. I would recommend Salad to my friends and family, the service was excellent too."

Lesley, a food service assistant at a hospital in Nottingham

- **£5.2 million** – total interest saved for NHS and public sector workers, 2021-22

- **438%** – applicant growth, 2021-22 compared with 2020-21

- **£165 million** in benefits identified for NHS and public sector key workers

- **200,000+** people given free financial education and bespoke support

- **Around 4 in 10** of the NHS and public sector workers accepted for a Salad Money loan have a CCJ

"Everything we do comes down to affordability – we have no interest in overburdening someone with a loan they can't afford to repay – and fairness, our reason to exist. An applicant with a five year old CCJ which they have settled would be rejected by many lenders. But for us, that satisfied CCJ, or in fact a CCJ of two to six years old, often paints a useful part of the picture of financial reliability and responsibility."

Tim Rooney, CEO, Salad Money

This year our work has been featured by media, stakeholders and partners including:

theguardian



techradar

THE FINTECH TIMES

THE SCOTSMAN



DON'T JUST TAKE OUR WORD FOR IT

Throughout this report you'll hear from the people who matter most: our customers.



Several have shared stories about the difference Salad has made to them. Some have even given unscripted interviews with journalists and the media.

We're thankful to all our customers and particularly grateful to the thousands who leave their transparent and open reviews through Trustpilot. As this report went to print Salad had a Trustscore of 4.9 based on 2,708 reviews.

What our stakeholders say is also important and you'll meet many throughout these pages, including Sacha and Theodora:



**Sacha Romanovitch OBE,
CEO of Fair4All Finance:**

"Increasing access to affordable credit is an important tool in the fight against financial exclusion. In the time we've worked with Salad they've been resolute in their mission to support lower paid public sector workers and have quickly grown their loan book. Salad's lending model proves that it's possible to serve people in financially vulnerable circumstances well with a fair credit option. We encourage other funders and lenders to join us in providing funding and lending to scale up the provision of affordable credit and help fill a growing gap."



**Theodora Hadjimichael,
CEO of Responsible Finance:**

"Credit is not the answer to the cost of living crisis or low pay, which are issues for politicians and employers to address. But credit is a fundamental part of how we live our lives in the UK today, used by more than 9 out of 10 people. Everyone should be able to get finance on fair terms if they need it. This is why we need to grow community lenders, like Salad, which are dedicated to improving people's lives and design their products to help their customers succeed."

TIFFANY NURSE, SOUTH WALES



Tiffany (name changed) has worked for the NHS for thirteen years. She earns what she says is a good income, between £30,000 and £40,000 per year, but when she needed to borrow £500 last year she knew her options were limited.

"My credit score was naff," she says, "there was a County Court Judgment against my address from four years before, for a debt my ex had taken out. It wasn't fair but I didn't know what to do about it. And I'd got into some problems myself with a different lender a couple of years back. Even though I'd sorted all that out my credit score was a mess."

She found Salad through an online search. "I was happy they used Open Banking to see if I could afford a loan, rather than deciding based on my credit score. They could see I am really careful with money and could afford the repayments, which were £53 a month."

Tiffany is now debt-free. She chose to over-pay her monthly repayments and paid off her Salad loan in four months. She says the

experience was positive and a huge contrast to how she had been treated in the past by a now-closed doorstep lender.

"I got into a spiral with them. They kept urging me to top up my loans and made it so easy. They would even coach me about what to say to ensure they could give me a new loan, but I don't think they cared that I couldn't afford the repayments.

"It was awful. I ended up paying them hundreds of pounds a month, and my salary was lower then. They wouldn't let me make monthly payments, it had to be weekly, and they kept encouraging me to take new loans. It was very stressful. In the end I owed them £1400. I was lucky that a family member offered to repay it, as long as I repaid them. But that option wouldn't be there for many people.

"That was a few years ago but it stuck with me. So when I needed a loan last year I was determined to only borrow what I could afford, and I'm glad I was able to find a lender that uses Open Banking. It's made a massive difference."

We told Tiffany about our automated benefits checker which we've integrated into Salad's website since she borrowed from us. "It's such a good idea," she said, "lots of the hospital staff here probably don't think they are due some benefits when they are. And it means if they're applying for a loan they might need less than they thought if they discover they've been missing out on anything."

£165M WINDFALL FOR NHS AND PUBLIC SECTOR WORKERS BUT £16BN LEFT UNCLAIMED

More than 33,000 NHS and public sector workers, and their households, can claim more than £165 million pounds* in benefits they are due every year thanks to sleuthing by Salad and a financial technology firm.

Many people are missing out on £400 to £500 per month, with almost seven out of ten people who apply to Salad for a loan not claiming the full amount in benefits they should, because they are unaware of what they are entitled to or assume they are not eligible.

But Salad's integration of an automatic, online benefits calculator, which compares the actual benefits people receive with the benefits they are entitled to, based on their specific circumstances and financial situation, has helped over 33,000 applicants identify an average of £409 in benefits they are due, but were not claiming each month to top up their incomes.

Anyone applying can use the calculator, which we embedded in our website in October 2021, whether or not they take out a

loan. It helps applicants top-up their salaries with their benefits entitlement, reduce their bills, apply for smaller amounts of credit than they thought they needed and build savings.

Its impact was covered on BBC Radio 4's Money Box programme in March 2022, along with an interview with one of our customers. And **Theodora Hadjimichael of Responsible Finance**, which represents the UK's community lenders including Salad calls it a lifeline:

"Lower-income households now have millions of pounds in their pockets they wouldn't otherwise, a lifeline with such huge increases in the cost of living coming and yet another example of community lenders like Salad helping people build financial resilience.

"Community lenders' focus on the best outcomes for their customers is a contrast to the approach of many high-cost lenders. Community lenders help customers build their financial well-being, and if people don't access the benefits they are due they can end up in worse financial situations. We're thrilled to see the impact this calculator is having."

Salad's Tim Rooney added:

"Millions of people are feeling the punishing increases in the cost of living in their daily budget. But many households are unaware of benefits they are rightfully due, wrongly assume they are not eligible for any benefits or think an application is too complicated. Households across the UK currently miss out on £16 billion in benefits they could be claiming. I'm proud that our team has already helped

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Many households are unaware of benefits they are rightfully due, wrongly assume they are not eligible for any benefits or think an application is too complicated.

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thousands of lower-paid NHS and public sector workers put hundreds of pounds into their pockets every month."

The calculator is powered by award-winning fintech, Inbest, whose co-founder **Manu Peleteiro** said:

"It's so common for people to be unaware of the benefits they are entitled to, or assume that they are not eligible. The most efficient way to make these households aware of their benefits is by embedding a benefits check into complementary services they already use, and affordable lending is a prime candidate. We are proud of the way this partnership is helping Salad Money applicants, including people who are not able to get a loan."

'33,782 applicants with average unclaimed benefits of £409 per month / £4,908 per year each, total £165m.

JASON, SALFORD



Jason works in the public sector as a building assurance engineer in construction.

His salary of around £38,000 supports himself, his partner, who is unable to work due to health issues, and their 12 year-old child. "The cost of everything is going up, except for wages," he says.

In February 2022 Jason had the chance to organise some renovations for their home. This will enhance his partner's and the family's wellbeing and they knew they would save money if they could pay for the work in spring rather than in summer.

He approached Salad when he discovered we make lending decisions based on Open Banking rather than credit scores, saying "I use ClearScore to check my credit score so I knew it wasn't good".

When he applied he was surprised we helped him identify benefits that – on the basis of his application information – it appeared the family could claim but were not aware of.

Jason spoke with Paul Lewis on the BBC Radio 4 Money Box programme in March 2022 to describe the difference the tool might make. "For me, it's taken pressure off and will mean we can start doing things we've not been able to do in day to day living."

HOW MACHINE LEARNING GIVES SALAD MORE PEOPLE POWER

Remember those word association games? In response to “sky” you might say “blue”? What if you’re prompted with “machine”? Perhaps you think of a clanking factory, an oily nest of cogs, a laser cutter or a 3D printer?

For **James Rose, Salad’s Head of Customer Proposition and Strategy**, “machine” makes flexibility and nimbleness spring to mind because they’re at the heart of how we operate, and machine learning plays a significant part in this. But what is it?

Let’s take a step back. One misconception about Salad might be that we only help people “at the edges of society” says James. Yet the demand for affordable, fair credit is so much broader than that. A wide range of consumers are excluded by their credit scores or by a lack of credit history and James says Salad’s commitment to technological innovation, like the work we’ve done to embed machine learning into some of our processes, goes hand-in-hand with our use of Open Banking .

“People understand that Open Banking means we can access information about their transaction so we can assess whether an applicant can afford to repay the loan they’re applying for” says James.

“Our applicants know a simplistic score from a credit bureau wouldn’t be a good way of making that decision. So Open Banking grants us the permission to see what’s going on in an applicant’s financial life, and we built our machine learning tools so we can make affordability decisions which are fair to applicants, quickly.”



▲ James Rose, Head of Customer Proposition and Strategy.

EVOLUTION DOESN’T STOP

How we do that involves categorisation – “we’ve categorised more than 350 million raw transactions into groupings to understand customers’ and applicants’ income and expenditure,” as well as being reactive to changing factors.

The rising cost of living is a key example – “we need to be nimble enough to understand a dynamic which is changing day by day for applicants and customers. So we’ve invested in understanding an ever-evolving picture so we learn what people can afford right now but also, crucially, what they might be able to afford in the future.

This statistical analysis coupled with machine learning isn’t only about affordability, adds James. It enables a lot of automation in our decision-making, which makes for a lean business model, which enables Salad to offer loans at interest rates considerably lower than our customers would usually have elsewhere (Salad offers the lowest interest rates of any Responsible Finance member for example).

That’s good for customers. We can serve people whose credit score means they have few choices and help them avoid higher-cost lenders, and it makes our decisions accurate, which minimises loss rates.

“We need to be nimble enough to understand a dynamic which is changing day by day for applicants and customers.”





CODE NAME CROUTON

Salad's in-house data team built our machine learning model so it's bespoke to our social enterprise, adds James, calling it a "team effort by Jonny, Lara, Alex, Lee and colleagues." We deployed our updated machine learning model, code named 'crouton' in April 2022 to start analysing data, then embedded it in how we make decisions from the start of August.

It's already cut the number of applicants we need to refer out of 'automated' decisioning by a third, James adds, which is good for efficiency and processing speed – "applications to Salad have more than doubled in the past six months but we have maintained the same absolute number of cases we refer to a person in our team."

"Fundamentally there are lots of advantages for consumers, well beyond assessing whether or not they can afford a loan. We could connect our analytical model to other organisations, for example, so when someone applies for a loan and we see they should be on a 'social tariff' for their broadband, but they're not, we could flag this up to their provider. There are many ways the model can help people in daily life."

MACHINES SERVE PEOPLE

But will the machines take over? "Definitely not," says James. "We're a people business. Humans helping other humans. We've always valued interaction with our customers, who have a fantastic relationship with our caring and responsive customer service team led by Devan.

"Our machine learning model has been fine tuned with input from Devan, her team of ten, and what customers and applicants tell them. That feedback loop ensures the modelling reflects the every day nuances in people's financial lives."

And maintaining the ability to make a human decision sets us apart from checkbox-driven lenders and ensures we understand every part of a customer's journey. It also means we can give person-to-person feedback and support when customers ask for it.

It's easy to get excited or overawed by technology. "Shiny-object" syndrome means we sometimes herald in the new at the expense of longstanding tools which are proven and tested. For James, who joined Salad in early 2022 after a career spanning Capital One

plus the aerospace and insurance industries, our technological innovation was attractive – but because of how it helps us address a growing societal problem:

"Salad has such a clear social imperative. It's at the heart of the business. And with its solid foundations, it is using its investment in technology to continually evolve and innovate for customers. Understanding and improving – that's what machine learning means for Salad and our customers."

SALAD NAMED FINTECH FOR GOOD AT FINTECH AWARDS LONDON

When Salad and technology partner Yapily won the "Fintech for Good" Award it showed the financial technology industry recognises our impact and innovation. **Salad marketing manager Dan Evans** says it's "fantastic our peers understand the way our innovative technology unlocks good financial outcomes for people."

Tim Rooney, Salad CEO, said "Thousands of NHS workers and people delivering frontline public services are excluded by lenders using unfair, score-based assessment. So they often turn to toxic, high-cost or illegal lenders, with figures showing a huge rise in use of loan sharks even before the cost of living crisis.

"But people are 'more than their score' which is why we launched Salad. Our use of Open Banking powered by our partner Yapily enables us to assess whether people can afford the loan they apply for. It also does something almost unique among credit providers, using applicants' information to check whether they are eligible for benefits they were not claiming. It then highlights these to everyone who applies, whether or not they are offered credit."

Iain McDougall, chief commercial officer of Yapily, the Open Banking platform, added: "Open Banking has the power to transform the financial well-being of millions of people. In the context of the cost of living crisis, responsible lending has never been more important. Open Banking is a force for good, improving affordability and transparency to help people break volatile debt cycles, and ultimately access the right financial products and services for them."

Tim Rooney continues:

"Many credit options are simply not-fit-for-purpose, which traps NHS and public sector workers in harmful debt cycles. Being able to say "yes" to someone who needs a loan and can afford to repay it means they're not going to a loan shark or a high cost lender.

"But whether we say yes or no to an applicant, Open Banking also means we're helping thousands of people identify the benefits they were due but not claiming, can highlight the social tariffs they should be on and even provide statistical analysis of trends – insights we've now been asked for by the BBC and Financial Times as well as many people campaigning for financial inclusion. That's what being a 'Fintech for Good' is all about."



Left to right: Tom Bramhill (Yapily), Dan Evans (Salad), Ellie Smith (Yapily), Ben Aier (Yapily), Tim Rooney (Salad) at the Fintech Awards in London in July 2022.



**£250 /
YEAR**

potential saving for average household on a broadband social tariff, according to Which?

1 IN 83

people eligible for broadband social tariff who have switched, according to Government figures

90%

potential reduction in water bill, typically saving a further £250 per year on water companies' social tariffs, according to MoneySavingExpert



FLEXING OUR DATA MUSCLES TO UNLOCK SAVINGS FOR NHS AND PUBLIC SECTOR WORKERS

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Broadband isn't a luxury, it's essential for work and for using most public services.

”

Open Banking is good for Salad's applicants because it means they're not locked out from an affordable loan by a poor credit score. It can help people in many other ways too.

By examining the anonymised Open Banking records of Salad applicants we can see that fewer than half of the NHS and public sector workers whose circumstances mean they should be eligible for a social tariff on their broadband are actually on one. That means they're potentially paying £200 to £500 per year more than they could be, money which would be much better in their pockets.

Social tariffs are cheaper broadband and mobile phone packages for people claiming Universal Credit, Pension Credit and some other benefits. Ofcom, the communications service regulator, says they are delivered in the same way as 'normal' packages but at a lower price, and it is encouraging broadband providers to help people switch to them.

But figures published by the Government in August 2022 showed just 1 person for every 83 people eligible had switched to such a package.

We interrogated our data as we finalised this report and found:

- Around 47% of people who apply to Salad for credit are eligible for a social tariff on their broadband.
- But when we examined our September 2022 applicants' bank transactions and compared what they are paying for broadband with the rate they'd pay if they are on a social tariff, fewer than half appear to be on a social tariff.

Salad CEO Tim Rooney says there's a simple way to help hundreds of thousands of people save hundreds of pounds per year, not only on their broadband and mobile phone bills but on the costs of other utilities which have introduced social tariffs:

"We're keen to create interfaces with providers so people who come to us, seeking credit, can access the social tariffs they are rightfully due, whether or not they become a Salad customer.

"It's almost impossible to function in society today without access to the internet and a phone. Broadband isn't a luxury, it's essential for work and for using most public services. But lots of people have no idea they could slash what they are paying to get online and to use their phones. They're paying hundreds of pounds more than they could which is a tragedy as the cost of living crisis hits.

"Linking our system to broadband, water and other utility providers could make a huge difference. We could even link to DWP because of the benefits we help people identify they are rightfully due. Every time I post about this on LinkedIn people welcome the idea.

"We're ready to work with providers and government agencies and it's becoming more and more urgent that they get in touch."

LET'S TALK ABOUT



ESG

For a long time ESG reporting and impact investing have focused mainly on the "E" in Environmental, Social and Governance. It's critically important and many organisations have found environmental impacts easier to measure than social ones.

Increasingly businesses and social enterprises, investors and society are scrutinising social outcomes. Salad Money's purpose, addressing the severe lack of

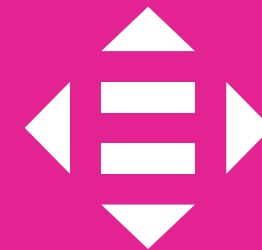
affordable credit for NHS and public sector workers with impaired credit scores, means our social impact is our reason to exist.

Our social impacts are aligned with these United Nations Sustainable Development Goals:

UN SDG - GOAL	Summary of specific UN target relevant to Salad Money	Our impact
1 NO POVERTY 	1.4: "By 2030, ensure that all men and women, in particular the poor and the vulnerable, have access to financial services."	<ul style="list-style-type: none"> • 17 million people in the UK are financially excluded or vulnerable. • We provide financial services to otherwise excluded or under-served people. • We've saved our customers over £5m in interest in 2021-22 • We've free provided financial education to more than 200,000 people and helped at least 33,000 improve their financial situation by identifying benefits they are due.
5 GENDER EQUALITY 	5.5: "Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life," and 5.a "...give women access to... financial services."	<ul style="list-style-type: none"> • Women are disproportionately excluded from financial services which depend on a credit score or history. • 71% of our customers identify as female.

UN SDG - GOAL

10 REDUCED INEQUALITIES



Summary of specific UN target relevant to Salad Money

10.2: "empower and promote the social, economic and political inclusion of all," and
10.3: "...reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices..."

Our impact

- Millions are unfairly penalised by their credit scores even if they can afford to repay a loan.
- We assess them using a fairer methodology, helping people avoid higher-interest lenders and loan sharks.
- Whether or not an applicant is successful, we identify benefits they are due but not claiming, helping 33,000 NHS and public sector workers find an average of £409 per month to top up their incomes.

17 PARTNERSHIPS FOR THE GOALS



17.7: "Encourage and promote effective public, public-private and civil society partnerships..."

- We embedded automated benefits-checking by working with FinTech partners.
- We're an active member of Responsible Finance and share learning with other community lenders.
- Our technology can highlight social tariffs to people who may not know they qualify and we can integrate with partners.
- We've given anonymised, analysed data to trusted partners in the media and in civil society to help report on trends and reveal important insights.

GOVERNANCE

Effective **Governance** enables Salad to deliver these impacts efficiently and effectively. Our social impact is written into our Articles of Association and we established an independent Public Responsibility and Oversight Board to ensure everything Salad Money does is based on this social impact.

As a Responsible Finance member Salad must commit to complying with Responsible Finance's Code of Conduct, and as a Fair4All Finance investee we must adhere to its Affordable Credit Code of Good Practice.

Salad Money (Salad Finance Ltd) is authorised and regulated by the Financial Conduct Authority (FCA).

“
 Salad Money's purpose means our social impact is our reason to exist.
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LARGEST EVER ANALYSIS OF BANK DATA USES SALAD APPLICANT TRANSACTIONS TO GIVE UNIQUE INSIGHTS INTO KEY WORKERS' FINANCIAL HEALTH

University of Edinburgh report raises serious concerns that many deemed unable to repay a loan go on to be offered 'Buy Now Pay Later' credit.'

For the second year running, Salad Projects commissioned the Credit Research Centre at the University of Edinburgh Business School to analyse the financial lives and behaviour of NHS and public sector workers who have applied for a loan from Salad Money.

This year's analysis covered a reporting period to the end of January 2022 and drew on data from over ten times as many applicants as 2021's work. We believe it's the largest ever analysis to date of Open Banking transactions and it provides new insights into NHS and public sector workers' financial resilience, use of credit, loans and Buy Now Pay Later products, and rejected loan applicants' behaviour.

Salad makes its affordability assessments based on the income and expenditure shown in applicants' banking data for up to two years previously. The University analysed nearly 174 million

anonymised bank transactions of 104,661 applicants. For more than 90% of applicants, the University was able to observe more than a year's worth of data. The researchers found:

- Many key workers in the NHS and public sector would struggle to afford an unexpected bill of £100.
- More than 10% of 27,943 people declined for a loan because they could not afford repayments were subsequently offered credit by Buy Now Pay Later (BNPL) providers.
- Six out of ten of the 104,661 individuals whose behaviour was analysed were BNPL users.
- Use of BNPL accelerates over time, especially for medium and high users: BNPL users in the sample spend more relative to their incomes, have higher overdrafts and a significant minority are heavily indebted.

The report, **Financial Resilience and Credit Landscape of Public Sector Workers**, presents questions about why many who cannot afford to repay a loan were granted credit by Buy Now Pay Later providers.

Lord Iain McNicol, Chair of Salad Money's Public Responsibility Oversight Body said:

"The report demonstrates why we need a purposeful, social-led approach to credit and financial inclusion. It is worrying to see the fractured financial resilience of so many NHS and public sector workers. It is also alarming to see people are still being offered credit by both FCA-regulated firms and under-regulated BNPL providers, even though they've been turned down elsewhere for affordability reasons."

Professor Tina Harrison, Professor of Financial Services Marketing and Consumption, the University of Edinburgh Business School, said:

"The increase in the use of BNPL, especially among individuals with very low financial resilience, is extremely worrying. Left unchecked, BNPL has the potential to very quickly lead to an unmanageable debt burden."

The report also notes that while Salad Money cannot offer finance to all the NHS and public sector workers who apply to it for a loan, it is able to help seven out of ten applicants boost their incomes (as we describe on page 8 of this Impact Report).



Financial Resilience and Credit Landscape of Public Sector Workers report

Some of the report's findings were covered by The Guardian and The i newspapers and they have been cited by multiple other organisations. While deeply alarming, they give us the opportunity to understand the day to day realities faced by so many, and a prominent broadcaster told us the analysis represents "the best use of Open Banking I have ever seen."



Professor Tina Harrison



RAISING THE BAR ON EXPECTATIONS OF A CONSUMER LENDER

Shawbrook launched over 10 years ago as a 'new type of specialist financial services company combining the relentless focus on customer service and innovation you would expect from a fintech with the expertise and certainty of a bank.'

Its purpose is to power up ingenuity to create opportunity every single day, and working with non-bank lenders is central to this mission according to **Warren Mutch, Head of Speciality Finance** in its Structured Finance division.

Salad has worked with Shawbrook since March 2021. We agreed an upsizing of our original £2.5m Revolving Credit Facility in April 2022 to support our sustainable growth journey so more NHS and public sector workers could access fair, affordable credit.

Salad Finance Director Phillip Hyett says "Shawbrook has demonstrated real commitment to our business and we're delighted they reaffirmed their support with this increased facility."

Mutch believes Shawbrook is "one of the largest lenders, by volume, to non-bank lenders in the UK" but points out that scale – its loan book grew by 30% since October last year – has not involved compromise. Mutch added, "We've always had a heavy focus on responsible lending ever since we started supporting the market, carefully choosing the sector and products we support."

Financial exclusion is an important consideration for Mutch and colleagues and socially-focused products are part of its evolving ESG priorities. "It is absolutely essential there are providers like Salad when millions of individuals in the UK cannot access mainstream forms of credit," he adds.

"The team at Salad Money is driven by a clear purpose. To deliver on that purpose for the long term also means having a strong foundation, which they've absolutely got with their proposition and technology. It demonstrates how Open Banking can really be in consumers' interests, especially in the current economic climate."



▲
Warren Mutch,
Head of Speciality Finance



CHARLENE WORKS FOR THE NHS IN OLDHAM:



"I wanted a loan to pay off a chunk of money I'd borrowed elsewhere. When I found you I liked the fact you help NHS workers. Borrowing from Salad was a million times better than from any company I've gone to in the past. Not because you said "yes" but because you checked to make sure I could actually afford it. It was easy to apply and all the questions showed you had genuine concern for my finances and wanted to make sure it was affordable."

"The application was easy to understand, your staff seem to really care, and being able to choose repayment dates and get the reminders through is helpful. I'm saving money now and it feels like I'm more in control. I was really impressed by the benefits calculator too and was shocked to find out how much I was missing out on, nearly £800. It's brilliant Salad is bringing this to people's attention, especially with everything going on."

HELEN CHILD, FOUNDER AND CEO, OPEN BANKING EXCELLENCE



"Fair access to credit is a fundamental building block of a financially inclusive system. Lenders like Salad are shining a light on the power of Open Banking to enable people to access credit based on their real-world financial circumstances and, as highlighted by this report, saving people millions of pounds in interest. They are moving the industry from metrics based on historic risk factors to those based on people's capacity to repay the money they borrow and, in doing so are both improving outcomes for their customers and opening the door to large, historically marginalised groups.

"The simple fact facing the lending industry is that the way people spend, save and earn money is changing faster than risk-factor-based CRA models have been able to accommodate. Lenders like Salad are showing that alternative data sources like Open Banking provide an alternative that is not just viable but, in many ways, preferable to the status quo."

MASSIVE IMPACT. SO WHAT?



Thanks for reading this report.
What are you going to do now?

We don't want you to applaud our impact and turn the page. That would be as useful to key workers as clapping them.

You know we have the tools, skills and expertise to help NHS and public sector workers take control of their finances. Our lending decisions and the education, support and bespoke signposting we provide are all designed to create good outcomes for people.

We're growing and we're responsible. We won't lend if it's not affordable. But the need is huge and we could do more. So let's work together to address the demand for affordable, flexible and fair finance from key workers locked out of credit-score driven products, who may otherwise turn to higher cost or even illegal lenders.

We'd love to see even more use of our data and insights, because our technology gives us a unique understanding of when people (whether or not they are customers) should be accessing social tariffs or benefits which will

put money into their households at a time they really will need it.

WHAT YOU CAN DO:

- **Impact investors:** work with us to progress your social goals by addressing a significant societal need. We can generate a social return on investment with your capital and you will be alongside investors including Shawbrook Bank, Conister Bank, Hitachi Bank and Fair4All Finance.
- **NHS Trusts and local government:** we can partner with you, as we do with some NHS Trusts, to offer salary-deducted loans to employees excluded from mainstream lending by their credit scores. We have a significantly lower rate for such loans. It's a pragmatic way to ensure your staff have choices available if they need credit, so they can avoid high-interest and illegal lenders.
- **Government departments:** hundreds of thousands of people don't use your benefits
- **Broadband, mobile phone and utilities companies:** piggyback on our data access to identify customers who should benefit from a social tariff.
- **Journalists, policymakers and stakeholders:** the Guardian, BBC Radio 4 and the FT have used our data-driven insights to understand financial resilience and challenges for NHS and Public Sector workers. You can too.
- **And all readers:** share this report widely. There is still not enough awareness of the fair and responsible options when it comes to credit for under-served people. That must change and you can be part of it. Thanks for reading our report. Now share it with everyone you can.



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