

## **Document 2 – Specification and quality questions**

No Interest Loan Scheme and  
innovative affordable finance solutions

December 2021

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## Sections to be evaluated

Purpose and strategy

Implementation and pilot management

Technical quality submission

Resilience, quality and complaints

Scalability, future local partnerships and co-funding

Local requirements, customer need, co-funders and referral partners

## List of lots

Lot 1 - Wales

Lot 2 - Scotland

Lot 3 - Northern Ireland

Lot 4 - England - London

Lot 5 - England - any location

Lot 6 - England - any location

Lot 7 - All England locations (London, England 5, England 6)

Lot 8 - All countries (ie geographic lots 1-6) and smaller loans delivered nationally

Lot 9 - Future innovative affordable finance solutions

## How this document is set out

Sections 1 to 5 of this document cover the general specification. They are wholly applicable to all geographical area lots (lots 1 to 8) and partially applicable to lot 9 - Future Innovative Affordable Finance Solutions.

Sections 6 to 14 of this document cover the specification that applies to each of the geographical area lots (lots 1 to 8).

Section 15 covers the specification for lot 9 - Future Innovative Affordable Finance Solutions. If you're intending to bid for lot 9 only, please read Section 15 first.

A full list of the questions in this document is set out in the appendix.

# General specification

Please note bidders should respond to the questions outlined here in Document 5 - Tenderer Submission.

## 1 Purpose and strategy

This section sets out our requirements for the alignment of bidders' purpose and strategy with the NILS programme

### 1.1 Background

The No Interest Loan Scheme (NILS) pilot is an opportunity to improve credit provision for sub-prime customer groups who don't currently have access to a fair credit option. We hope that the pilot results in a positive set of outcomes for customers, and for the partners who help to deliver the programme. One of our objectives for the pilot is that it strengthens overall affordable credit provision in the UK.

Therefore we are seeking partner organisations who share the vision of a credit market that can provide a fair and affordable option for all customers who can repay. We would like bidders to indicate how the pilot aligns to their strategies and their overall purpose.

#### 1.1.1 Question - Purpose and strategy (max 1 page)

Please set out:

- Why you are bidding to deliver the NILS pilot?
- How the pilot is aligned to your organisation's purpose and strategy?
- What might being a part of the pilot bring to your organisation?
- Please confirm you will sign up to the Fair4All Finance [Affordable Credit Code of Good Practice](#)

## 2 Implementation and pilot management

This section sets out our requirements for the implementation and subsequent management of the pilot, along with our key assumptions

### Background

We expect to appoint partners in April 2022. There will then be an implementation period to refine the product collaboratively and set-up/mobilise before first loans launch in September 2022. Please refer to figures 1-3 over the page.

We have assumed that:

- NILS should first be operated by a single lender for a period of 3 to 4 months before the rest of the lenders (fast followers) commence delivery, on the basis that some lenders will have fewer changes to make to be ready to deliver NILS than others and it is prudent to do some live testing with the final product. An indicative set of mobilisation tasks is set out in Figure 1 below
- We are not anticipating that the NILS products will require wholesale IT changes as the lending arrangements should be reasonably similar to existing loan products and the systems that support them
- Fair4All Finance issues to all lenders a standard Privacy Notice which covers how data is used in the pilot and how it flows through to evaluation and financial capability coaches etc, and that lenders include this in their engagement with borrowers
- Fair4All Finance produces some standard NILS product collateral and FAQs which lenders brand as appropriate (their own existing brand or a lender's NILS brand of their design, noting there will be no common NILS brand)
- Lenders will work with Fair4All Finance to refine the product that has been tested through the proof of concept stage throughout the pilot and implement any refinements to it, along with improvements to processes, in between the three waves of lending as illustrated in Figure 2 below. We have accepted the feedback provided during the market engagement that lenders may wish to offer emergency loans in a limited number of cases in between the waves and this flexibility is now also included
- The indicative lending volumes we are expecting lenders to deliver in each wave are set out in Figure 3 below which is dependent on an average loan value of £500. For each lot we are seeking bidders input on the volumes that they anticipate delivering and what average loan principal is appropriate for the lot they are bidding for, so these figures will change depending on the bidders response for specific lots – for example if a location does not have a need for more small loans, but there is a gap for larger loans, a smaller loan volume may be deployed with a larger average between our band of £100 to £2000
- Bidders will need to input their proposed implementation budget into the pricing matrix but we seek clarity in the questions set out below about the assumptions made in the budget estimates within our range of £5,000 to £30,000

Figure 1 Indicative mobilisation steps

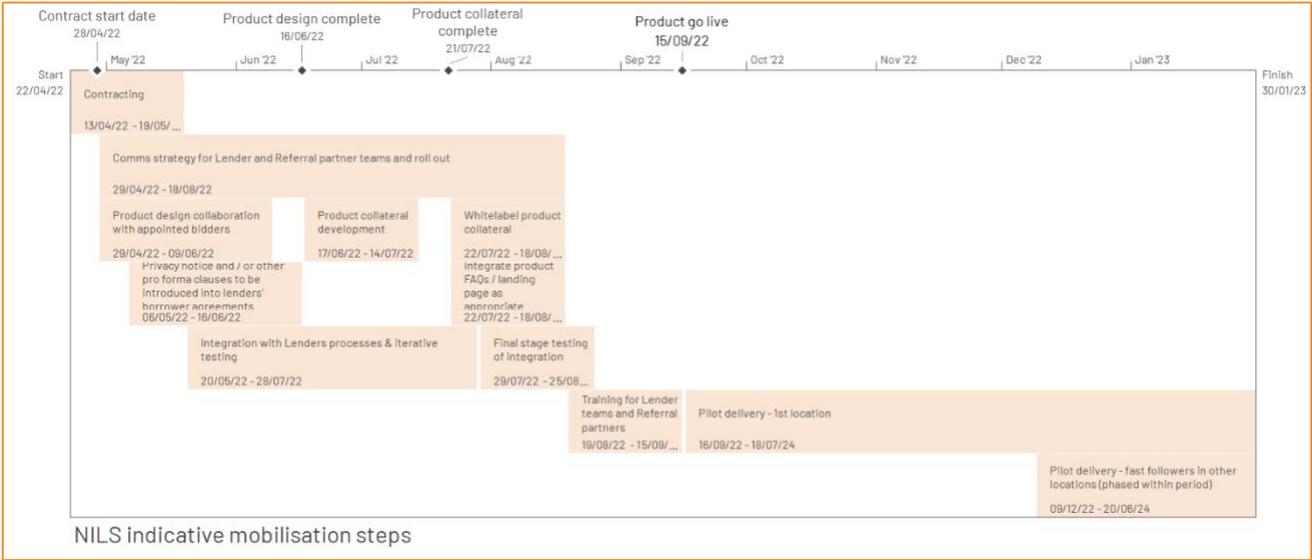
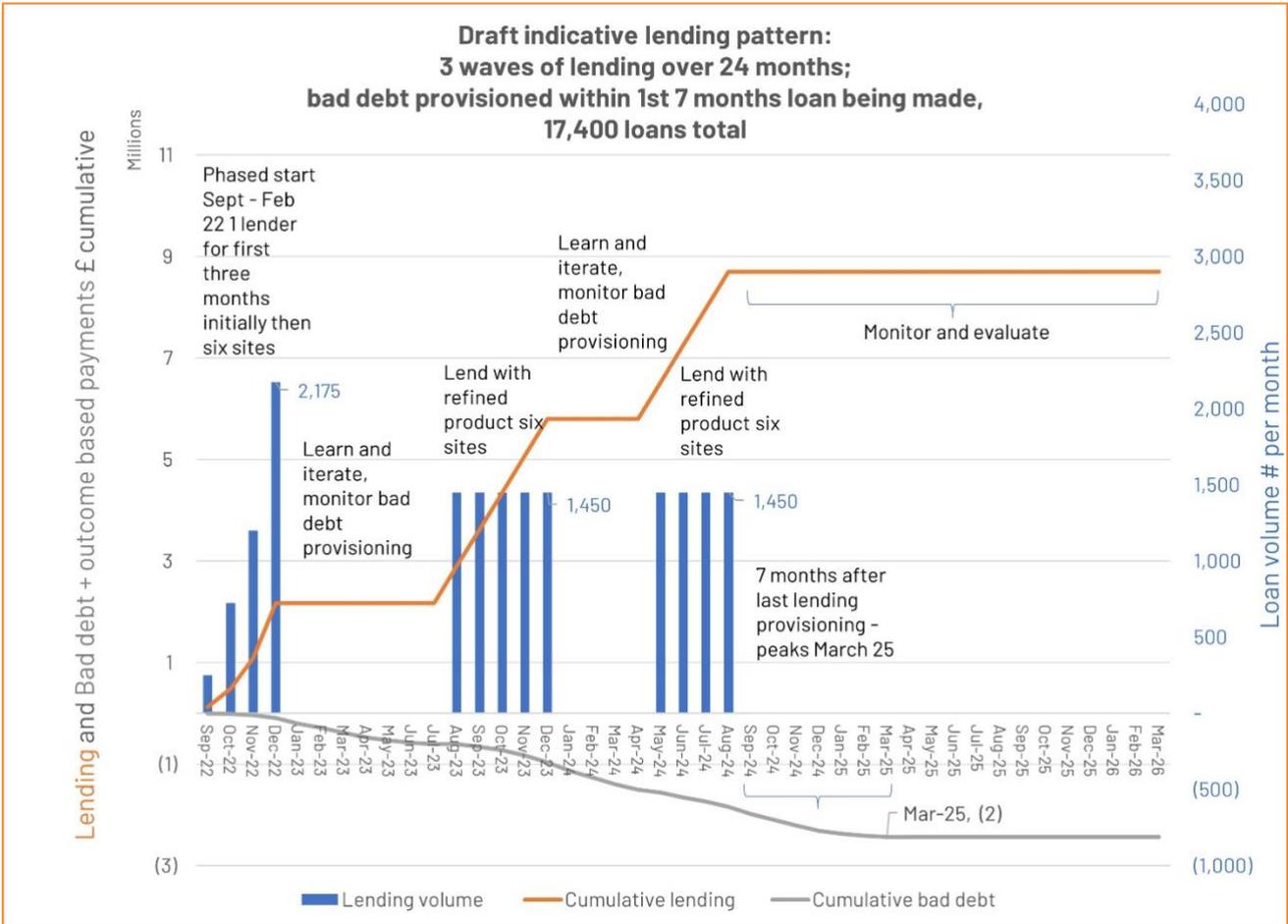


Figure 2 Pilot phasing with waves of lending



1 We accept the feedback from the market engagement that a small number of loans may need to be administered in between the waves in emergency circumstances

Figure 3 Loan volumes by wave by lender  
(assuming £500 average loan, subject to change depending on the bids received)

Approximate loan volumes per lender, per wave	Planned volume wave 1 Sept 22 – Dec 22	Planned volume wave 2 Aug 23 – Dec 23	Planned volume wave 3 May 24 – Aug 24	
1 <sup>st</sup> Location lender	Commencing Sept 22	2537	1200	
Fast follower location 1	Commencing Dec 22	362	1200	
Fast follower location 2		362	1200	
Fast follower location 3		362	1200	
Fast follower location 4		362	1200	
Fast follower location 5		362	1200	
Subtotal		4347	7200	
			Total	17,343

## 2.1 Implementation

Although we do not expect NILS to require wholesale changes to lenders systems and processes we recognise that there are nevertheless steps necessary to get ready to deliver NILS.

### 2.1.1 Question – Implementation (max 2 pages)

- Please share your detailed implementation plan for our review

Your response should cover:

- If you would be prepared to be the first organisation to deliver the pilot – as the 1<sup>st</sup> location lender
- The project plan you will use to run the implementation in Gantt chart format
- Who will be accountable for the mobilisation and subsequent delivery of the pilot and what governance arrangements you expect to have in place
- Who your project manager will be and what experience and relevant qualifications they have
- Which key personnel (as defined in the contract for services) you will nominate to oversee the contract and pilot delivery (we anticipate this will likely be the project manager you nominate)
- What other internal (and if necessary external) resources will be involved
- The resources that will be responsible for specific tasks, especially aspects such as communications and systems/process updates
- Your expectations in terms of the effort and duration needed at each step
- What assumptions you have made for the implementation budget (noting the budget will be inputted into the pricing matrix separately). We want to understand the high-level assumptions you have made for the costs you will incur in getting ready to deliver NILS and costs to iterate and make changes during the pilot
- A breakdown of the key risks you've highlighted for the mobilisation and how you propose to mitigate them
- What you've considered in putting it together including your past experience of implementing new products and services and how this has informed your plan

## 2.2 Ongoing pilot management processes

- The pilot will operate over four years, with contracting in April 2022, lending between Sept 2022 and August 2024 and a period of evaluation data capture concluding in 2026
- Over the period of the pilot the resourcing emphasis will change from: getting ready to lend; to delivering loans and customer support, refining the product and processes and collecting data; to close out and final reporting

- The product specification, which will form part of the contract for services, will be developed in collaboration with lenders as part of the implementation phase (see Figure 1) and will then be refined iteratively throughout the pilot. For this reason there is a hiatus in lending between each wave, so that iterative refinements to the processes and product can be implemented
- To maximise learning from the pilot Fair4All Finance has set out a draft reporting schedule 1 in the contract for services detailing information we require to be shared during the pilot
- In parallel to the pilot an evaluation will be underway focussing on process learning and impact evidence
- We also need granular information on the costs incurred delivering the pilot on an open book accounting basis as set out in the contract

Key metrics report	Frequency: Monthly
<ul style="list-style-type: none"> <li>• Percentage and number total applicants and NILS borrowers:               <ol style="list-style-type: none"> <li>1. Age</li> <li>2. Location/postcode</li> <li>3. Household situation</li> <li>4. Housing type</li> <li>5. Disabilities</li> <li>6. Caring responsibilities</li> <li>7. Sexual orientation (includes 'prefer not to say')</li> <li>8. Religion (includes 'prefer not to say')</li> <li>9. Ethnicity (includes 'prefer not to say')</li> <li>10. Employment status</li> <li>11. Benefits</li> <li>12. Income</li> <li>13. Credit score</li> <li>14. Income/expenditure</li> <li>15. Debts/assets</li> <li>16. Referral route &amp; source</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>a. Volumes and loan types (applications and NILS borrowers):               <ul style="list-style-type: none"> <li>- Loan amount</li> <li>- Loan term</li> <li>- Total loans (volume and value)</li> <li>- Reason for loan (aggregated)</li> <li>- Reason for loan (customer application)</li> <li>- Approvals for NILS</li> <li>- Reason for decline/detailed decline analysis</li> <li>- Origination/referral including source</li> <li>- Repayment schedule</li> <li>- Number of repayments</li> <li>- Number of defaults</li> <li>- Current outstanding principal</li> <li>- Cumulative principal paid</li> <li>- Monthly payment amount</li> <li>- Current loan status</li> <li>- Number of extensions</li> <li>- Number of months in arrears</li> <li>- Current arrears balance</li> <li>- Loan default date</li> <li>- Principal at default</li> <li>- Loan provisioned</li> <li>- Payment flexibility reason and volume of flexibility requests approved - where provision of payment flexibility is illustrated elsewhere eg in outstanding balances that do not reduce</li> <li>- No. of NILS customers who were eligible to use interest products following no interest loan</li> <li>- No. of NILS customers who take second product (loan or savings) within 24 months</li> </ul> </li> </ul>

Pilot review	Frequency: Every 6 months
Bi-annual review of pilot progress	

## Operational Management report

Frequency: Monthly

- Conversion metrics (loan application volumes and dropouts by customer journey stage)
- Customer complaints
- Number of trained lender staff for each part of customer journey eg loan screening/ borrower support/ underwriting/collections
- Loan status and provisioning
- Loan application volumes by referral route
- Declines reasons analysis
- Borrower underwriting analysis and observations re borrower characteristics/circumstances leading to declines eg:
  - Percentage of declines attributed to gambling on open banking record
  - Percentage of declines attributed to affordability issues eg loan still not affordable even though without interest once detailed income and expenditure is completed

## Analysis report

Frequency: Quarterly

Detailed reporting/deep dives and retrospective analysis of loan book

## Guarantee reporting

Frequency: Quarterly

- 1 For loans covered by the Guarantee: Annual Report and Accounts requirements:
  - Quarterly information to support the existing liability balance as at 30 June, 30 Sept, 31 Dec and 31 March each financial year for updating the HMT General Ledger to include the total loan amount; term; repayments to date; and balance remaining
  - Information to support an assessment of the expected credit loss allowance (ECL) for the financial guarantee liability as per Accounting Standards. This will include undiscounted principal obligation; remaining term; discount rate; discounted principal and interest; probability of default; loss given default. Also, a credit risk assessment
- 2 For loans not yet covered by the Guarantee but which are in arrears detailed reporting on the aggregate liability, the stage in the collections process and related information

## 2.2.1 Question - Pilot management processes (max 2 pages)

Please provide a response to explain your approach to managing the pilot. Your response should cover:

- How you plan to implement refinements to the product and processes you utilise between the waves of lending (please note your approach to product design learning is captured in the product design section)
- How you plan to resource the loan volumes anticipated in each wave as set out in Figure 3 and how you expect these will relate to your other lending products ie how you will cope with an increase volume of lending during the pilot waves
- Who will represent your organisation at the collaborative forums that Fair4All Finance will host to enable shared learning across the pilot locations
- How you will go about sharing open book accounting information with Fair4All Finance to help us build a detailed understanding of the costs to deliver NILS including what information you track eg timesheets, CRA costs, and how you can extract this from your systems
- How you will go about preparing the reporting required as set out in in the contract for services schedule 1. Please be specific about what information you already capture and how you would go about capturing information needed for this pilot which you do not already capture. Please explain any limitations to your ability to extract data from your systems and/or any alternative existing reports which can be used to provide comparable insight

## 3 Technical quality submission

This section sets out our requirements for product design, acquisition, application processes, IT integration and loan management

### Background

As set out in the market engagement we are seeking to work with lenders during the NILS pilot that:

- Are interested in collaborating with us on the **product design** at the start and during the pilot process and learning with us as we progress. This opportunity will not suit lenders who wish to deliver a specified NILS product which is agreed entirely in advance. We anticipate many of the product parameters are already largely confirmed, but we are intending to deliver the pilot on good practice agile methodology principles and are adopting a highly collaborative, iterative approach
- Have a slick approach to **acquiring** and onboarding customers already which can be adapted to suit NILS, recognising the routes into NILS, and the customer journey they necessitate and the pace that borrowers expect loans to be delivered to solve their immediate requirements
- Have robust approaches to **affordability assessments** and a slick approach to applications so that the customer experience is as smooth and frictionless as possible
- Appropriately utilise **CRA and open banking** in their underwriting approaches recognising the potential risk profile of the NILS target customers and our obligations to Treasury (HMT) to ensure that NILS customers have only one NILS loan at one time and minimise bad debt wherever possible
- Have an empathetic and effective approach to flexibility in payments, **collections** and the avoidance of bad debt through appropriate mechanisms including ELDS, CCJ and engaging borrowers in new payment plans. Lenders are incentivised to ensure their collections approach is at least as good as their normal collections approach through the portion of the principal that is not covered by the bad debt guarantee but is instead covered by the outcome-based payment, which measures collections and lending good practice
- Have a resilient approach to preventing **fraud**

### 3.1 NILS Product Design

Our plan is to provide centralised guidance on the product design for a no interest loan but with some options to tailor to local market needs and lender practices, and working collaboratively to do this. This will include:

- Loan parameters: we have set mandatory lower and upper limits, and are comfortable that lenders might operate somewhere within them
- We have assumed that the loan amount will range between £100 to £2000 and the average loan value is £500, but feedback from lenders during the market engagement has suggested the average needs to be more flexible
- We therefore now expect lenders will want to offer a minimum loan of at least £500 (but could offer lower) and a maximum loan of up to £2000 for no interest loans
- The pricing matrix seeks bidders proposed approaches to loan volumes and loan principals within our budget constraints for lending capital and bad debt and fees, and asks bidders to confirm the volumes they propose for each loan principal
- We reserve the right to deliver all small loans through lot 8
- The bid volumes are indications only based on your assessment of what's needed under NILS and will not be used for performance management purposes because we recognise that what lenders lend will be determined by customer demand
- The pricing matrix however sets out what volumes you are prepared to lend

- The shortest minimum term should be six months and the highest maximum term should be 24 months. We expect the norm to be 12 months and note that loans of less than 12 months have different regulatory provisions
- We are refining our approach to the product through a small scale proof of concept and, at the point of contract commencement for the full pilot, we expect to work with appointed lenders to refine the product further. We would expect each lender to join a workshop that includes product design (this could be virtual or face to face) to support collaborative developments
- Our product design will be refined throughout the pilot as we learn. We are partnering with Fair By Design to continuously enhance the product and lenders are expected to contribute throughout this process. Learning will come from:
  - The proof of concept we are running in parallel to the procurement of the full pilot
  - Qualitative insight from lenders and borrowers (through lived experience workshops at outset, and then on an ongoing basis through surveys and interviews as part of the evaluation)
  - Quantitative analysis of lending including bad debt and the utilisation of payment flexibility options

### Involvement of government

- We will continue to work with the FCA and with the Financial Ombudsman (FOS) to ensure that the detailed product design for NILS meets or exceeds their requirements and we have been pleased by their support and encouragement thus far
- Our initial discussions with FOS have indicated that few NILS loans would be in their jurisdiction (12 months or less loan term) and they do not expect claims management companies to be interested in NILS loans because there is no interest on them from which they could claim their fee
- We are considering including NILS in the FCA sandbox or using its other innovation support tools
- We will update potential bidders on these discussion during the tender period

### 3.1.1 Question – Product design (max 2 pages)

- Please indicate whether you can deliver a no interest loan within the above parameters, and if not what would need to change to deliver a successful no interest loan product?
- Please explain your approach to working with us on refining the NILS product during the contract mobilisation stage and at subsequent points during the pilot as we learn from each wave of lending

Your response should include:

- How you plan to capture observations about what can be improved during the pilot and share these with Fair4All Finance
- Specific examples of how your planned approach to product design builds on your past experience of designing and testing new products
- Details of the team you will have working on NILS and their product design experience, including who will attend lender workshops to support collaborative product design
- We may need lenders' help in recruiting customers/members to take part in customer insight workshops. Please indicate how you would do this

## 3.2 Acquisition and eligibility

We expect that NILS borrowers will be:

- Affordability declines: Customers that are applying for an interest-bearing loan and are declined due to affordability. The loan becomes affordable with the removal of interest and means the customer can afford to repay the loan. All customers must pass an affordability assessment for a no interest loan
- Lending criteria declines: Where a borrower's credit file or lack of one would mean a lender would otherwise have to decline a borrower. For example, a customer's credit file presents an issue, but the borrower's circumstances have changed. Normal underwriting might 'auto decline' the customer, but not recognise changes in circumstance and the societal benefit of lending to the customer

In both of these scenarios, the reason for loan must meet a societal benefit criteria (indicative list in the eligibility section below, but subject to change based on customer and lender engagement).

We do not expect that no interest loans will be actively marketed to customers for the pilot. Instead we are expecting demand either from customers who are already directly approaching the lender or from one of the referral routes (see Figure 4):

- Customer approaches provider directly for a loan – isn't eligible for standard interest-bearing loan but is for no interest loan
- Customer is referred from housing association or another referral partner – isn't eligible for standard interest-bearing loan but is for no interest loan
- We are also looking at a route where customers are declined by high cost or home collected credit, or potentially from price comparison sites, and referred directly into a NILS journey

### Grants and other support

In all scenarios, we would like lenders to identify whether other financial support is available through grants or other means before a no interest loan is delivered, and recognise that in some regions there will be specific support for some reasons for loan (for example rental deposits). This is covered in section 3.3 and in the geographic lots set out below.

# Customer journey hypothesis

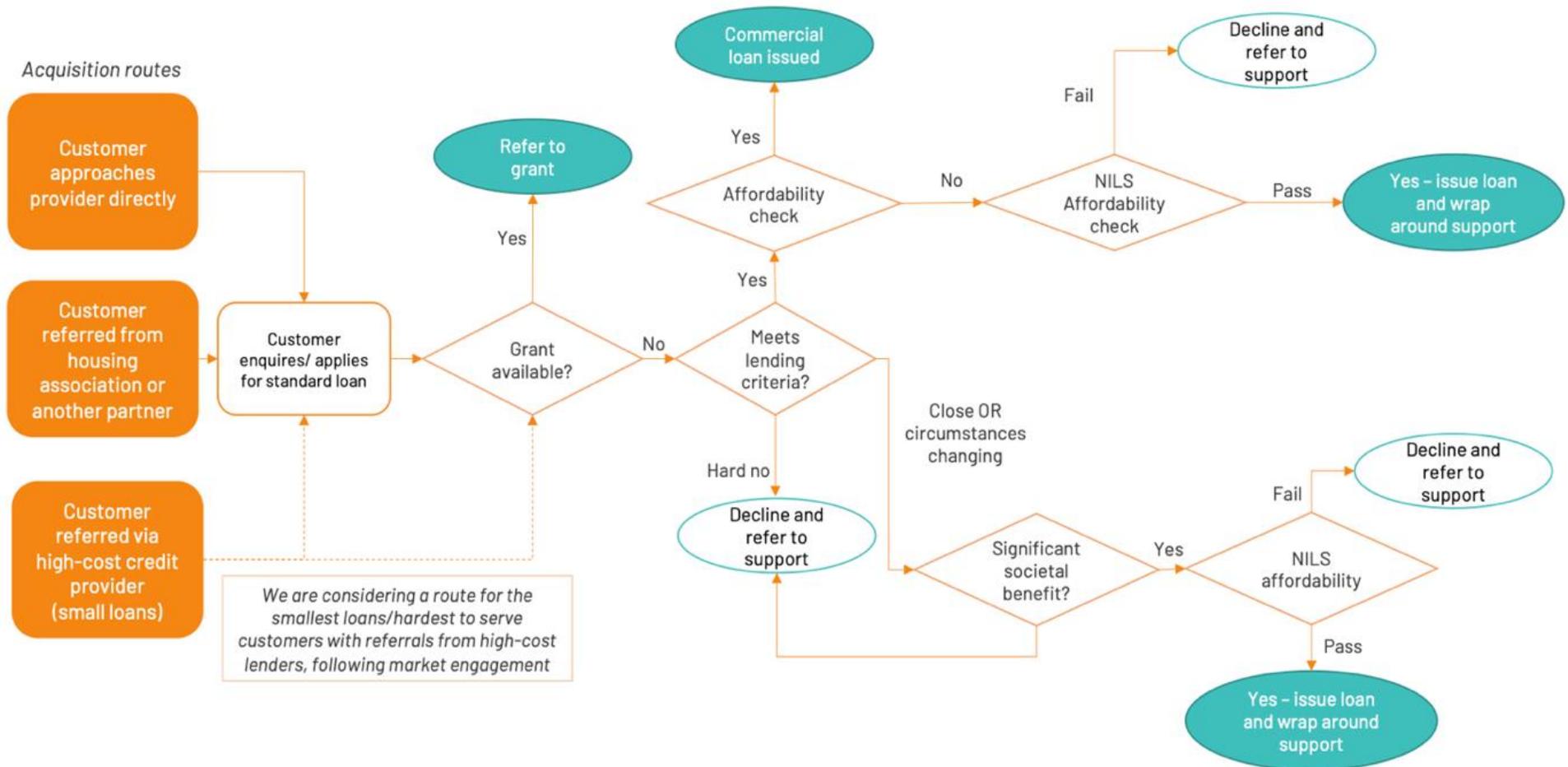


Figure 4 NILS acquisition routes and journey hypothesis

## Eligibility

There are two factors for eligibility that might vary from lenders' existing processes:

- We are considering a cap on individual and/or household income in order to be eligible for a no interest loan, for example £30k per individual or £40k per household. This is something we are looking to discuss and refine during the iterations to the product and through the proof of concept testing
- The other is around reason for loan – a customer will be eligible for a no interest loan where there is a societal benefit from lending. We are reviewing this scope as part of the lender and customer engagement, but an early indication of reasons for loan might include:
  - Essential items (including costs of moving to a new property where essential appliances and furniture are needed)
  - Rental deposit to prevent homelessness
  - Unexpected expenses (such as car repairs for travel to work, unexpected health bills)
  - Education and training
  - Carer respite/mental health break
  - Other wellbeing reasons

A no interest loan should **not** be used for rental arrears or council tax debt, as housing associations and local authorities should have existing means of supporting customers that do not incur interest.

We understand this reason for loan will bring an element of subjectivity to the assessment and we will provide guidance as we collaborate with lenders on the product design process. We are trying to keep the reasons as broad as possible within these parameters to support good customer outcomes.

Providers will need to capture all reasons for loan and share the data with Fair4All Finance as part of the evaluation process.3.3

### 3.2.1 Question – Acquisition and eligibility (max 2 pages)

Please explain your approach to customer acquisition for NILS. Your answer should include:

- What volume of loan applications (in number and percentage terms) do you decline for affordability reasons that may be eligible for no interest loans (for example, they only marginally failed affordability?) and how have you measured this
- How you will identify NILS applicants from the pool of potential borrowers whom you would otherwise decline for an interest-bearing loan for:
  - Affordability reasons
  - Lending criteria declines reasons (for example low credit score but recent evidence of stable repayment behaviour)
- How you will consider the potential impact of a NILS loan to ensure societal and wider benefits in this use of public money. And how you will capture the reason for loan in such a way that it can be shared with Fair4All Finance
- How you will treat referrals from partners introducing potential borrowers to NILS (please note the referral relationships are addressed in section 0).
- What requirements would you have for any referrals received by you for NILS from HCSTC or price comparison websites who cannot offer interested borrowers a loan on commercial terms

### 3.3 Application processes including customer journey affordability

To be eligible for a no interest loan customers must meet the criteria outlined above in relation to affordability, lending criteria and reason for loan. We understand that this might add time and effort into the process and would like this to be as efficient as possible for both customers and lenders.

It is also apparent from significant research into customer preferences that the speed of decisioning and simplicity in the lending process is typically very important to borrowers and many believe this is more important than the price of credit.

Even though NILS borrowers are not paying interest, we believe that ensuring that these elements of simplicity, speed and cost around decisioning and disbursement will be vital to meet the needs of NILS borrowers. **We are targeting a 2 working day turnaround from application to disbursement.**

#### 3.3.1 Question – Application processes and affordability (max 2 pages)

Please set out your approach to NILS applications. Your answer should include:

- An explanation of how you expect the customer journey to work within your lending operation to move a NILS applicant through to loan disbursement via the various routes and how you plan to make the journey as frictionless as possible
- When and how you would issue the NILS privacy notice
- When and how you assess borrowers’ eligibility for grants and other support with reference to the proposed NILS customer journey where this occurs at the start of the customer journey and for declined lenders (please note question 6.3.1 also asks for detail around wraparound support)
- How you will assess affordability for NILS applications
- What portion of NILS applications you expect to refer to manual underwriting
- Please outline your typical loan application process and the time taken between key stages using the below tabular format and explain what you believe is realistic for NILS, especially if your average time from application to disbursement is more than 2 days

	Length of time and number of steps to complete application from customer perspective	Time from customer application to loan decision	Time from loan decision to disbursement	Time from loan application to disbursement
<b>Illustrative example</b>	6 steps, 10 minutes	1 day	1 day	2 days
<b>Normal loan maximum time*</b>				
<b>Normal loan minimum time*</b>				
<b>NILS loan expected time on average</b>				

\* Please note ‘normal’ loan minimum and maximum timing information is included here for completeness and the current length of time for a normal (non-NILS) loan will be marked as a pass/fail question in the supplier questionnaire.

## 3.4 IT integration

### 3.4.1 Question – IT integration (max 1 page)

Requirement	Requirement type	Extent to which technology meets requirement or whether code changes or additional systems are required
For each of the requirements listed below, please state the extent to which your current technology satisfies the requirement, or whether code changes or additional systems are required.		
The technology should enable an efficient and accurate operations platform facilitating the processing of the stated volumes of loans, and is capable of disbursing loans within the timeframes set out in the table in section 3.3 and the target maximum of 2 working days from application to disbursement.	Required	
The digital interfaces and journeys should be intuitive, unambiguous and easy to navigate.	Required	
Your systems are able to handle a loan product with 0% APR loans, ideally through configuration changes only.	Required	
Loan and consumer data is easily accessible for analytics and you have the ability to design and generate real time reports.	Required	
The system through which loan applications are processed is designed to consume Application Programming Interfaces (APIs) from third party loan origination.	Optional but advantageous	
You offer consumers full loan application and management service through your website or through a mobile app or webapp.	Optional but advantageous	
Your systems handle straight through processing for standard customer journeys (except underwriting decisions) with manual intervention or referrals for exceptions only.	Optional but advantageous	

Systems in use by type Please state the names of third party software and suppliers for the following functional areas:	Requirement type	System(s) used
Loan management system	Required	
Reporting and analytics system (if different)	Required	
Internet or mobile customer interfaces	Required	

## 3.5 Underwriting/CRA/Open banking

We expect all applications for new loans to include detailed and codified decisioning including a hard search on the consumer's credit file as a mandatory step in the decisioning process.

In order to assess affordability we recommend lenders use Open Banking technology providers to access and categorise the consumer's bank transaction records. There may be cases where consumers are unable or unwilling to provide Open Banking access, in which case affordability needs to be validated using manual processes.

We expect that during the pilot, decisioning for each NILS application will include some degree of manual underwriting.

We are in active discussions with CRAs on how they will reflect NILS loans on CRA files to meet the requirement we have from HMT that a borrower may only have one NILS loan at a time. This may involve a specific treatment of NILS in CRA files and obligations on lenders to share data with multiple CRAs even where that data specific to NILS is held in a sandbox/ringfenced environment

### 3.5.1 Question - CRA/Open Banking (max 1 page)

Please describe your proposed underwriting process for NILS including:

- Use of application processes to highlight any flags with a borrower's application which may highlight the relevance of NILS eg what a soft search covers before a CRA check
- Use of primary (and secondary) Credit Reference Agencies credit risk assessment and be explicit about which CRA(s) you currently work with and would intend to operate with NILS
- Please confirm you are willing to work with the CRA(s) Fair4All Finance appoints to provide CRA data for the NILS pilot and any reciprocal data sharing agreements that necessitates
- Use of Open Banking to assess affordability and/or supplement the consumer's risk profile. Where Open Banking is not used or is unavailable please explain the alternative data sources used to assess affordability
- Any decisioning technology used to analyse the data received from the application, the CRAs and/or Open Banking
- You may choose to annotate our customer journey diagram or submit your own to set out how these aspects are included in your processes

## 3.6 Collections, flexibility and bad debt

Repayment that suits the borrower's income profile, and the flexibility from the lender to allow missed payments without penalty are key considerations for lower income households when borrowing. Where payments are missed to a point that arrears collection processes are required these need to be empathetic and recognise the support that people need to get back on track.

Short term lending – particularly home collected credit – traditionally aligned its collection patterns with the days when households received their main income sources, collecting payments aligned to the period when income is at its peak is best for both lender and borrower. Some lenders offer repayment terms that are weekly, fortnightly, 4 weekly, or monthly to suit this income to households' pattern.

Flexibility, like collections, is another important factor for borrowers who may need understanding and forbearance in missing occasional payments without fear of additional financial penalty.

When repayment flexibility builds to a point of arrears the lender needs to use empathy and understanding to assess whether this is a borrower who can begin a process of rescheduling to pay off their debt or whether the burden is too great, and the loan needs to be written off.

We are seeking a lender whose practices are aligned to borrowers needs for helpful repayment term and payment frequency, a flexible approach that recognises occasional missed payments as part of the peaks and troughs of lower income households' expenditure patterns, and empathic collections when occasional missed payment leads to non-payment.

Some lenders may seek to recover the NILS loan from a benefit paid to the lender, such a child benefit (with NILS payment removed and residual balance returned to the borrower). Where this practice is operational, we would also wish to see flexibility afforded to the borrower without penalty.

Please note the bad debt guarantee operating within NILS is based on lenders using their existing provisioning policies and this is part of the supplier questionnaire (see separate document) and the draft contract which defines where NILS loans are eligible for the bad debt guarantee.

Only loans which have been through the lenders collections process and provisioned, according to their **existing** provisioning policies at 100%, or those which have been referred to ELDS or CCJ, will be in scope of the bad debt guarantee.

80% of the loan principal is covered by the bad debt guarantee for loans which as above have been provisioned at 100%, or those which have been referred to ELDS or CCJ. Up to the balancing total of 20% of the loan principal will be payable through the outcome based payment which is triggered by key performance indicators. The draft KPIs are included in the contract and in this section we want to understand lenders approach to the KPIs.

### 3.6.1 Question – Collections, flexibility and bad debt (max 1/2 page)

Please complete the following tables to set out your response to these topics. Please amend the “data required” field if your response is different from the proposed data required:

Topic	Data required
Please tell us the payment frequency terms that NILS borrowers might be able to access	(weekly, fortnightly, 4-weekly or monthly)
Please confirm your ability to allow occasional missed payment in repayment term with reinstatement of DD or CPA with no cost to borrower	Yes / No
Please supply your arrears collection policy and practice	Attachments
Do you intend to collect NILS loans through benefit linked lending?	Yes / No
If so, which benefits will you link NILS loans to?	Explain

We also need to understand the settings within the contract which bidders are prepared to commit to where key performance indicators release the balancing total of 20% of the loan principal being covered in a bad debt scenario. Please populate the below table with the values you would enter into in the contract.

If appropriate you may also want to set out your rationale eg why you've assumed a certain number of attempts to engage with and remind borrowers who are in arrears etc.

Settings for KPIs in contract	Proposed bidder setting
Appropriateness of loan underwriting	For example 98% consistency with underwriting policy
Compliance with good practice collection activities	For example 98% consistency with collections activities as set out in collections policy
Number of engagements/reminders with borrowers in arrears	For example: x text messages; x calls; x letters
Number of in-depth support interventions provided to borrowers (generally and not when in arrears) to reflect higher cost to serve more complex needs of borrower group but potential impact of behavioural change support	For example 2 budgeting and payment plan discussion sessions
Percentage and amount (financial) of loans provisioned for	Anticipated provisioning level for NILS
Percentage change in cumulative provisioned loans (financial quantum) vs actual cumulative bad debt crystallised [x] months after loan originally issued	For example lender may target a 50% change in borrowers in arrears (by £) moving back into a plan through their efforts to negotiate new arrangements and support borrowers to receive other support

### 3.7 Anti-fraud

We recognise that fraud is a problem in lending operations and NILS presents a unique product which borrowers may attempt to defraud. For that reason our product design has included:

- First assessing borrowers for commercial loans in the majority of NILS journeys
- Routes into NILS which do not include a public facing portal or advertising
- Using established lenders with existing anti-fraud approaches
- Using industry standard underwriting techniques including CRA data and working with CRAs to develop NILS specific approaches
- Incentivising lenders to collect effectively on NILS through the outcome based payment so that borrowers who are not prepared to pay (as opposed to those whose circumstances change who cannot pay) are not let off

We are also appointing a provider to work with us to refine the product design and anti-fraud processes, who will collaborate with NILS lenders to get these settings as optimised as possible.

#### 3.7.1 Question – Anti-fraud (max 1/2 page)

Please submit the following information:

- Please provide your anti-fraud processes for new customers who are applying for a loan and advise what additional, if any, steps you propose to use for NILS
- How many fraud cases you have had in the last 12 months
- Of those cases how many you reported to
  - Action Fraud
  - Police
  - NCA
  - Regulator

- Who in your organisation is responsible for anti-fraud systems, monitoring and governance
- Confirm you would work with a provider we appoint to help refine anti-fraud strategies in NILS

## 4 Resilience, quality and complaints

This section sets out our requirements for IT and operational resilience, quality and complaints. Please note regulatory compliance is assessed in the Document 5 - Tenderer Submission separately.

### 4.1 IT security and resilience

#### 4.1.1 Question - IT security and resilience (max 1 page)

Please explain the security measures you have in place to mitigate cyber risk including:

- Firewalls and other technical solutions
- Monitoring
- Culture and training

Please explain the resilience measures you have implemented including:

- Business Continuity Planning
- Data storage and backups (including confirmation that no personal data resides outside of the EU as mandated by GDPR)
- Standby server configuration or resilience in the cloud

If you have experienced a significant outage or cyber attack in the past three years, please describe the situation and your subsequent mitigations.

### 4.2 Customer Quality

#### 4.2.1 Question - Quality (max 1 page)

Please explain your approach to quality management including but not limited to the following information:

- What quality management system you have in place eg ISO9001 and if no formal quality management system is in place how quality is addressed eg as part of your regular management meetings
- Who is accountable for quality in your organisation
- Who is accountable for regulatory compliance in your organisation
- Whether you have a continuous improvement process in place, how this operates to investigate issues that have arisen and change processes to prevent recurrence
- How you learn from complaints to improve your processes
- What regular reporting you have in place to check on quality and consistency eg desktop reviews of compliance against quality standards and processes; spot checks; documentation and evidence checks

### 4.3 Complaints

#### 4.3.1 Question - Complaints (max 1/2 page)

Please provide data on:

- How many complaints you have received per 1000 customers in the last 12 months (either overall are on a monthly basis)
- Breakdown of reasons for complaints over last 12 months

- What proportion of these complaints were referred to the financial ombudsman and how many were upheld
- Who is responsible for complaints management in your organisation

## 5 Scalability, future local partnerships and co-funding

This section sets out our requirements for future local partnerships and co-funding. This procurement and the associated contracts have been structured to enable us to extend the duration of the pilot into a scale up phase, should additional funding become available, which we would do in agreement with the lenders that we appoint. This section assesses the willingness and ability of lenders to respond to that option to scale up NILS or other innovative affordable finance products we test through these contracts.

### 5.1 Future local partnerships and co-funding

We are seeking to deliver a pilot which can eventually scale and which, if the product proves successful, leads to NILS becoming part of the long-term credit landscape in the UK. This will require local partners and funding from a range of actors.

#### 5.1.1 Question – future local partnerships and co-funding (max 1/2 page)

Please set out how, through the NILS pilot, your delivery may be able to add more partnerships and funding such that NILS can scale over the long term.

Your response should include:

- How you might bring in other partners during the delivery of the pilot, and which types of partners these may be
- How you would seek to bring in other co-funders during the delivery of the pilot
- What co-funding commitments do you have (if any) that would enable you to continue the NILS pilot after the conclusion of the existing term (Please note question 6.2.2 where you should provide the full detail of any co-funding commitments for the immediate pilot)

### 5.2 Scalability

If additional funding becomes available our intention is to extend the duration and scope (volume) of the pilot. Initially we would intend to provide this extension within the geographic construct of the contracts but we are also interested in options to extend it beyond these areas.

To ensure that the organisations we work with are capable of addressing a higher scale than the original pilot we need to understand how they have grown to date and what arrangements they have in place for flexibility in resourcing to accommodate growth as well as regulatory or other constraints to growing to deliver upscaled contracts.

#### 5.2.1 Question – scalability (max 1/2 page)

Please explain:

- Are you prepared to entertain an extension to the NILS (or other innovative affordable finance products) contracts to increase the duration and volume of loans delivered, noting the ability through this procurement to extend for up to a further 5 years in 1 year increments by mutual consent
- How you would address the need for greater scale in the delivery of an extended NILS rollout including but not limited to increased resourcing, infrastructure and other changes

- Are there any impediments to your organisation scaling up NILS at the conclusion of the pilot period eg capital/asset ratio constraints

### Options to extend geography

- **Credit unions:** If your organisation is currently constrained in its geographic focus eg with a specific common bond, would you be prepared to consider a wider geographic area by applying to make changes to those arrangements, were the pilots able to be scaled up beyond the initial pilot period eg adopting an affinity common bond
- **Other bidders:** What geography would you want to serve in a scale up phase. Are you prepared for your bid for one geography to be considered to apply to other geographies if the initial pilot period proves that NILS works? If so which areas

# Specification for specific lots: geographic areas and innovative affordable finance products

## 6 Local requirements, customer need, co-funders and referral partners

This section sets out our requirements for alignment with local requirements, customer need and the relationships with local partners for co-funding and referrals including the integration of wraparound services.

Please note there is no section 6 in the corresponding Document 5 - Tenderer Submission. The purpose of this section is to outline the template questions, which should then be answered by bidders under sections 7 to 14 in relation to the specific geographical lot(s) they are bidding for.

### Background

NILS needs to operate in the local context where it is delivered and, where bidders are bidding to deliver on a larger scale, within a national and pan-national context for support and benefits. Within our draft pilot plans we've included a degree of latitude over loan settings which can be varied to suit the specific context in which NILS is delivered (eg principal between £100 and £2000; referrals in and specific types of support).

We are interested in six areas, most of which we are assessing on a geographically specific basis and we have been supported by the devolved administrations in refining the local scoring criteria:

Consideration area	How assessed
<b>Alignment with the customer base</b> Lenders existing experience of and alignment with the NILS customer base	In 'Document 5 - Tenderer submission' as pass/fail criterion (Section A, question 8.4)
<b>Local needs:</b> Lenders understanding of the needs of specific geographies and how NILS should be customised to meet specific market gaps	As defined in the questions under 6.1 with customised responses expected in each geographic lot
<b>Referrals in:</b> Lenders existing and proposed relationships with referral partners who will identify relevant potential customers (referrals in)	As defined in the question 6.2.1 with customised responses expected in each geographic lot
<b>Co-funding:</b> Nature of co-funding relationships	As defined in the question 6.2.2 with customised responses expected in each geographic lot
<b>Referrals out:</b> Lenders existing and proposed relationships with support providers to whom they will refer borrowers for wrap-around support (referrals out)	As defined in the question 6.3.1 with customised responses expected in each geographic lot
<b>Pricing:</b> Quantum of co-funding contributions	In the pricing matrix as firm commitments to co-fund

## Alignment with customer base

Please note this information is included here for completeness and will be marked as a pass/fail question in Document 5 Tenderer submission, under section A (SQ generic selection criteria) question 8.4

The NILS pilot will be specifically aimed at customers in vulnerable financial circumstances who cannot access any existing form of mainstream or affordable credit, but who can afford to repay a small capital sum, and who need to spread the cost of essential or emergency expenditure.

- Do you offer loans to people in vulnerable circumstances? **Y/N**
- How do you define people in vulnerable circumstances?
- Please complete the following as total numbers # in 2021 and % of loan book:
  - Vulnerable customers served
  - Loans under £1000
  - Loans on a term of 52 weeks or less
  - Loans to lone parents with dependent children
  - Borrowers living in rented housing (private & social)
  - Proportion of borrowers to postcodes within index of multiple deprivation – most deprived 20%
  - Borrowers gross income under £18,000 p/a
  - Borrowers in receipt of benefits
  - Loans paid via a state benefit (eg child benefit)

## 6.1 Local need

### 6.1.1 Question template – Local customer need (max 1/2 page)

Please set out what the need is for a NILS type product in the local geographic area(s) that you are bidding for based on customer demographics. Your answer should include:

- The specific geographic area(s) you expect to cover
- Your reflections and any reflections from local partners about the customer need that NILS should be applied to in said area(s)
- Please include any relevant data or indicators of need/deprivation (eg over indexation of unemployment, % of lone parent families etc)

### 6.1.2 Question template – Local customisation (max 1/2 page)

In light of your answer above, please detail:

- Your observations about the niche in which NILS is likely to be most successful in the area(s) you are bidding for, including the loan principal that you think will be most sought after and impactful (this might mean that you think the loan average in your location needs to be higher eg £1500 – if so, please set out here why you have made the observations you've put forward)<sup>2</sup>
- Any reflections on the requirements for the lot(s) that you are bidding for and how you intend to work with us to customise NILS (within a reasonable set of variations) and to integrate it into the relevant ecosystem
- Please explain your assumptions behind the loan volumes and principals you've inputted into the pricing matrix and why you believe loans are needed for the lot that you're bidding with those parameters

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<sup>2</sup> Please note the pricing matrix seeks bidders proposed approaches to loan volumes and loan principals within our budget constraints for lending capital and bad debt

- Any support you need from Fair4All Finance and/or the relevant government organisations supporting the pilot to make the scheme work in your geographical area eg securing a credit broking exemption for referrals

## 6.2 Referral and co-funding partners

**Delivery partnerships are a key element of NILS successfully working in a local environment.** We are seeking bids from consortiums of lenders and their partners to deliver the scheme. We envisage that the likely categories of partnerships are referral partners and funding partners, and that a partner organisation may be able to fulfil both of these roles. Partners will likely have knowledge of the local financial inclusion need and have an organisational stake in financial inclusion outcomes in the place where the pilot is proposed.

**Referral partners** would be expected to identify a financial need among a group of customers that they have access to and to direct the customer, given this need, to the lender with a NILS offer. We expect that referral partners will need a credit broking licence or a credit broking exemption. There are specific credit broking exemptions for both local authorities and housing associations.

**Funding partners** would contribute financially to the delivery of the pilot to enable the pilot to get to greater scale and benefit. This funding would likely enable the scheme to reach more customers through either risk, volume, or use case. There may be other use cases for funding that we have not considered but would welcome hearing about. The funding would be on top of the existing funding for the scheme rather than as a replacement. Funders may contribute between £50,000 and £500,000 to the programme; we have received expressions of interest from funders at both levels of this and in-between. We think that co-funders are a key element to the long term success of a NILS scheme in the UK and important for building the long-term viability of the scheme. Any funding contributions will need to be documented in the pricing matrix.

**Partners may be in either or both of these categories. We expect all parties to delivery to submit proposals together.** There may be delivery partnerships which we have not anticipated which would support the success of the pilot. If a lender already has partnerships in place which the scheme would leverage or if other types of partnership are proposed – we welcome these in this section.

### 6.2.1 Question template – Referral mechanisms and partnerships (max 1 page)

Please set out:

- How many of your customers in total last year (2021) were referred to you by local agencies such as housing associations, local authorities or charities
- How many of those referrals were recorded in your systems
- Which organisation will be referring into the lender for loans and what the customer alignment is between the customers that this partner can access and the target NILS customer base
- What the purpose of the referrer is and what the alignment is to their mission and strategy
- How the referral relationship will be set up (including any training to help partners identify eligible customers to refer), managed and governed through possible partnership agreements between the parties, KPIs and reviews of the referral successes to refine the referral mechanism
- How the referral is possible considering credit broking regulations or exemptions
- The point of referral in the customer journey and the proposed information to be passed to the lender at the referral point
- How customer information will be protected under GDPR
- Proposed reporting on fulfilment post-referral

## 6.2.2 Question template - NILS delivery funding partnerships (max 1 page)

Please set out:

- Any proposed funding amount and the proposed purposes of the funding in addition to the existing funding available
- Detail of what any funding would enable in terms of either customer impact, which could be numbers of customers, risk or use cases, or in terms of other operational aspects which improve customer experience
- The level of sign-off and budget commitment that any proposed funding has eg if this is an early indication or funding that is fully signed off by relevant internal committees
- The years across which the funding would be available
- How the ongoing management of funding will work ie what is the reporting relationship between the funder and the lender

## 6.3 Wraparound support and additional/complementary provision

We are looking to work with lenders who offer comprehensive wraparound support to customers in vulnerable circumstances, including encouraging savings behaviour, building financial capability and helping customers access their full entitlement to grants and benefits, either in house or through partnerships or referrals to a third party.

For examples of best practice customer support and wrap-around services please see Fair4All Finance's [Affordable Credit Code of Good Practice](#).

An understanding of the local context and existing additional or complementary support such as grants is essential to ensure that borrowers are referred to the right solution for them (which may not be a NILS loan).

Each geographic lot within the NILS procurement has its own ecosystem of financial support, which should be integrated into the NILS customer journey.

### 6.3.1 Question template - Wraparound support and additional/complementary provision (1 page max)

Please set out:

- What wraparound support you currently offer to your customers and how you record that in your systems
- What your understanding is of the additional or complementary support that may be relevant for a potential NILS customer that's available in the geographic lot you are bidding for
- What wraparound support you will offer to NILS customers and how you will offer it
- The support particularly provided to customers declined for a NILS loan
- How your team keep up to date for the relevant support available to NILS customers

## 7 Lot 1 – Wales

Bidders should answer this section if they are bidding for the specific Wales lot. This section covers questions on alignment with local requirements, customer need and the relationships with local partners for co-funding and referrals including the integration of wraparound services in Wales. The questions to be answered are outlined in section 6.

### 7.1 Local need

#### 7.1.1 Question Wales – Local need (max 1/2 page)

If you are bidding for the Wales lot, please respond to the question about local need set out for all lots above as 6.1.1

#### 7.1.2 Question Wales – Local customisation (max 1/2 page)

Please respond to the question about local customisation set out for all lots above as 6.1.2

### 7.2 Referral and co-funding partners

#### 7.2.1 Question Wales – Referral mechanisms and partnerships (max 1 page)

Please respond to the question on referral mechanisms set out for all lots above as 6.2.1

#### 7.2.2 Question Wales – NILS delivery funding partnerships (max 1 page)

Please respond to the question about delivery funding partnerships set out for all lots above as 6.2.2

### 7.3 Wraparound support and additional/complementary provision

#### 7.3.1 Question Wales – Wraparound support and additional/complementary provision (1 page max)

Please respond to the question on wraparound support set out for all lots above as 6.3.1

## 8 Lot 2 – Scotland

Bidders should answer this section if they are bidding for the specific Scotland lot. This section covers questions on alignment with local requirements, customer need and the relationships with local partners for co-funding and referrals including the integration of wraparound services in Scotland. The questions to be answered are outlined in section 6.

### 8.1 Local need

#### 8.1.1 Question Scotland – Local need (max 1/2 page)

If you are bidding for the Scotland lot, please respond to the question about local need set out for all lots above as 6.1.1

#### 8.1.2 Question Scotland – Local customisation (max 1/2 page)

Please respond to the question about local customisation set out for all lots above as 6.1.2

### 8.2 Referral and co-funding partners

#### 8.2.1 Question Scotland – Referral mechanisms and partnerships (max 1 page)

Please respond to the question on referral mechanisms set out for all lots above as 6.2.1

#### 8.2.2 Question Scotland – NLS delivery funding partnerships (max 1 page)

Please respond to the question about delivery funding partnerships set out for all lots above as 6.2.2

### 8.3 Wraparound support and additional/complementary provision

#### 8.3.1 Question Scotland – Wraparound support and additional/complementary provision (1 page max)

Please respond to the question on wraparound support set out for all lots above as 6.3.1

## 9 Lot 3 – Northern Ireland

Bidders should answer this section if they are bidding for the specific Northern Ireland lot. This section covers questions on alignment with local requirements, customer need and the relationships with local partners for co-funding and referrals including the integration of wraparound services in Northern Ireland. The questions to be answered are outlined in section 6.

### 9.1 Local need

#### 9.1.1 Question NI – Local need (max 1/2 page)

If you are bidding for the Northern Ireland lot, please respond to the question about local need set out for all lots above as 6.1.1

#### 9.1.2 Question NI – Local customisation (max 1/2 page)

Please respond to the question about local customisation set out for all lots above as 6.1.2

### 9.2 Referral and co-funding partners

#### 9.2.1 Question NI – Referral mechanisms and partnerships (max 1 page)

Please respond to the question on referral mechanisms set out for all lots above as 6.2.1

#### 9.2.2 Question NI – NILS delivery funding partnerships (max 1 page)

Please respond to the question about delivery funding partnerships set out for all lots above as 6.2.2

### 9.3 Wraparound support and additional/complementary provision

#### 9.3.1 Question NI – Wraparound support and additional/complementary provision (1 page max)

Please respond to the question on wraparound support set out for all lots above as 6.3.1

## 10 Lot 4 – England (London specific)

Bidders should answer this section if they are bidding for the specific England (London) lot. This section covers questions on alignment with local requirements, customer need and the relationships with local partners for co-funding and referrals including the integration of wraparound services in London. The questions to be answered are outlined in section 6.

### 10.1 Local need

#### 10.1.1 Question England (London) – Local need (max 1/2 page)

If you are bidding for the London lot, please respond to the question about local need set out for all lots above as 6.1.1

#### 10.1.2 Question England (London) – Local customisation (max 1/2 page)

Please respond to the question about local customisation set out for all lots above as 6.1.2

### 10.2 Referral and co-funding partners

#### 10.2.1 Question England (London) – Referral mechanisms and partnerships (max 1 page)

Please respond to the question on referral mechanisms set out for all lots above as 6.2.1

#### 10.2.2 Question England (London) – NILS delivery funding partnerships (max 1 page)

Please respond to the question about delivery funding partnerships set out for all lots above as 6.2.2

### 10.3 Wraparound support and additional/complementary provision

#### 10.3.1 Question England (London) – Wraparound support and additional/complementary provision (1 page max)

Please respond to the question on wraparound support set out for all lots above as 6.3.1

## **11 Lot 5 – England (any location)**

Bidders should answer this section if they are bidding for an England lot. This section covers questions on alignment with local requirements, customer need and the relationships with local partners for co-funding and referrals including the integration of wraparound services in England. The questions to be answered are outlined in section 6.

### **11.1 Local need**

#### **11.1.1 Question England (any location) – Local need (max 1/2 page)**

If you are bidding for the London lot, please respond to the question about local need set out for all lots above as 6.1.1

#### **11.1.2 Question England (any location) – Local customisation (max 1/2 page)**

Please respond to the question about local customisation set out for all lots above as 6.1.2

### **11.2 Referral and co-funding partners**

#### **11.2.1 Question England (any location) – Referral mechanisms and partnerships (max 1 page)**

Please respond to the question on referral mechanisms set out for all lots above as 6.2.1

#### **11.2.2 Question England (any location) – NLS delivery funding partnerships (max 1 page)**

Please respond to the question about delivery funding partnerships set out for all lots above as 6.2.2

### **11.3 Wraparound support and additional/complementary provision**

#### **11.3.1 Question England (any location) – Wraparound support and additional/complementary provision (1 page max)**

Please respond to the question on wraparound support set out for all lots above as 6.3.1

## **12 Lot 6 – England (any location)**

Bidders should answer this section if they are bidding for a second England lot. This section covers questions on alignment with local requirements, customer need and the relationships with local partners for co-funding and referrals including the integration of wraparound services in England. The questions to be answered are outlined in section 6.

### **12.1 Local need**

#### **12.1.1 Question England (any location) – Local need (max 1/2 page)**

If you are bidding for a second England lot, please respond to the question about local need set out for all lots above as 6.1.1

#### **12.1.2 Question England (any location) – Local customisation (max 1/2 page)**

Please respond to the question about local customisation set out for all lots above as 6.1.2

### **12.2 Referral and co-funding partners**

#### **12.2.1 Question England (any location) – Referral mechanisms and partnerships (max 1 page)**

Please respond to the question on referral mechanisms set out for all lots above as 6.2.1

#### **12.2.2 Question England (any location) – NLS delivery funding partnerships (max 1 page)**

Please respond to the question about delivery funding partnerships set out for all lots above as 6.2.2

### **12.3 Wraparound support and additional/complementary provision**

#### **12.3.1 Question England (any location) – Wraparound support and additional/complementary provision (1 page max)**

Please respond to the question on wraparound support set out for all lots above as 6.3.1

## 13 Lot 7 – All three England locations

Bidders should answer this section if they are bidding for all three England locations, including London. This section covers questions on alignment with local requirements, customer need and the relationships with local partners for co-funding and referrals including the integration of wraparound services in England. The questions to be answered are outlined in section 6.

Please respond to the questions below to explain your approach to running this pilot in London and two further locations in England.

### 13.1 Local need

#### 13.1.1 Question England (all) – Local need (max 1/2 page)

If you are bidding for all three England locations, please respond to the question about local need set out for all lots above as 6.1.1

#### 13.1.2 Question England (all) – Local customisation (max 1/2 page)

Please respond to the question about local customisation set out for all lots above as 6.1.2

### 13.2 Referral and co-funding partners

#### 13.2.1 Question England (all) – Referral mechanisms and partnerships (max 1 page)

Please respond to the question on referral mechanisms set out for all lots above as 6.2.1

#### 13.2.2 Question England (all) – NLS delivery funding partnerships (max 1 page)

Please respond to the question about delivery funding partnerships set out for all lots above as 6.2.2

### 13.3 Wraparound support and additional/complementary provision

#### 13.3.1 Question England (all) – Wraparound support and additional/complementary provision (1 page max)

Please respond to the question on wraparound support set out for all lots above as 6.3.1

### 13.4 Scaled delivery across England

#### 13.4.1 Question England (all) – Delivering across London and two locations in England (1 page max)

Please set out the considerations you have gone through to put your bid together to cover London and two further locations and in particular cover:

- Specific risks you have considered for multi-site pilot delivery and how these would be mitigated
- What advantages including economies of scale you are offering in delivering across three locations and how they will benefit the overall outcomes of NLS

## **14 Lot 8 – All geographic lots 1 to 6 covering all four nations and smaller loans delivered nationally**

Bidders should answer this section if they are bidding for all geographic lots 1 to 6 and smaller loans delivered nationally. This section covers questions on alignment with local requirements, customer need and the relationships with local partners for co-funding and referrals including the integration of wraparound services in all four nations. The questions to be answered are outlined in section 6. There is also an additional question (14.4) to answer for this lot.

Please respond to the questions below to explain your approach to running this pilot in all four nations and smaller loans delivered nationally.

### **14.1 Local need**

#### **14.1.1 Question (all nations) – Local need (max 1/2 page)**

If you are bidding for all geographic lots 1-6 and smaller loans delivered nationally, please respond to the question about local need set out for above as 6.1.1

#### **14.1.2 Question (all nations) – NILS delivery funding partnerships (max 1 page)**

Please respond to the question about delivery funding partnerships set out for all lots above as 6.1.2

### **14.2 Referral and co-funding partners**

#### **14.2.1 Question (all nations) – Referral mechanisms and partnerships (max 1 page)**

Please respond to the question about local customisation set out for all lots above as 6.2.1

#### **14.2.2 Question (all nations) – NILS delivery funding partnerships (max 1 page)**

Please respond to the question about delivery funding partnerships set out for all lots above as 6.2.2

### **14.3 Wraparound support and additional/complementary provision**

#### **14.3.1 Question (all nations) – Wraparound support and additional/complementary provision (1 page max)**

Please respond to the question on wraparound support set out for all lots above as 6.3.1

### **14.4 Delivery across all four nations**

#### **14.4.1 Question (all nations) – Delivering at scale across all nations (1 page max)**

Please set out the considerations you have gone through to put your bid together to cover all four nations:

- Specific risks you have considered for multi-site pilot delivery and how these would be mitigated
- What advantages including economies of scale you are offering in delivering across all locations and how they will benefit the overall outcomes of NILS

## 15 Lot 9 – Future innovative affordable finance solutions

As part of this tender we are also inviting providers to apply to work with Fair4All Finance on future pilots for innovative product development. Any future pilots will align to our purpose of supporting customers in vulnerable circumstances, those on low incomes and those who are financially excluded.

Please note lot 9 is focussed on England (which is the remit for Fair4All Finance) but may be extended to other nations should funding from other providers become available.

These pilots will run from 2022 and could include:

Initial priority areas (open to change depending on customer need and market opportunity)

- Tackling problem debt – this could be through consolidation loans or multi-faceted pilots for customers in persistent problem debt (for example a combination of new lending arrangements, debt interventions, support to maximise income through grants and benefits)
- Tackling appliance poverty (which might be through loans, rent to own or any other solution that is fit for purpose)
- Insurance products specifically designed for low income households
- Savings products and credit builder products

Other product pilot areas could include the following to follow later

- Alternative and fair versions of buy now, pay later (BNPL) lending
- Revolving credit products or ethical overdraft products
- Car financing and other products to enable economic livelihood to improve
- Hire purchase or conditional sale products
- Fair and accessible credit cards
- Other lending products which may also be coupled with complementary products eg savings, credit builder products, insurance offerings and more.

Each pilot is likely to be designed and implemented in a similar way to NILS – first through a proof of concept before rolling out to more locations/scaling the solution, and monitoring performance to ensure we're achieving good customer outcomes.

In no more than **eight** pages, please set out your responses to the following questions:

### 15.1.1 Question – Future pilot questions

- Are you interested in running future innovative affordable financial services product pilots with Fair4All Finance in addition to NILS or without NILS?

### 15.1.2 Question – Future innovative affordable finance solutions

- Which of the product pilots outlined above would you be interested in developing and delivering and, if known, in what timescale (If more than one product, please indicate a priority order based on when you would want to deliver this initiative)
- Why you are bidding to deliver this pilot (or more than one pilot)
- How this would be aligned to your organisation's purpose and strategy
- What might being a part of the pilot bring to your organisation
- Your view of the risks of this product and market, and an idea of how you would overcome this
- If you would want to partner with any other organisations to deliver solutions. If so, what would this look like
- What customer and product research you have undertaken in the last 3 years. What did you learn from it

### 15.1.3 Question – Your approach to product development

- Who is responsible for product development in your organisation and examples of product development that has been undertaken in the last three years

### 15.1.4 Question – Design and implementation

- How you would design and implement a new product or proposition for customers that includes the following:
  - a) Customer inclusive design
  - b) Proof of concept
  - c) Scale to full pilot
  - d) Performance monitoring and iterative development (including success measures)
- Please also include your time estimate time to market from start to finish and how this has been estimated. You may wish to refer to learning from similar products or propositions that you've developed

### 15.1.5 Question – Growth strategy

- Your growth ambitions as an organisation, including where this is to serve new and different customer groups or through different product offerings, and your strategy to achieve this

### 15.1.6 Question – Other innovative pilots to consider

- Are there any other products you want to pilot to help tackle the challenges faced by our target customers, and where you think Fair4All Finance has a role to play

### 15.1.7 Question – Co-funding for innovative pilots (optional)

**Please note:**

- Are you prepared to contribute lending capital, bad debt costs and running costs to co-fund the product pilots you'd like to take forward (optional)
- Are you working with partner organisation(s) who would be prepared to provide funding for these pilots
- Please explain your partner relationships for co-funding, product development and product delivery (eg any relevant marketing or other provider relationships)
- Which nations will your co-funding enable delivery within (noting Fair4All Finance can only fund costs in England and we are reliant on collaborating with other funders to reach other nations)

### 15.1.8 Question – Additional innovative affordable finance product questions

**Please note:**

- If you are also applying for any of the NILS lots you only need to answer questions 15.1.1 and 15.1.2
- If you are **applying for this lot only**, please also include answers to the following questions:
  - 3.4.1 IT integration
  - 3.5.1 CRA/Open Banking – how you do this today
  - 4.1.1 Compliance, IT Security, Quality and Complaints Handling
  - 6.1.1 Local customer need
  - 6.2.1 Existing referral mechanisms
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