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Information Needs and Efficiency in Banking Services. A 'demand-side' approach

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ABSTRACT

The financial system has always been subject to complex public scrutiny for a number of reasons, aimed at ensuring, for example, the efficient mobilization of savings, the effective management of banking crises and their possible domino effects, while enhancing competition and safeguarding consumers, in the general interest. Ensuring transparency in commercial transactions is part and parcel of this process of scrutiny and is one of the primary obligations of banks, and lenders in general, which are required to inform their customers clearly and transparently, with respect to the characteristics, terms and conditions of their products and services. The changes taking place in the financial system are encouraging the reform of the transparency regulations. Among the most incisive transformations is the spread of complex financial instruments and the broadening of the range of available alternatives. The reform projects that have secured the greatest consensus to date call for the introduction of firmer requirements for the full disclosure, in intelligible terms, of the characteristics and conditions of the services offered, with respect to the amount and structure of the data that should be made available to consumers to enable them to make informed decisions, without leaving them with the impression that they need further information. The aim of this paper is to provide a clear picture of the amount and characteristics of the information that should be made available to consumers when taking out a loan or mortgage. To achieve this aim certain issues must first be addressed, such as investigating the characteristics of the loan process and organizing the information collection activities.

1. Introduction

The financial system has always been subject to complex public scrutiny for a number of reasons, aimed at ensuring, for example, the efficient mobilization of savings, the effective management of banking crises and their possible domino effects, while enhancing competition and safeguarding consumers, in the general interest.

Ensuring transparency in commercial transactions is part and parcel of this process of scrutiny and is one of the primary obligations of banks, and lenders in general, which are required to inform their customers clearly and transparently, with respect to the characteristics, terms and conditions of their products and services. By imposing such obligations the authorities are pursuing objectives aimed at achieving contract transparency, enabling customers to make informed decisions and promoting the development of individual financial capabilities among the public, supporting knowledge-building and promoting comparative skills, objectives that have been very much under the spotlight in recent years and have led to the launching of a number of financial education projects by the government (cf. FSA, 1999).

Transparency regulations generally set out the type of information to be provided and the manner of circulation. Alternatively, they leave the banks a certain degree of discretion. Neither of these two solutions is the best, in absolute terms. The former places the responsibility of deciding the relevant procedures with the legislator or the supervisory authorities (according to whether the regulations are primary or secondary legislation). The latter guarantees more streamlined regulatory and procedural processes, and exploits the expertise of banks with regard to the choice of the information to disclose and the means for so doing (at least to the extent that the assessments are accurately made); however, it does

expose the process, as a whole, to the risk of overlooking the transparency aims, due to the private interests that can affect the decisions, with respect to the information dissemination process: banks, in fact, inevitably tend to use their discretionary powers to their own advantage rather than in the public interest. Such a shift of focus is even more likely in a context with little competition and ineffective supervision.

The changes taking place in the financial system are encouraging the reform of the transparency regulations. Among the most incisive transformations is the spread of complex financial instruments and the broadening of the range of available alternatives. The reform projects that have secured the greatest consensus to date call for the introduction of firmer requirements for the full disclosure, in intelligible terms, of the characteristics and conditions of the services offered, with respect to the amount and structure of the data that should be made available to consumers to enable them to make informed decisions, without leaving them with the impression that they need further information. Ensuring the intelligibility of the information concerns the use of suitable communication tools: some information can be disseminated via the Web; other information requires more complex and interpersonal forms of interaction. Unfortunately, there is still very little evidence on the completeness and intelligibility of the information relating to financial services.

The paper is organized as follows: paragraph 2 relates to the aim of the study; paragraph 3 provides an overview of the research on the behaviour of consumers and the various research components; paragraphs 4 and 5 describe the shopping processes; paragraph 6 compares the shopping processes and loan processes; while paragraph 7 sets out the key conclusions, as well as current criticalities and possible future developments.

2. The aim of the paper

The aim of this paper is to provide a clear picture of the amount and characteristics of the information that should be made available to consumers when taking out a loan or mortgage.

To achieve this aim certain issues must first be addressed, such as investigating the characteristics of the loan process and organizing the information collection activities.

A great deal has been written on the purchasing of goods and services, primarily as a result of increased research into consumer behaviour. Unfortunately, the subsector relating to credit and loan services is still little explored, which explains the rather fragmentary nature of the available data on credit and loan processes. On the contrary, many surveys have been carried out on information needs with respect to indebtedness, providing useful feedback on the organization of information collection and analysis activities.

3. Research on consumer behaviour

For many years now research on consumer behaviour is an important field of study for economists, psychologists, sociologists and anthropologists, who all share a common interest in human behaviour, with respect to consumer-related activities, and in investigating the processes that govern such behaviour, while their respective scopes differ with respect to the perspective of their survey.

There are at least three perspectives worthy of note, produced by an equal number of schools of thought:

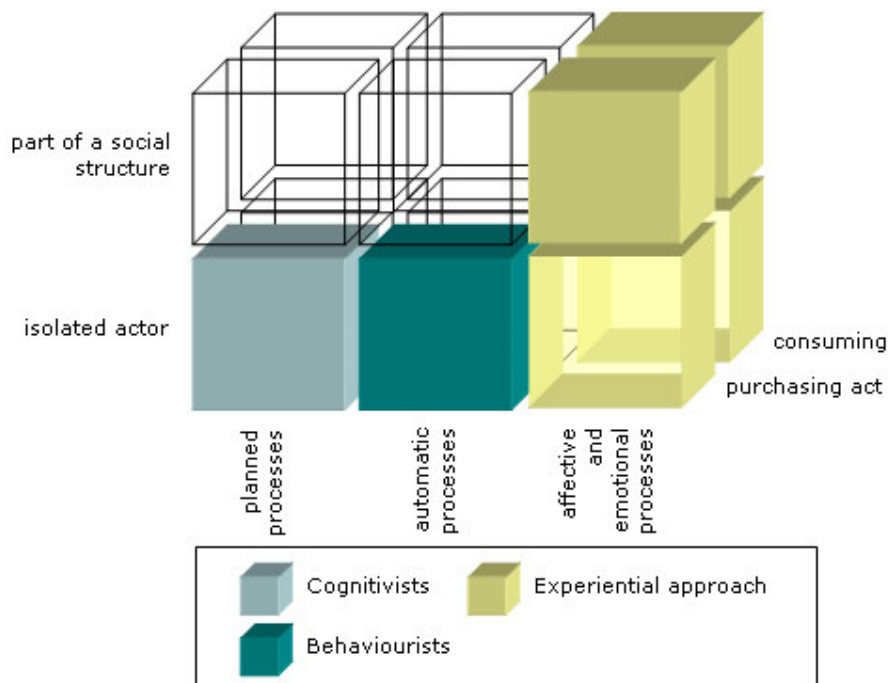
- the cognitivist approach;
- the behavioural approach;
- the experiential and social interaction approach.

The cognitivist approach – defined in the 1960s – places the focus on the cognitive processes (the collection and processing of information in particular) deliberately activated by consumers to identify which goods and services to buy (planned processes).

The behavioural approach – which appeared in the 1970s – also deals with the purchasing process, although the focus here is on the interpretation of the mechanisms that govern non-deliberate, involuntary actions, especially with regard to the effects of learning (automatic processes).

The recently introduced experiential approach (the first works appeared in the 1980s) is the first to look beyond the action of buying and to investigate the subsequent step of consuming. It focuses on the affective and emotional aspects governing both these stages, which are almost entirely neglected by both the cognitivists and the behaviourists. Moreover, it abandons the outlook of consumers as isolated actors (which the other two approaches have in common) and examines them in the light of the social structures with which they interact.

Figure 1 – Map of the research on consumer behaviour



Source: Data from Dalli D. (2004); Camerer C., Loewenstein G., Prelec D. (2005) processed by the author

Each approach focuses on specific aspects. The sum total of their experiences serves as a basis for investigating the characteristics of the loan process and addressing the gap in the relevant literature.

The broadness of the subject matter, however, requires a preliminary shortlisting of issues for further investigation. In particular, preference has been accorded to planned processes, which are typical of autonomous actors. Automatic, affective and emotional processes shall be addressed only if strictly necessary. For a more detailed analysis of these processes reference should be made to future studies.

4. The consumer decision process and collection of information

The perception of one or more unsatisfied needs causes consumers to activate (planned) cognitive processes for collecting and elaborating data and information, aimed at identifying a number of alternatives that can lead to a state of greater satisfaction. This intuition ascribed to Howard, widely considered to be the founder of the cognitivist school, is depicted in what is thought to be the first formal consumer decision model (cf. Howard J.A., 1963). However, a more detailed description of the decision-making process became available only after Engel, Kollat and Blackwell developed their model in 1968: the three Authors suggest that the broader process is made up of a sequence of actions or steps (cf. table 1). Despite the fact that over thirty years have passed since this interpretation of consumer decision-making as a multi-staged process, it still appears valid today and is acknowledged by most scholars.

Table 1 – Consumer decision-making as a multi-staged process

Stage	Planned cognitive actions
Need perception and problem recognition	The consumer perceives a need and recognizes that there is a problem when he finds there is a significant gap between the desired and the actual situation
Information search	The search for information to identify alternatives capable of alleviating the tension brought on by a state of dissatisfaction
Alternative evaluation	An evaluation of the alternatives at hand, with a view to achieving a certain degree of satisfaction
Choice	The available alternatives are compared and a choice is made with respect to the intention to buy

Source: Data from Engel J.F., Kollat D.T., Blackwell R.D. (1968) and processed by the author

Bettman's model, presented in 1971, was the first to reconstruct the information collection processes. Each time a consumer is faced with a choice he or she looks for a "set" of signals (cf. Bettman J.R., 1971, p. 467; Bettman J.R., 1970, p. 371), such as the characteristics of the product and those of the environment (for example, the preferences expressed by his or her loved ones). A part of the information is retrieved from the memory (internal search), other bits of information are collected from the manufacturer, seller or acquaintances (external research) (Hoyer W.D., MacInnis D.J., 1997, p. 209). Once a set of information has been put together, the single items are processed to reach a judgement on the alternatives. Comparisons are made by considering the outcome of the purchase and its effects on individual preferences (cf. March J.G., 1994; Olson J.C., Reynolds T.J., 1983).

Not all the characteristics of a product are taken into account by consumers. Unfortunately, very little evidence has been collected, to date, on the processes employed to identify the most significant attributes. The scant evidence that is available has been analysed and interpreted, in the relevant literature, with reference to the findings of the behavioural finance studies, to which reference should be made for further information. The term 'behavioural finance' concerns a field of research started in the 1980s, in the US, which deals with the information elaborating processes activated by investors to formulate estimates and forecasts (cf. Goldberg J., von Nitzsch R., 2001). Kahneman, the Nobel economics prize winner in 2002, is one of the founders. The principles of behavioural finance highlight the propensity to consider as significant any attributes and characteristics that are easily and readily retrieved by the mind, because the memory of them is recent or particularly intense (*availability*) (Tversky A., Kahneman D., 1973). Memories may also concern products belonging to the class of reference: consumers, in fact, are inclined to identify a certain product with the corresponding class, (rightly or wrongly) assigning to it the typical attributes of the products that belong to it (*representativity*) (Nisbett R.E., Ross L., 1980). Behavioural finance also

investigates the tendency to systematically remember so-called "anchor" products, which are generally the most well-known products in the class, and to focus on the similarities and differences with those products (*anchoring*) (Tversky A., Kahneman D., 1974). This inclination also affects the process for identifying significant attributes.

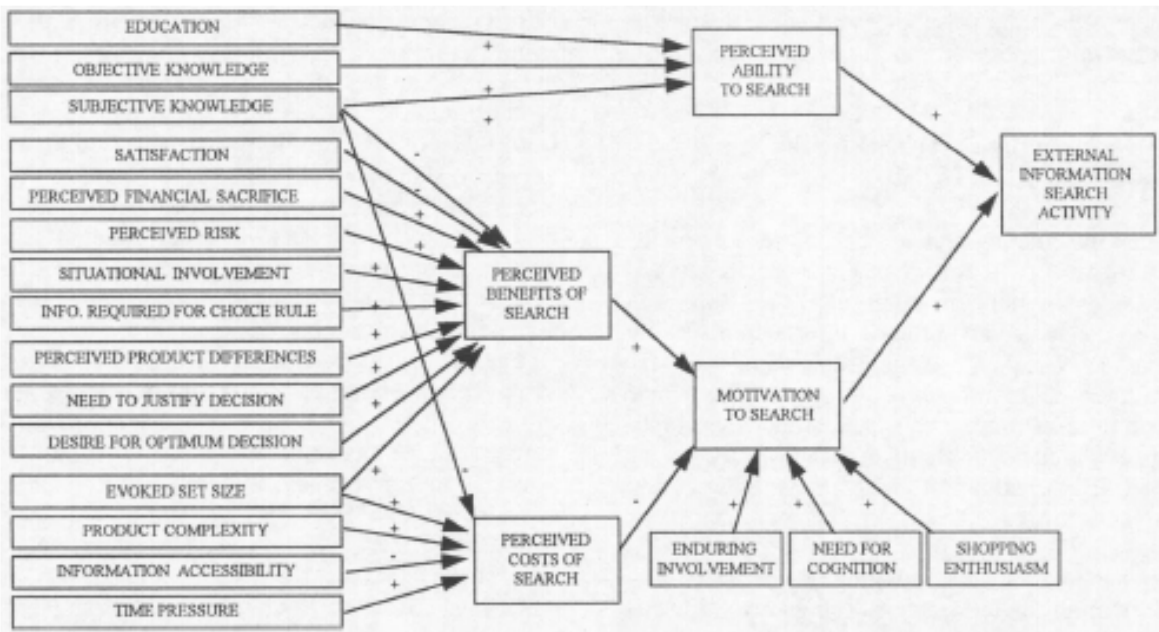
Neither are all the available alternatives taken into account. Numerous studies have been conducted to reconstruct the processes activated by consumers to call certain products to mind when engaged in buying something; products that make up the so-called *evoked set* and on which the consumer generally relies when making routine purchases (routine choice processes) (Peter J.P., Olson J.C., 1996, p. 200). The explanations advanced to justify this memory are based on the notions of *availability* (mentioned above) and of the propensity to buy (Johnson E., Russo J.E., 1984). According to the prevailing literature, this propensity is tightly linked to learning (cf. Howard J.A., 1963; Howard J.A., 1994). This term refers to the process that, based on a comparison of the assumptions formulated with respect to the alternatives and on consumption experience, generates convictions on the outcome of the goods and services, which are capable of permanently modifying one's shopping behaviour. Positive assessments, perhaps confirmed on a number of successive occasions, can tempt the consumer to feel favourably inclined towards certain alternatives, even to the point of reducing the 'evoked set' to a single preference. Learning can be the result of the direct experience of a certain product, the observation of other people's experience (explicit imitation), or the examination of data and information describing frequent behaviours, taken from magazines, newspapers, commercials or even by word of mouth (verbal imitation). Imitating a certain behaviour becomes more likely the more reliable one considers the experience, the people involved and the source.

Consumers do not just collect data and information on the evoked set of attributes and products. When making infrequent or "important" purchases (extensive choice processes) they intentionally try to increase the set of available information by means of more widespread external research. Some consumers commit themselves more than others to the task of collecting such information.

Numerous studies, especially since the early 1980s, deal with the intensity with which individuals comb the environment looking for further information and its determinants (cf. Punji G.N., Staelin R., 1983). Beatty and Smith (1987), reviewing a certain number of empirical surveys, identified no less than 60 variables capable of explaining the intensity of these research activities.

Schmidt and Spreng (1996, p. 247) suggest that ability and motivation influence the effort with which consumers search for information. This assumption is accepted by most experts (cf. Srinivasan N., 1990). Ability is the result of the capacity to process data and of skills in terms of information search and sourcing procedures (Celsi R.L., Olson J.C., 1998, p. 213; Duncan C.P., Olshavsky R.W., 1982, p. 36). Instead, motivation expresses the desire to thoroughly search for and process information (Schmidt J.B., Spreng R.A., 1996, p. 250; Celsi R.L., Olson J.C., 1998, p. 210).

Figure 2 – The external search for information. Ability, motivation, benefits and costs



Source: Schmidt J.B., Spreng R.A. (1996), p. 248

This involvement with the product class plays a key role in promoting motivation, as well as the inclination to feel pleasure in carrying out activities that require a cognitive effort (Kiel G.C., Layton R.A., 1981, p. 238; Inman J.J., McAlister L., Hoyer W.D., 1990, p. 75, p. 80). The perceived benefits and costs also seem to influence the process. In their analysis of buying processes, Punj, Staelin (1983), Srinivasan, Ratchford (1991), Solomon (1996, pp. 270 ss.), Wells, Prensky (1996, pp. 343 ss.), Schmidt and Spreng (1996) propose the following determinants:

- financial sacrifice;
- perceived risk;
- differences between the alternatives;
- experience (often associated with the frequency of buying and which creates a propensity for certain goods and services);
- product complexity;
- accessibility to information.

In particular, financial sacrifice means the expected outlay to procure the desired goods or services, while the perceived risk is the result of uncertainty regarding the correspondence between the expected standards and actual performance; it can be measured as «the probability of sustaining a “loss” multiplied by its seriousness» (Srinivasan N., Ratchford B. T., 1991, p. 235). The seriousness of the loss depends on the monetary, psychological and social repercussions engendered by erroneous expectations (Peter J.P., Rayan M.R., 1976). Lastly, product complexity means the difficulty to understand the characteristics and functions of the product.

Factors such as a high degree of involvement, a particular preference for pondered decisions, high outlays, a high perceived risk, significant differences between the available alternatives all justify an in depth search for information, to stimulate motivation. On the contrary, the thoroughness with which the environment is explored tends to diminish as a result of experience, excessive product complexity, difficulties in finding information, time-related limitations on decision-making, all factors that tend to weaken the resolve to search for extra information, on top of the evoked set of attributes and products.

Table 2 – Routine and extensive decision-making processes and their determinants

	Routine	Extensive
Ability	Modest capability of elaborating data	Significant capability of elaborating data
	Limited familiarity with search processes and sources of information	Good knowledge of search processes and sources of information
Motivation	Low involvement	High involvement
	Impatience with pondering alternatives	Particular preference for pondering alternatives
	Low outlays	High outlays
	Low perceived risk	High perceived risk
	Small differences between the market alternatives	Significant differences between the market alternatives
	High propensity to buy	Low propensity to buy
	High product complexity	Low product complexity
	Difficulties in accessing information	Easy access to information
	Strong time-related restrictions	Limited time-related restrictions

Source: Data from Howard J.A., 1994 processed by the author

5. Evaluating the collected information

Once the information has been collected it is processed to extract a judgement of each alternative, followed by the actual choice. The first step in this process is assessing the products' attributes. Something consumers do using a means-ends chain (cf. Olson J.C., Reynolds T.J., 1983). This is based on the network of associations present in the memory, which establishes links between knowledge of the attributes and the expected outcome of the purchase and how this can affect personal preferences. Consumers are inclined to estimate the mean value of the attributes – in a more or less arbitrary fashion and based on personal experience and on the observation of other people's behaviour – to which they then attach causal links, thus generating association networks, which they implement over time and systematically use to interpret the collected information (cf. Kahneman D., Tversky A., 1979). In particular, they use the mean values as an internal benchmark and – when assessing a product – focus on the positive or negative deviation with respect to that benchmark. The deviation is interpreted as either a gain or a loss of well-being, proportional to the expectations incorporated in the network activated by the memory. This gain or loss affects the opinion the consumer is forming, with respect to the prerogatives of the product.

The single evaluations are then combined to formulate more general judgements about the alternatives. For this purpose, consumers (more or less consciously) rely on a repertory of choice rules, which have been addressed by a number of Authors. Bettman, Luce, Payne (1998), March (1994) have made some important contributions in this respect.

5.1. Types of choice rules

The choice rules generally employed belong to either one of two large groups: *compensatory* or *non-compensatory* rules (Svenson O., 1983). The former are so called because they help the consumer evaluate which alternative presents such appreciable attributes as to trade-off – or “compensate” – other less-appealing dimensions (Svenson O., 1979). An example of compensatory rule is the weighted adding rule.

Formula – The weighted adding rule

$$Va = \sum_{i=1}^n Wi \cdot V(Xa_i)$$

Va = value of alternative *a*

Wi = weight of *i*-th attribute

Xa_i = *i*-th attribute of alternative *a*

V(Xa_i) = evaluation of *i*-th attribute of alternative *a*

Another example is the equal weight rule. Its formula differs from that of the weighted adding rule only due to the uniform appreciation of the various dimensions¹.

The use of compensatory rules results in a clear and explicit evaluation of the different attributes and alternatives (cf. table 2), with obvious benefits in terms of accuracy of decision. The use of these rules, however, entails complex value judgements, a certain mental effort and considerable free time (Bettman J.R., Luce M.F., Payne J.W., 1998, p. 190; Rumiati R., Bonini N., 1996, p. 101).

Table 3 – Choice of a bank account. Possible attributes and alternatives

Options	Features						
	Distance of branch from preferred address (km)	Fixed management costs (€)	Variable costs (€)	Annual borrowing rate (%)	Annual lending rate (%)	Cash card fee (€)	Cost of cash withdrawals in EU countries (€)
Banca Nazionale del Lavoro BNL Revolution account	5	41,10	0	0.010	12.50	0	0
Credito Bergamasco Specchio Tuttofare account	5	112,20	0	0.025	14.00	Replacement cards: 15 €	2
Intesa Sanpaolo Benefit account	5	118,20	Cash withdrawals of less than 500 euros: 1€	0	14.250 (max.)	0	2
Banca Popolare di Milano Flexiconto account	15	90,20	0	2.450	14.25	9	1,85

Source: data from www.pattichiari.it (2008) processed by the author

On the contrary, non-compensatory rules do not envisage “balancing” the varying degrees of attractiveness of the attributes involved. An example of non-compensatory rule is the conjunctive rule. This can be applied by assigning threshold values to the different dimensions,

¹ Other compensatory rules are the sum-of-differences, the majority of confirming dimensions, the frequency of good and bad features. For more detailed information see Rumiati R., Bonini N., 2001, pp. 155 et seq.

as a result of which an alternative is rejected when it is unable to meet certain minimum requirements considered jointly. Of course, there is also the possibility of more than one alternative making it over the threshold, in which case the threshold values can be adjusted to ensure improved selectiveness.

Another example of non-compensatory rule is the lexicographic rule, according to which the alternatives must be compared based on what is thought to be the most important attribute². In the case of an equality of alternatives, the successively significant dimension is taken into account. Regarding the choice of a bank account, one's distance from the bank branch might be considered of "vital" importance, followed, for example, by the borrowing rate applied. Considering the data set out in table 3, three of the four available alternatives would be selected based on distance and one would be rejected; the borrowing rate would then swing the decision in favour of a single alternative (the Specchio Tuttofare account offered by Credito Bergamasco), excluding the other two.

Non-compensatory rules are deemed easy to apply: in fact, they require scarce mental effort because no computation of utility is required and the amount of information that needs to be processed is often very small (Rumiati R., Bonini N., 2001, p. 164; Rumiati R., Bonini N., 1996, p. 105). This user-friendliness, however, is counterbalanced by several disadvantages: for example, these rules do not always lead to a single alternative or to invariance in the order of preference. The elimination of an alternative, in fact, can depend on the order in which it is examined.

5.2. Selecting choice rules

Each rules, whether learnt by direct experience or by observing the behaviour of other people, is then classified in the memory according to the accuracy with which the judgement can be summed up (high or low), the required effort (considerable or neglectable), the justification of the outcome of the decision (objective or partial) (cf. Bettman J.R., Luce M.F., Payne J.W., 1998). Accuracy depends on the amount of processed information. The required effort is the result of both the amount of processed data and the necessary computation of utility. Moreover, the "legitimacy" of the decision depends on the use of arbitrary strategems, in connection with the application of the rule. Tasks that typically require arbitrary, or at least markedly subjective, solutions are the computation of utility, the assignment of threshold values, and the definition of scales of preference between attributes.

Table 4 – Properties of choice rules

Choice rules	Accuracy of judgement	Required effort	Justification of decision outcome
Weighted adding	High	Considerable	Rather arbitrary
Equal weight	Medium-high	Medium-high	Moderately arbitrary
Conjunctive	Medium	Medium	Moderately arbitrary
Lexicographic	Low	Neglectable	Rather objective

Source: Data from Bettman J.R., Luce M.F., Payne J.W., 1998 processed by the author

When making an assessment, consumers select the most appropriate rule, comparing the properties of each rule with the features of the decision-related problem. Factors such as a high degree of involvement, a particular preference for pondered decisions, large monetary outlays, a high perceived risk, significant differences between the alternatives, justify the

² Other non-compensatory rules are the disjunctive, the satisficing, the elimination-by-aspects. For further information see Rumiati R., Bonini N., 2001, pp. 160 et seq.

choice of rules for making accurate evaluations, despite the considerable effort required (for more details see paragraph 4). On the contrary, the need to justify with other people the outcome of one's decisions is subject to the influence of the social structures (on choice). Usually, decision-making is also affected by the outcome of past purchasing decisions. Favourable consumption experiences – better if confirmed over a number of occasions – make people more favourably inclined towards the rule that inspired them.

5.3. Decision-making affections, emotions and conflicts

Only in the last few years affections and emotions have become the subject of further investigation by cognitive process experts. Affections and emotions include not just frames of mind – such as anger and fear – but motivational states as well, such as physical pain and malaise (cf. Camerer C., Loewenstein G., Prelec D., 2005). Experts have focused primarily on the impact of regret on the decision processes.

The fear of regretting one's decisions – if acutely felt – can lead to calling off a purchasing decision, or to putting it off or delegating it to a third party (Janis I.R., Mann L., 1977). Tversky and Shafir (1992) show that the fear is more strongly felt when the consumer sees that the most important advantages and disadvantages are equally apportioned among the alternatives. The tendency to put off a decision also sets in when it becomes very difficult to carry out an accurate information search, or when consumers believe they are incapable of suitably processing the information to obtain a satisfactory judgement.

6. Information requirements and loans

Numerous surveys have analysed the information requirements in connection with loans, providing useful feedback on the organization of the information search and analysis activities typically associated with loan processes (cf. FSA, 2001). Most of the surveys concern mortgages. The overall findings build up a complete – albeit circumscribed – picture: as the studies conducted to date seem to infer the existence of a close link between information requirements and type of loan, the almost exclusive focus on mortgages makes it rather difficult to appreciate the differences.

To facilitate comparison the survey findings are given based on the same pattern used for the purchasing processes. The reference shall be to mortgages alone, unless otherwise specified.

Collecting information

Compared to the typical purchasing sequence, loan processes are more complex. In particular, collecting information requires a larger number of stages, separated by intermediate evaluations, each of which has a specific purpose, such as:

- building basic knowledge;
- defining general aspirations, in terms of the mortgage amount, related costs and timeframes;
- shortlisting the mortgage proposals;
- selecting the repayment scheme.

Numerous surveys highlight the very little knowledge consumers have about mortgages (cf. FSA, 2001). People know that mortgages are necessary to help buy a house, of course, but they often ignore that they can also serve other purposes, such as property renovation and refurbishment, for example. People also have very little familiarity with the different types of mortgages and mortgage providers; they know that the mortgage rate plays a key role in determining the repayment instalments, and they realize that it can change from lender to lender, but they generally don't understand the determinants involved in the related trends. They are often unaware of how interest is calculated and the meaning of the annual percentage rate (APR).

Building basic knowledge and defining general aspirations

The information-collection processes are activated in the initial exploratory phase primarily in order to fill some of these knowledge gaps and, if necessary, to define the general aspirations. This can be seen in table 5, which shows the results of a survey conducted on behalf of the FSA, concerning 90 consumers divided into three groups:

- first-time buyers: buyers taking out a mortgage for the first time (27);
- subsequent buyers: buyers changing mortgage because they moved (31);
- remortgagees: buyers thinking of switching their mortgage (21).

Table 5 – Information requirements of mortgagees

Need expressed	Number expressing need	Need expressed by first-time buyers	Need expressed by subsequent buyers	Need expressed by remortgagees
How much will it cost me per month?	59	Yes	Yes	Yes
What different types of mortgage are there?	34	Yes	Yes	Yes
How much can I borrow?	19	Yes	Yes	Yes
What special deals are there?	10	Yes	Yes	No
What are the interest rates on offer?	9	Yes	Yes	Yes
Are there redemption penalties?	7	Yes	Yes	Yes
What will it cost over the course of the mortgage?	6	Yes	Yes	Yes
How much does it cost to remortgage?	5	No	No	Yes
What will the insurance cost?	5	Yes	Yes	No
Can I get a mortgage?	5	Yes	Yes	Yes
How much deposit do I need?	5	Yes	No	No
How important is it to have a deposit?	5	Yes	No	No

Source: FSA (2001), p. 50

Shortlisting the mortgage proposals

Consumers generally rely on mortgage brokers to make the key decision of selecting from a range of alternatives, by delegating the information collection and analysis activities. Although they consider the available information plentiful and accessible, in fact, they all too often think that the selection and decision-making process is too demanding and confusing to be done independently (cf. FSCP, 1999).

Table 6 – Reasons for choosing a mortgage

	1998	1999
(Sample size)	(1,019)	(1,281)
	%	%
Previous mortgage with same lender	24	23
Recommended this mortgage by an intermediary	18	20
Recommended this mortgage by friends/family	6	6
Advertised deal looked attractive/scored well in 'best buy' tables	3	4
Offered lowest monthly payments at start of loan	8	9
The product offered the largest incentive	3	3
Had no hidden extras	2	1
Offered me certainty	4	3
Offered me flexibility	3	3
Represented best overall deal over the long term	16	16
Other	0	1
Have other business/accounts there	0	3
Only company that offered/would take me on	0	2
Don't know/not stated/refused	7	7

Source: MORI (2000)

Most people meet with a lender without having familiarized with the market, on the basis of its reputation, its image or because they had already done business with it in the past and were satisfied with the service, or simply because they think the proposals on the market are more or less standard. A lender's reputation and image are often the result of information acquired accidentally, about standing, specialization, popularity, involvement in scandals (cf. Skinner C., Ford J., 2000).

Choosing a repayment scheme: choice rules

Selecting among the alternatives is part of the delegation process. It is often the case that no more than two lenders' proposals are actually examined. The most active consumer groups in the information search, however, appear to be young people and graduates (cf. MORI, 1999).

Moreover, the choice of significant attributes is not affected by delegation: summary cost indicators, interest rates, repayment instalments, total costs, loan term, bank branch distribution are the attributes generally taken into account by consumers (cf. Groenland E.A.G., Kuylen A.A.A., Bloem J.G., 1996; Devlin J.F, Gerrard P., 2004; Raynard, Hinkley, Williamson, McHugh, 2006).

Selecting a repayment scheme: decision-making strategies

Choice rules is a practically unexplored field, to date. The scant available data only provides an insight into a preference for non-compensatory rules, such as the conjunctive or lexicographic rule (cf. Devlin J.F, 2002a; Devlin J.F, 2002b). These are applied mainly by people with greater financial skills, others tend to delegate their choice (cf. Zeithmal V.A., 1988).

7. Conclusions

The aim of the paper is to clarify the amount and characteristics of the set of information that should be made available to consumers when taking out a loan.

To achieve this aim a number of issues must first be addressed, such as the characteristics of the loan process and the organization of the information search activities.

Compared to the typical sequence of a purchasing process, loan processes tend to be more complex. In particular, the information search and collection process requires a higher number of stages separated by intermediate evaluations.

The information search stage is most active at the beginning, when it serves the key purpose of filling in the many knowledge gaps consumers have, as well as defining their general aspirations in terms of loan amount and related costs and timeframes.

The middle alternative-selection stage is generally entrusted to brokers and lenders, chosen based on their standing, image or because the consumer had already done business with it in the past and was satisfied with the service.

In the last stage, concerning the choice of repayment scheme, the most active role is played by people with greater financial skills. The others tend to just delegate their choice. The scant information available allows only an insight as to a preference for non-compensatory rules, such as the conjunctive or lexicographic strategy. Summary cost indicators, interest rates, repayment instalments, total loan costs, loan term, bank branch distribution are the attributes generally taken into account by the consumer.

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