The orbit of consumer credit choices

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Abstract

Resulting from instability in the UK financial climate in recent times, consumers have increasingly turned to alternative credit sources such as payday loans, logbook loans (car title loans) and pawning. Recognising this increasingly important trend in UK society, this study explores how UK consumers manage and select alternative credit sources, through a Consumer Culture Theory lens. Primary data were sourced through a multi-stage interview process with ten consumers of alternative credit providers. Findings were subjected to a rigorous six-stage thematic analysis, which enabled generation of a three-ring orbit model showing how the consumers migrated between categories of credit sources. Furthermore, it was found that other concepts could be traced on to the orbit model, such as access to other credit sources, time pressures, perceived risk and emotional state. It is expected that the findings from this study will benefit lenders, policy makers and regulatory bodies from greater insights into understanding of the emotional state of their customers and the particularly the pressures they may be experiencing when taking last resort credit sources.

Keywords: consumer behaviour, credit, debt, borrowing, payday loans, emotion

The orbit of consumer credit choices

Introduction

In the UK, the total amount of outstanding consumer credit has risen to above £190 billion, a record high last seen nearly a decade ago (The Money Charity 2016). For the average family, this translates to £7042 in unsecured debt from credit cards, personal loans and other unsecured borrowing (The Money Charity 2016). The financial climate during the 2010s has been driving a change in UK consumer attitudes towards the use of alternative credit sources such as payday loans, doorstep loans and pawning (CFA 2013).

The payday loan market in particular saw a dramatic rise, reaching a peak worth of £2.5 billion in 2013, and has subsequently levelled off following the introduction of new legislation (Citizens Advice 2016). The new legislation has triggered significant changes including the withdrawal of some lenders from payday lending (CMA 2015), reductions in revenue and the number of new borrowers in 2014 (CMA 2015), and a 50% reduction in the number of payday loan problems reported (Citizens Advice 2015). Following the changes to payday loan legislation, there are reports of significant increases in the use of other alternative credit sources such as logbook and guarantor loans (Citizens Advice 2015), as well as car loans and credit card borrowing (Collinson 2016).

As part of a wider study examining the lived experience of payday loan users, it was identified that payday loan usage in the UK was rarely, if ever, used in isolation from other credit sources (Brown and Woodruffe-Burton 2015). This paper explores the phenomenon of consumers selecting and managing borrowing from alternative credit sources, through a Consumer Culture Theory (CCT) lens (Arnould and Thompson 2005). Using an existential-phenomenological framework (Thompson et al. 1989), we thematically analysed the transcripts, looking for recurring themes and emerging patterns from the data, paying particular attention to the credit sources used by the participants, and any correlating factors that emerged.

A review of relevant literature suggests that this study is the first to explore the phenomenon of how payday loan consumers navigate the various credit sources, and how their emotions underpin decision-making when moving between these sources. It is anticipated that the findings of the study will help improve high-cost credit policy, through insights into how consumers select credit and the emotional drivers behind their choices.

Literature review

The majority of debt and consumer credit research lies within the field of economics, particularly the field of behavioural finance which …*is the study of how psychology affects finance* (Shefrin 2002, p. ix). Behavioural finance evolved from the field of traditional economics which assumes that people act selfishly and rationally, considering all available information in the decision-making process (Kishore 2004; Fetchenhauer et al. 2012; Riepe 2013; Sharifi and Flores 2013). As Shefrin (2002, p. x) states: …*People are imperfect processors of information and are frequently subject to bias, error, and perceptual issues*. Within behavioural finance, credit consumption (predominantly borrowing) and indebtedness have been linked to cognitive biases (Banks et al. 2010; Bertrand and Morse 2011), impulsivity (Heidhues and Kőszegi 2010; Gathergood 2012; Tanaka and Murooka 2012), and levels of financial literacy (Gathergood 2012; Gale et al. 2012; Huston 2012; Lusardi and de Bassa Scheresberg 2013; Duca and Kumar 2014). Much of this research is US based, quantitative and situated at the level of the industry. To really explore human beings' irrational behaviour and nuances, we firmly believe in the importance of understanding the consumer's perspective. This research aims to understand the decisions at the level of the individual—thus utilising the CCT lens to explore the consumer's perspective.

CCT is…*a method of assessing consumption apart from the usual frames of economics and psychology* (Joy and Li 2012, p. 142), taking into account wider societal and cultural forces. Arnould and Thompson (2005, p. 868) proposed that CCT refers to a …*family of theoretical perspectives that address the dynamic relationships between consumer actions, the marketplace, and cultural*. Within CCT, the consumer is often represented as an empowered and reflexive identity seeker (Askegaard and Linnet 2011). However, Askegaard and Linnet (2011) emphasise the need to investigate the social institution of consumption and how it shapes lives and choices beyond our individual identity projects. They also argue that attention should be paid to the…*context of contexts: societal class divisions, historical and global processes, cultural values and norms* (p. 396) and, in particular, the contexts that condition practices of consumption.

Many studies have been conducted focusing on theories of consumption (e.g. Kollatt et al. 1970; Rook 1987; Belk 1988; Shankar and Fitchett 2002; Atalay and Meloy 2011), although consumption of credit is somewhat sparse (e.g. Jeacle and Walsh 2002; Chrystal and Mizen 2005; O'Loughlin and Szmigin 2006; Marron 2014; Deku et al. 2015). Amongst numerous calls and attempts to give 'voice' to the consumer (DTI 1999; Ekici 2006; Balan 2008; Edwards and Weller 2012), there is little evidence of this having been done within the context of contemporary UK high-cost credit users (Brown and Woodruffe-Burton 2015). This study also aims to contribute to uncovering the stages (or tipping point) when manageable debt becomes unmanageable debt, which is an under-researched area (Eccles et al. 2002).

Methodology

The study inductively explored individual’s experiences of the high-cost credit phenomenon, from an interpretivist standpoint. We recruited people that (a) had taken one or more payday loans within the last 5 years, and (b) had previous, or current experience of a self-classified ‘serious’ debt situation. Participant recruitment was difficult, with a high dropout rate due to the sensitive subject matter. A variety of recruitment methods were used, including promotion of the study on social media, posters with tear-offs located in libraries, community centres, public notice boards and charity shop windows, word-of-mouth andparticipant snowballing. We also had support from a local credit union, but moneylenders and debt support charities were unwilling to help with recruitment. Practically and ethically, we were unable to monetarily incentivise participation. Individuals were recruited on the understanding that the results would help policy makers, lenders and other consumers in future; the latter of which proved a significant incentive to all the participants.

Ten people participated in initial existential-phenomenological (EP) interviews (Thompson et al. 1989), a format often used in consumer research investigating lived experience (e.g. Eccles 2009; Compeau et al. 2016). The interview is a conversation rather than an interrogation, the question ‘why?’ is discouraged, and the respondent and interviewer are considered to be in positions of equality (Thompson et al. 1989). This type of interview aims to generate a first-person, experiential narrative to explore sense-making and meanings within an individual’s world view. This perspective is rarely covered in consumer credit research, which is often heavily positivistic (see Hirschleifer 1958; Juster and Shay 1964; Eastwood 1975; Lea et al. 1993; Schicks 2014).

Research that deals with the consumer perspective of debt and credit usage is limited in extent. Drawing on CCT, this phenomenological approach has been used to elicit an in-depth, empathic understanding of the consumer and their lived experience, whilst also balancing the understanding of the experience and subjective concerns of the individual consumer with the way that cultural, societal and historical structures, and processes embed these intersubjective dynamics, in line with Askegaard and Linnet (2011).

This research therefore responds to Askegaard and Linnet's (2011) call for researchers to take into consideration the…*context of context* (p. 381), and, it is argued, therefore produce …*stronger explanatory frameworks* (p. 399) and, indeed, may bring to light new and previously unrecognised issues. EP interviews can facilitate this exploration of previously uncovered areas. To this end, there are no priori questions except the opening question, and the dialogue drives the direction of the discussion. Our first question was 'Can you tell me about your financial history?', which provided everyone with a not-too-threatening, structured question with a time perspective that could be discussed with participants own part-to-whole interpretations. It also allowed a free-flowing dialogue of various financial issues that may not have been recognised as part of a set discussion by the researcher. During every discussion, the researcher was careful not to communicate judgments on debt acquisition, focusing primarily on the idea that the participant was the most expert of their own experiences.

Due to the complex, nonlinear and open aspect of EP interviews, follow-up interviews were used to clarify points and understandings. In particular, financial histories tended to be discussed in order of relative significance to the individual, rather than the chronological order the researcher anticipated would be easiest for the individuals' to describe. It therefore proved difficult to work through the transcripts to identify the order that individual's selected credit sources. Accordingly, we asked the participants to create a map with post-it notes to show the sequential order of credit sources used. Post-it notes were used as a nonthreatening, brightly coloured medium, which would allow the participant to talk around, and reposition the credit sources as needed. We dismissed giving the participants a pen and blank piece of paper to draw their own diagrams, as asking for the creation of an original diagram might be intimidating, and was likely to result in many crossed out lines and scribbles—which could be perceived negatively— given the complex subject matter.

Overall, seventeen interviews with ten participants were conducted, generating over 24 h of audio recordings and seven participant-created post-it note models.

The participants consisted of an even gender split. Each individual has been assigned an alias, and we have renamed other identifying information for privacy purposes, such as location names, or names of friends and family. Each participant was in employment; job roles included a cleaner, a builder, a nurse and a maths teacher. Of the participants, three were not currently in debt, but had been in the recent past. The remaining participants were in debt at the time of the interviews, with three having previously been declared bankrupt. The amount of debt experienced ranged from £3000 to £250,000, with £15,000 being the modal number.

Braun and Clarke's (2006) six-phase thematic analysis guidelines were applied to the transcripts. Phase 1 requires data familiarisation. The lead researcher personally transcribed the interview audio, reading and re-reading the data, and making notes of preliminary ideas. In phase 2, initial codes are systematically generated from the data; for this project, over a thousand codes were identified. Next, in accordance with phases 3 and 4, codes were sorted into broader themes and subthemes and reviewed for overall suitability within the entire dataset. A thematic 'map' of clustered codes was created using post-it notes over a wall in a teaching room. Phase 5 involved defining and naming the themes; overall, fifteen main themes were identified, with 'decision-making' and 'emotions' heavily underpinning all themes. Of these themes, this paper will explore the theme: 'movement through credit sources'. This was one of the first important themes to emerge and appears to be an essential frame to identify for subsequent discussion of other themes. Phase 6 is where the report is produced; transcript extracts are selected and the final analysis is discussed as a scholarly report.

Throughout the phases, intersubjective corroboration (Gallagher and Zahavi 2012) was applied to enable comparison of understanding of phenomenological descriptions. As part of the initial code generation process in phase 2, and ordering in phase 3, three qualitative researchers in alternative social science subject areas were given a selection of the transcripts to code, a form of analytical triangulation (Patton 2015). This provided different perspectives for codes, and how to organise them, although there was significant overlap with the codes, themes and subthemes identified. Additionally, throughout phases 1–4, interviews with the participants were still ongoing; most participants were keen to participate in follow-up interviews. This enabled member checking with participants; considering and reflecting on both their previous discussions, and also ideas or areas that had been discussed with subsequent participants (Lincoln and Guba 1985; Creswell 2007; Harper and Cole 2012). This ability to move between the participants at the same time as generating and analysing data from other participants was valuable, and we are very grateful to our participant's willingness and flexibility in this aspect.

Findings

In order to provide insights into how consumers select credit and the emotional drivers behind their choices, the findings from the interviews and post-it exercise were structured in the following way; first, a categorisation of credit sources according to usage patterns reported by respondents was conducted in order to establish their respective roles in the respondents' lives. The respondents' respective movements around and between credit sources were then outlined in order to provide insights into the pathways taken by respondents in their credit sourcing activities. The reasons behind these movements between sources were also investigated which led to the identification of a range of factors that influence and are influenced by the respondents' credit source usage pathways and usage patterns.

We scoured the existing literature to find the value in creating a model showing customers' choice of, and movement around credit sources. Many consumer credit usage models exist, mainly in the fields of economics, behavioural finance and economic psychology, with most designed to benefit lenders, e.g. with a focus on consumption, investment and/or sensitivity around borrowing rates (Hirschleifer 1958; Juster and Shay 1964), the delayed repayment model (Sporleder and Wilson 1974) or bankruptcy/default models (Eaton and Gersovitz 1981; Kehoe and Levine 1993; Alvarez and Jermann 2000; Chatterjee et al. 2007; Livshits et al. 2007).

Wiginton (1980) highlights that since the 1940s, most consumer credit models tend to be quantitative in nature, designed by lenders to facilitate credit granting decisions by 'scoring' the consumer. However, he concludes that numerical scoring models …*are not very useful* (p. 765) and that qualitative data would be more useful for credit granting decisions. Models with a consumer focus tend to look at the consumer's financial decision processes, e.g. purchase decision models (Sheth 1974; Kirchler 1989; Kirchler et al. 2001), process model (Kamleitner and Kirchler 2007), consumption decisions in the light of credit availability and repayment periods (Eastwood 1975). We were unable to find any models that deal with selection of, and movement between credit sources; hence, our contribution lies here.

Grouping credit sources

The post-it note diagrams and participant and researcher conversations evidenced trends in the use of multiple credit sources, and how the consumer moved between these various sources. Over twenty credit sources were identified; however, we have focused on pure lending sources, so we do not refer to discussion around any work based, voucher or Christmas club savings schemes, cash for clothes, second jobs, or salary advances. Trends in the general order of usage was identified, with most participants placing credit cards, overdrafts and mortgages at the beginning of their credit journeys, and ending with pawning or payday loans as the final option. These credit options fell into three distinct groups:

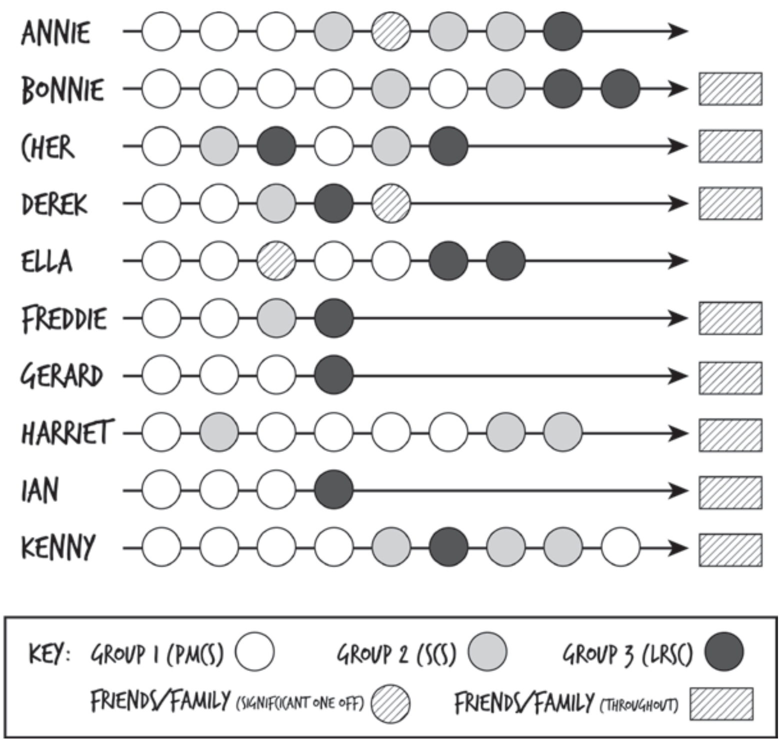
- Group 1 *Primary mainstream credit sources* (PMCS) Credit cards, overdraft, mortgage, personal loan, student loan, bank loan, car loan.

- Group 2 *Secondary credit sources* (SCS) Store cards, logbook loan, catalogues, doorstep loans, credit union loan.

- Group 3 *Last resort credit sources* (LRCS) Pawning, payday loans.

We mapped out a visual representation of credit sources with which individuals engaged, which is shown in Fig. 1.

Fig. 1 Participants deconstructed journeys between credit sources



To highlight this grouping pattern, the sources have been coded in greyscale. A striped spot indicates where an individual discussed a significant financial event involving friends or family (e.g. Derek's mother paid off his payday loans; Ella received inheritance money from her mother), and a striped rectangle at the right-hand side indicates whether individuals discussed borrowing from friends and family throughout their credit journeys.

In Fig. 1, it can be observed that:

- Annie, Freddie and Derek travel directly from PMCS, to SCS, to LRCS.
- Ella, Gerard and Ian travel through PMCS directly into LRCS, bypassing SCS.
- Bonnie started in PMCS, moves between SCS and LRCS, and ends back in PMCS (although she is simultaneously using SCS and LRCS at the same time as PMCS).
- Harriet balances between PMCS and SCS, but has not moved to LRCS yet.
- Cher moves through PMCS, SCS, then LRCS, then returns to PMCS, where she then goes to SCS, and finally LRCS.
- Kenny starts in PMCS, moves to SCS, then LRCS, and then moves back to SCS, and has finished in PMCS.

Although there was no definitive route around the sources, there is a pattern of directional movement between the groups, predominantly movement from PMCS, to SCS, and then LRCS. Kenny was the only participant who appeared to be reversing the trend, which he discussed in our conversations:

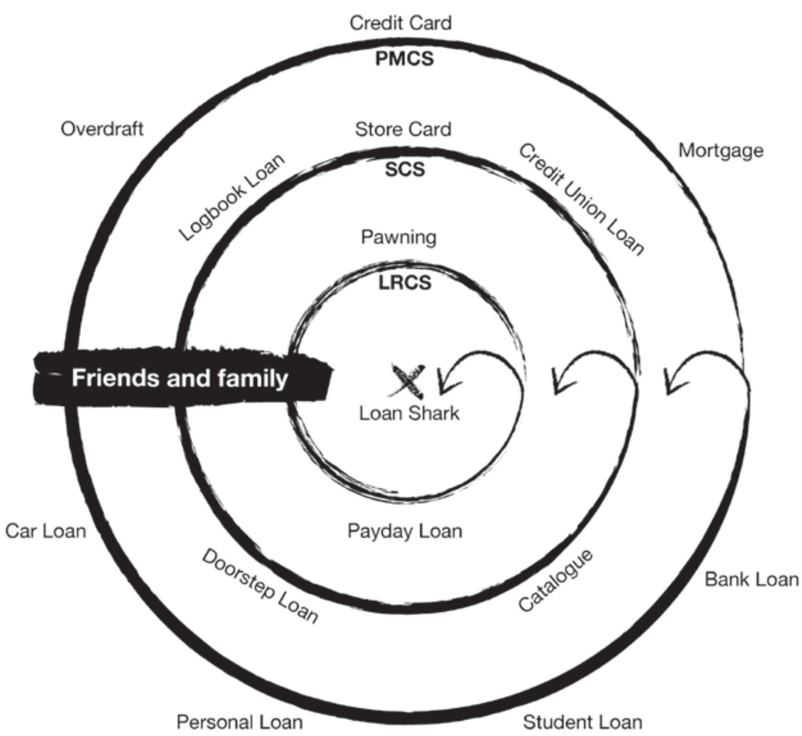
> (Kenny) …it feels like you're on a downward spiral. And… first of all, you've got to stop going down. Then you've got to stay still. Then you've got to try and improve back up. And it's… I mean, it's hard, to do that.

This transition through and back through the groupings demonstrates the fluidity of movement through the groupings and that movement can be in both directions.

Movement around credit sources

We initially drew parallels to previous research on product 'constellations' (Hogg and Mitchell 1995, 1997). In keeping with the stellar theme and noticing that credit sources tended to be selected in particular orders, we considered the product groups as 'rings' where the products could exist. Individual's orbit a ring, utilising credit options, or move between the rings if they had exhausted the options on a particular ring. Rings were more appropriate than a spiral (in reference to the recurrent theme 'spiral of debt'), as a spiral is a linear representation. Due to the nature of the research, we were unable to rank credit sources in a linear fashion, or preferentially position one source ahead of another. These rings are illustrated in Fig. 2.

Fig. 2 Orbit diagram—movement between credit sources



Each individual began by supporting their salary with mainstream credit sources, e.g., overdraft, credit cards (PMCS). These options are placed on the outer ring. Once these sources become unavailable or failed to meet the individual's credit needs, the person would move to less mainstream credit sources, such as doorstep loans or logbook loans (SCS), situated on the middle ring. When these sources become unobtainable, individuals moved to the innermost ring; payday loans and/or pawn shops (LRCS). When these two sources become unworkable, the final option was to seek out illegal loan sharks (the central point).

The research suggested that individuals were able to manage on each ring for long time periods, e.g. were able to survive on the outer ring for years, before moving to one of the inner circles. Sometimes they were able to orbit the outer and middle circle for years before needing to visit options on the innermost circle.

The diagram includes a 'friends and family' bar that intersects all three rings. Throughout the research, all participants mentioned borrowing from friends and family, regardless of which ring they were orbiting:

> (Derek) I suppose if I didn't have friends and family I'd be knackered.

The influence of friends and family on credit choices was a strong theme that we plan to investigate further in future.

Reasons for movement around credit sources

In considering how individuals move between credit sources, two categories were identified that we have termed, 'pressures' and 'jolts'.

Pressures were identified as ongoing, recurring financial issues that individuals within the study dealt with on a regular basis. Each of the individuals discussed pressures like rent, utility bills, grocery shopping and council tax. Individuals had high awareness of these commitments and under normal circumstances were able to deal with these pressures.

However, these pressures fluctuate, occasionally reaching the point of being unmanageable, which was evidenced as a factor in the consumer's need to seek other sources of credit. For example:

> (Gerard) Erm… but yeah, I, there were bills starting to accumulate. And then, all of a sudden, I realised, you know. I was a bit short for a couple of months.

Pressure therefore can build over time and can cause movement between the rings.

However, jolts were more predominantly the instigating factor for moving between the credit rings. A jolt was identified as a sharp, financial shock that forced the individual to find a new credit source. This included a wide variety of events like an unexpected car repairs, personal illness, or a change in living situation. For example:

> (Gerard) It's basically like, three and a half years of accumulated [electric] bills that they sent in one time.

These jolts are represented in Fig. 2 using curved arrows. This is an area we are currently exploring and will develop in future.

Factors relating to credit source usage

Having created the orbit model, several factors were observed that linked directly to how centrally (or not) an individual was positioned within the model, namely lack of alternatives, amount borrowed (and costs incurred), time approval (and urgency), engagement with the decision-making process (DMP), social acceptance and perceived risk.

Lack of alternatives Participants often stated that their reason for turning to a payday loan came about as there were no other alternatives:

(Bonnie) [Payday loans and pawning] are very easy for people with bad credit, because… I cannit get a loan.

More mainstream options are often exhausted or inaccessible,so often people are forced into selecting more centralised credit sources.

Amount borrowed (and costs incurred) The actualmonetary amount borrowed with each credit source tends to be higher on the outer circle, with smaller amounts towards the centre. This is also linked to the outside sources being a longer-term commitment. Because of both the amount and length of term, the annual percentage rate (APR) tends to be inverted, with the higher APR rates found on the inside of the orbit, and the lower rates on the outside of the orbit model. This means that people in the most urgent need of money, will face monetary penalties in non-repayment situations, which they can ill afford because of their starting situation and reason for taking a loan.

Time approval (and urgency) For sources on the outside circle, such as mortgages and bank loans, people tend to have longer-term projects in mind when looking for these, such as home ownership, home improvements or business ventures. The approval time for mortgages (excluding the consumer decision-making process) is between 30 days and 3 months, according to several mainstream mortgage providers websites. However, as you move to the central ring, the credit products available there are able to provide money in a same day capacity—with many payday lenders and pawnshops able to product money in under an hour. The approval speed of payday loans was discussed by several participants including Ian, who mentioned why he opted to bypass credit cards:

(Gerard) It was really instant. Within five minutes, logged into my online bank and there it was. So its, its really… what makes, what draws people in.

From this, there is a trend towards the speed of accessing the money being appealing, which suits more urgent needs. Therefore, when people need fast access to cash, they seek out the type of products in the inner circle.

Engagement with the DMP Time pressure increases with products more centrally to the model, which constrains the decision-making process. Participants described a variety of reasons for needing money quickly, such as needing to pay a house deposit or rent, not being paid on time, or needing money to get to work that week. This means that individuals were not often able—or willing—to fully engage with the decision-making process. For example, Annie discussed not fully researching the small print:

> (Annie) But… other than that, I'm not sure what… options there were regarding payment plans… Erm. I'm not sure [if the information was available]. I think I, probably didn't look as…hard as I could have done for it. I think it possibly would of been there, but in small print, if I'd wanted to find it.

Because people are trying to solve these immediately pressing problems, they spend less time engaging in the decision-making process and are therefore potentially less well informed when making these financial decisions.

Social acceptance The credit sources in group 1 (e.g. credit cards, bank loans and student loans) are much more mainstream and deemed more socially acceptable than the sources more central to the orbit model. The FCA (2014) suggests that mainstream credit sources include overdrafts, credit cards and bank loans, and non-mainstream credit includes doorstep loans, catalogues and payday loans. Several participants acknowledged their reluctance to discuss their use of credit sources like payday loans. For example, Kenny talked about how his position in society did not necessarily match up to what was socially acceptable in terms of credit products:

> (Kenny) But the embarrassing thing is, that… I'm amaths teacher, so… surely I should understand that payday loans are the most awful thing in the world (laughs). I know it sounds funny to say, but… it does embarrass me.

Embarrassment was a key term in the discussions, with many participants admitting that they felt embarrassed about their debts, particularly when telling friends and family about using sources like payday loans. This also leads to an internal unease when using these inner credit sources.

Perceived risk Credit sources on the outer ring are perceived as less risky than sources on the inside rings. Most participants mentioned a high perceived risk when using payday loans. For example:

> (Annie) They seemed legitimate. But it was still a little bit of a concern. […] how can I put it? A worry about, kind of, safety? So, as in, obviously if they've got your address details. If for any reason you can't afford to pay it back, are they gonna come round and (laughs) start getting a bit heavy handed, or… anything like that.

Risk, particularly in terms of expected physical or financial consequences of missed payment, was a major concern for seven of the ten participants.

Emotional state The last concept takes into account the current emotional condition of an individual. If they require money urgently, this tends to suggest a pressure or jolt situation, e.g. needing somewhere to live, or not having enough money to eat. In dealing with this situation alone, they are in an altered, negative mental state. Participants often used the word 'desperate' to describe their emotional state when justifying taking a payday loan:

> (Kenny) I knew I was in a desperate situation and it was just like: ''Right okay, I need a payday loan''.

Their emotional state will also take into consideration the pressures of the previously mentioned concepts; lack of alternatives, high costs incurred, time approvals, limited engagement with the decision-making process, social acceptance and perceived risk factors, which generates a perfect storm of highly charged emotions.

An individual's emotional state is an important factor in decision-making, and an unstable or negative mind set is often associated with poorer decisions overall, and unstable engagement with the decision-making process, e.g. Gasper and Isbell (2007) reported that 'sad' people often spent longer at certain decision-making stages, e.g. preparatory information, but less time seeking out confirmatory and competency information.

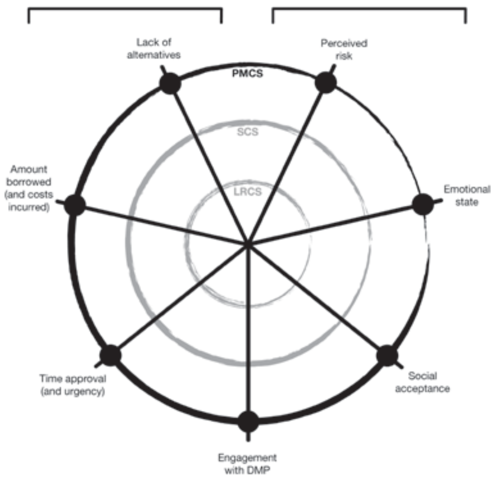
Individuals experience cognitive dissonance when dealing with payday loans; they opt for the short-term fix of a payday loan to solve the immediate problem, but are often initially uncomfortable using payday loans as afinancial product. However, emotional state is influenced by all of the previous concepts discussed, so financial decision-making, particularly nearer the centre of the orbit model, is particularly complex.

Discussion of findings

Based on the findings, three categories of credit providers were established: primary mainstream credit sources (PMCS), secondary credit sources (SCS) and last resort credit sources (LRCS). These groupings were found to function like rings (with PMCS functioning as the outermost ring, SCS the middle and LRCS the innermost ring), which respondents tended to orbit along and occasionally move between, primarily moving in an inward direction. Inward moves between rings tended to result from sharp unforeseen events or mounting pressures. Primary factors relating to respondents' orbit situation were: lack of alternatives, costs incurred, time approval/urgency, engagement with the decision-making process, social acceptance, perceived risk and emotional state. These findings form the basis of a proposed theory of the consumer credit DMP factors in the limited choice context. Our approach is based on pragmatic empirical theorising (Shepherd and Suddaby 2016), which holds that interesting findings may be an important source of new theories and is particularly relevant when there is a lack of extant theory and limited prior research into the area.

This theoretical development details how the identified concepts can be either internal (socially constructed, internalised factors) or external (actual, outer factors) to the individual. The combination of dealing with these factors influences how individuals make decisions. We have visualised each concept as a ‘spoke overlay’ that sits over the orbit model. Where an individual exists on the orbit model, will determine the nature of the concept at that point on the spoke. For example, someone dealing with sources on the outside of the rings is likely to have; more mainstream credit options, dealing with comparatively higher amounts of credit with smaller repayment rates, that may take more time to approve, but is relatively less urgent for the Individual. They are more likely to engage fully with the DMP, believing the credit source to be less risky and socially acceptable. They are also likely to be in a lowered emotional state. This position is illustrated in Fig. 3.

Fig. 3 Spoke overlay on the orbit model: consumer credit DMP factors on the PMCS ring in the limited choice context



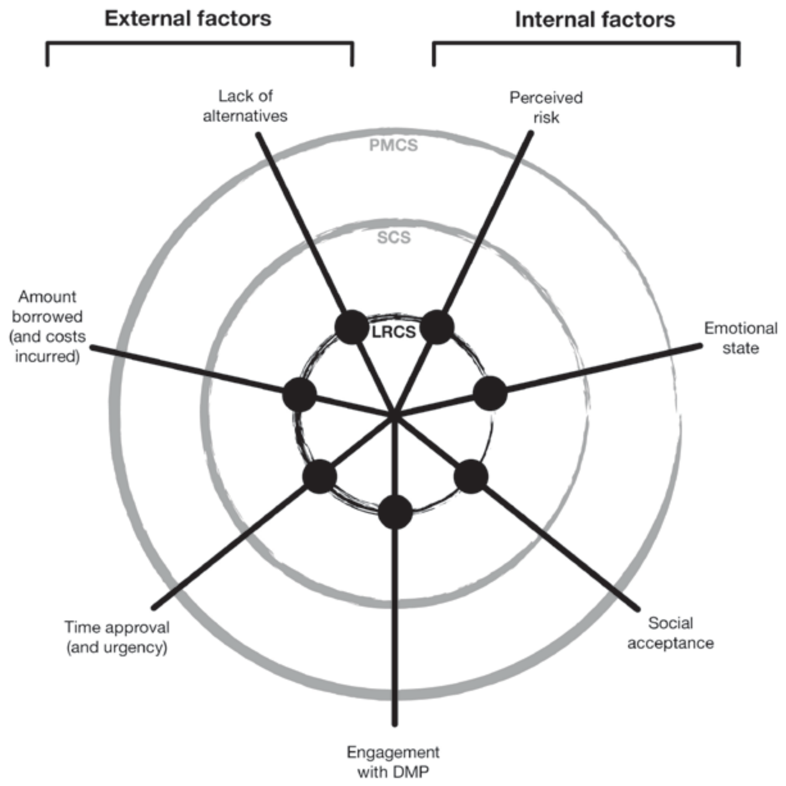
However, someone in the centre of the model may be experiencing pressure from several directions influencing their decision-making. They may have exhausted, or have no access to other credit options and have a pressing time frame. Although they are dealing with comparatively smaller sums of money, this is relative to the individual. They perceive that they are dealing with less socially acceptable, riskier credit products that incur punishing financial consequences if original repayment terms are not met. This can lead to a heightened, negative emotional state, which affects an individual's ability to fully engage with the decision-making process, potentially leading to poorer decision-making. This position is illustrated in Fig. 4.

From the spoke overlay model, it can be observed that when dealing with credit sources more centrally, individuals feel more pressurised by both the internal and external concepts identified, which creates a highly charged emotive state, leading to poorer decision-making.

Conclusions

This paper has introduced the orbit model of consumer movement around credit sources and the spoke overlay to consider the identified concepts. This represents the first analysis of consumption patterns as regards this product category. This has societal significance, due to the increasing use of alternative credit sources in developing countries such as the UK (CFA 2013) and the associated 'downward spiral of debt' problems that reliance on such credit sources can illicit. The orbit model provides a useful categorisation of credit sources as well as a tool for examination of which credit sources individuals utilise as well as how they move between those sources. Thus, this study constitutes important exploratory research, which will enable and underpin future studies on this increasingly important societal issue. Another significant contribution of the study is that it provides analysis of the emotional impact of respondents' consumption of credit services and perhaps in particular their progression from one ring to the next. It also links to a number of concepts that alter depending where on the orbit model an individual is located.

Fig. 4 Spoke overlay on the orbit model: consumer credit DMP factors on the LRCS ring in the limited choice context



Limitations

Given the qualitative nature of this research in which the focus was gaining an in-depth understanding of a situation (Carson et al. 2001; Denzin and Lincoln 2003), the quantitativeconcepts of generalisability and validity need not be considered. Instead, the qualitative research standards of transferability and relevance (e.g. Fossey et al. 2002) are recognised through the level of detail provided within this paper/article. Future quantitative inquiry, in the interest of generating generalisable results, could serve to substantiate identified models and relationships.

Practical, managerial and social implications

This research should have value for lending bodies and policy makers. It may be beneficial to understand the various influences acting upon high-cost credit customers when they are making decisions, and subsequently if they are likely to be able to cope with the financial implications of repayments, particularly missed repayments. Lenders need to be thorough, but fair in making appropriate checks to ensure individuals are in a fit state to take credit when they approach the lender. Being able to assess a customer on an individual basis, taking into account their wider situation, e.g. reason for needing the money, time pressures, emotional state, should also be considered as a more responsible way of lending. This supports Wiginton's (1980) comments around the needs for qualitative measures to be considered rather than numerically based credit granting decisions. The findings also suggest that on a practical level, different credit sources would require different ways of disseminating key information to the primary audience, in the interest of maximising compatibility of message content with the emotional state of the borrower.

On a societal level, more could be done towards considering how to reach, and encourage people struggling with debt to ask for help before they reach the inner circles of the orbit model. In many instances, participants thought their problems could have been dealt with much earlier. The individuals in this study admitted to either ignoring

their debt, or trying to resolve their debt themselves, often long before they sought help (some are still yet to seek help). Lenders could use the orbit model and the spoke overlay as part of a wider, fuller assessment of an individual's credit journey, to help assess an individual's needs

before offering credit.

Originality/value/contribution of paper

The majority of consumer high-cost credit studies are found in economics literature, particularly behavioural finance. These are largely US-based and quantitative by design (e.g. Lawrence and Elliehausen 2007; Gallmeyer and Roberts 2009; Bertrand and Morse 2011; Morse 2011; Lusardi and de Bassa Scheresberg 2013; Bhutta 2014).

There is little research at the level of the consumer's lived experience of managing credit in the UK, and as such it may be considered to be an under-theorised phenomenon (Shepherd and Suddaby 2016). Our theoretical development offers originality which goes beyond incrementalism, and utility in terms of both practical usefulness (likely to beof benefit to consumer interest groups, debt counselling organisations and policy makers) and also in terms of 'scientific' utility; representing an advance that has the potential to improve conceptual rigour and/or enhances its potential to be operationalised and tested (Corley and Gioia2011). The present study is the first to offer conceptual and theoretical development towards exploring movement between, and selection of credit sources from a consumer perspective, acknowledging the impact of emotions on decision-making.

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