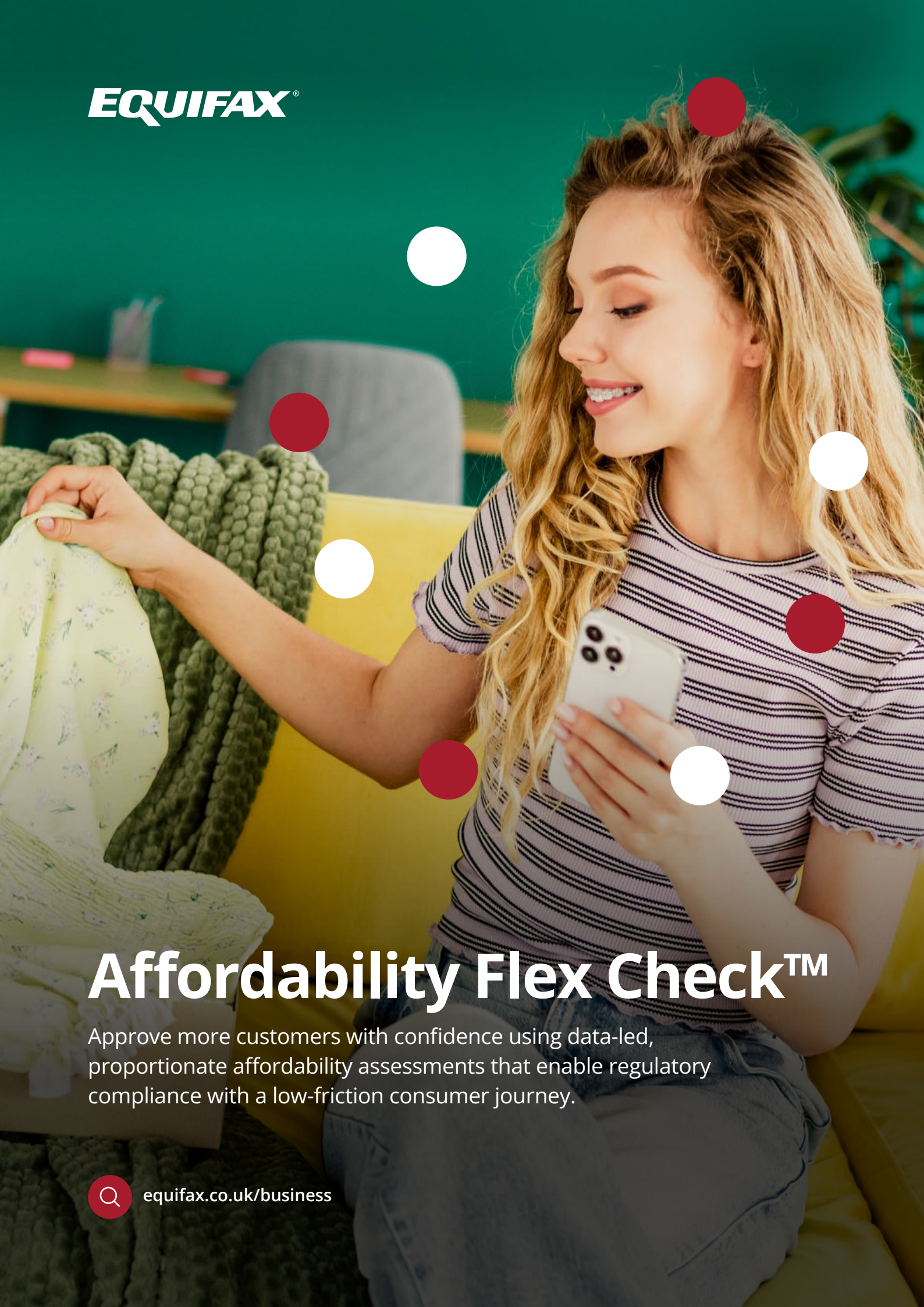




EQUIFAX®

Affordability Flex Check™

Approve more customers with confidence using data-led, proportionate affordability assessments that enable regulatory compliance with a low-friction consumer journey.



equifax.co.uk/business

Approve the right customers, at the speed they expect.

The landscape for Buy Now Pay Later (Deferred Payment) is undergoing a definitive shift. Firms must perform robust, evidence-based creditworthiness assessments that align with FCA handbook requirements. This requires a reasonable assessment of both the likelihood of repayment and the risk to the customer of being unable to pay, making affordability assessments a regulatory necessity.

A key challenge is balancing regulatory compliance with the low-friction experience customers want.



The shift to proportionate affordability assessments

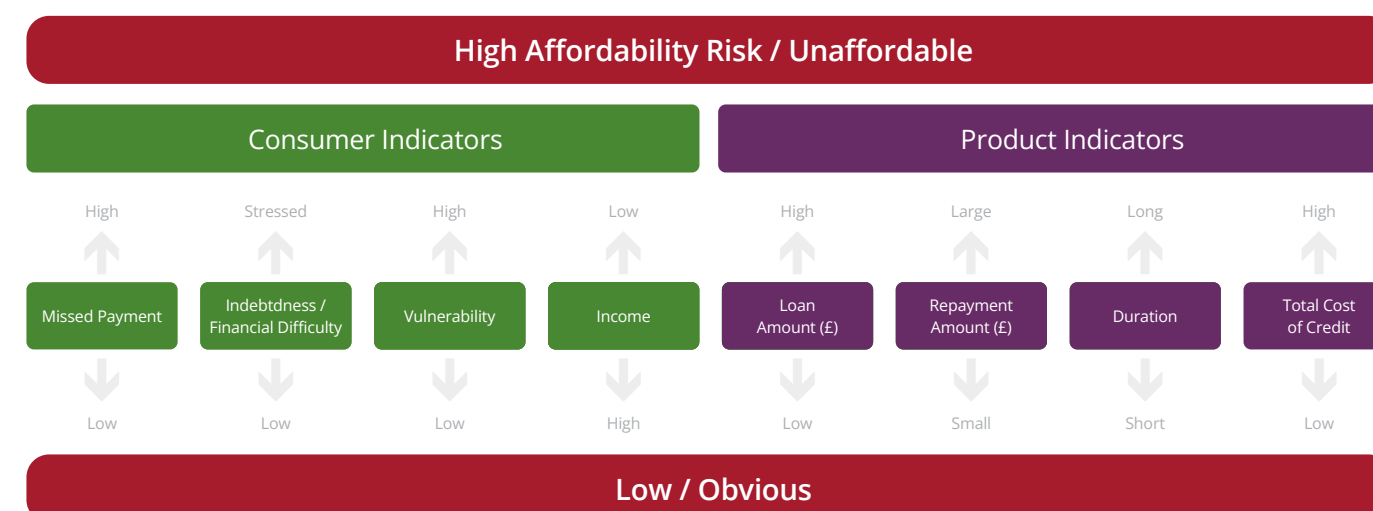
The FCA is clear that affordability assessments can be proportionate, not prescriptive.

What does this mean?

- Firms are not required to apply the same depth of checks for every transaction
- The extent and scope of the assessment should be proportionate to factors such as:
 - > Value and duration of credit
 - > Cost of borrowing
 - > Customer financial circumstances and risk profile

Additionally, under the FCA creditworthiness assessment:

- Firms should determine what data is sufficient on a case-by-case basis
- The level of assessment must be proportionate to affordability risk



'Obviously affordable' and low-risk affordability

The FCA recognises that in some circumstances it may be 'obvious' that a customer can afford repayments, making more intrusive checks disproportionate.

This is particularly relevant for low-value, short-term BNPL transactions where:

- There are minimal or no interest charges
- The impact on the customer's financial position is limited

The challenge for BNPL providers

BNPL lenders must balance:



User experience:
Maintaining low friction and high conversion



Regulatory compliance:
Applying robust affordability assessments



Consumer Duty expectations:
Ensuring good outcomes and preventing harm

This requires a move away from a binary yes/no credit check to a risk-based affordability assessment, where:

- Low-risk customers can flow through seamlessly
- Higher-risk customers trigger enhanced scrutiny



Built for BNPL

Designed specifically for the Buy Now Pay Later (deferred payment) sector, our proportionate affordability assessments allow you to adjust the intensity of financial checks based on the specific risk profile of the borrower and the size of the transaction, automating decisioning and helping support FCA expectations without compromising the customer experience.

Using a unique combination of deep UK bureau coverage, behavioural analytics, and proprietary affordability metrics such as indebtedness scores and affordability indexes, the solution enables a richer view of real-world affordability. Leveraging current account turnover (CATO) data and advanced income models it can provide derived income estimates enabling scalable assessments with limited need for manual intervention.

Behavioural affordability insight (beyond traditional bureau)



Indebtedness scores help identify overextension risk across multiple accounts

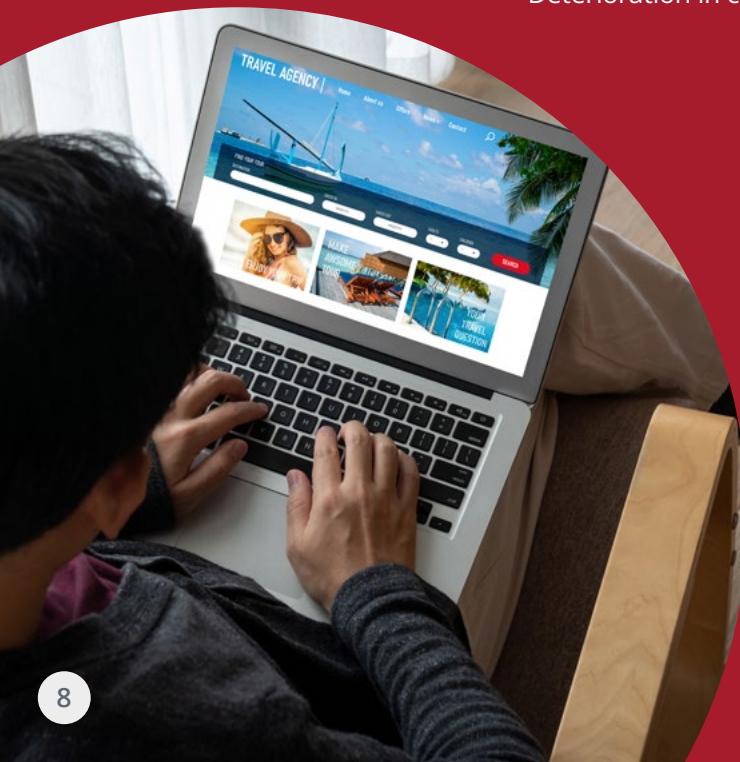


Affordability Index enables a view of a customer's ability to manage additional credit



Early warning indicators of financial stress, including:

- Increasing utilisation trends
- Payment stress signals
- Deterioration in credit behaviour



Advanced income estimation and validation

A key challenge is performing a proportionate affordability assessment if an income is not provided by the consumer or cannot be verified without adding disproportionate friction.



Equifax empowers firms to navigate this through:



Bureau Income Models

- Derived income estimates using credit file and behavioural data
- Enables scalable affordability assessments without manual intervention



High Income Indicators identify customers with strong capacity and low affordability risk, supporting quick decisioning for low-risk segments



Enhanced CATO A customer-level affordability view of income combining:

- CATO Evidence of Income
- Minimum Income
- Income shock
- Income change

Operationalising proportionality through risk tiering

Through one simple API call, lenders can access comprehensive credit, income, and behavioural data. The solution is delivered via cloud technology to ensure minimal downtime and can be integrated directly into your existing originations or account management systems.

The process enables the segmentation of individuals into rule-based risk tiers;

Risk Tier	Example Approach	Assessment
Low-risk or 'obviously affordable'	lightweight bureau check for frictionless approval.	Proportionate, low friction
Medium risk	enhanced bureau checks and income estimation	Balanced assessment
High risk	full affordability assessment, which may include verification of income and expenditure.	Strong customer protection

This dynamic approach aligns the depth of the check to the value, duration, and cost of the credit being sought.



Why Equifax?

Maintain your customer experience and adapt to evolving regulations through smarter, proportionate affordability decisions.

-  **Deep UK bureau coverage and behavioural data** all provided and integrated from one supplier.
-  **Granular financial insight** for a more accurate picture of a customer's ability to pay that allows lenders to set dynamic lending strategies.
-  **Prevent consumer indebtedness** by integrating our unique affordability data into your decisioning, supporting you to accept the right people and prevent financial harm.
-  **Reduce default rates** by enabling the identification of at-risk individuals before they over-extend.
-  **Be supported to evidence and meet regulatory requirements** with proportionate affordability checks based on a customer's risk profile and the size of the transaction.
-  **Optimised customer journey** through a tiered approach, you can apply "light-touch" frictionless checks for low-risk/low-value purchases while reserving more rigorous verification for high-value items, so that the user experience isn't unnecessarily hindered.
-  **Designed specifically for the Buy Now Pay Later (Deferred Payment) market**, the solution uses proprietary affordability metrics tailored uniquely to your needs.
-  **Income estimation capabilities at scale.** Leveraging current account turnover (CATO) data and advanced income models we can provide derived income estimates when verified data is unavailable, enabling scalable assessments without manual intervention.



Let's Talk

The ability to demonstrate a proportionate affordability framework is now critical for every buy now pay later lender. Equifax uniquely combines deep bureau data with innovative behavioural analytics to support your business to succeed.

Contact our experts today to discover how we can help you approve more of the right customers responsibly.

Speak to our experts