

Expensive Lending in Northern Ireland

a discussion paper

**Centre for
Economic Empowerment
Research Report: one**



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INTRODUCTION: THE RISE OF EXPENSIVE LENDING

Since the economic downturn began in 2007 there has been a significant growth in expensive legal lending, including short term cash loans known as payday lending. The number of people taking out payday loans in the UK is estimated to have quadrupled between 2006 and 2010 (from 0.3 million to 1.2 million).¹

There is also anecdotal evidence that there has been a rise in the use of 'loan sharks' - illegal money lenders. According to one estimate, in the UK there was an increase of 22% in illegally sourced credit between 2006 and 2010.²

This trend reflects the growing difficulty faced by many households to make ends meet in the context of reduced employment, rising living costs, and the 'credit crunch'. High cost borrowers primarily,

- have below average incomes;³
- are unable to access credit from mainstream lenders;⁴
- use the loan to pay for everyday household expenses and unexpected emergencies, (as opposed to luxury items).⁵

This paper highlights some key concerns in relation to payday lending and loan sharks. It is based on a literature review, interviews with key stakeholders,⁶ and an online eConsultation which invited debt advisers and their clients to share their experiences of expensive lending.⁷ The paper will be used as a basis for discussions on how to address these issues.

Expensive legal lending – a definition

Expensive legal lending refers to any aspect of licensed legal lending where the rate of interest or APR is significantly above rates offered by banks. In its 'Review of High Cost Credit' (2010) the Office of Fair Trading describes the high cost credit sector as consisting of pawn broking, payday and other short term small sum loans, home credit and rent-to-buy credit.

Payday lending – a definition

A payday loan is a short-term advance designed to tide you over financially until payday.

Some payday loan companies allow you to choose the repayment period, rather than basing it on when you receive your salary.

The payday loan is usually paid straight into your bank account, often within 24 hours of an application being approved. The payday loan repayment, plus interest, is then taken directly from your bank account on the due date. The typical charge is about £25 per month for every £100 borrowed. Advertised interest rates (APRs) are typically around 1,750%.

Source: <http://www.which.co.uk/>

PAYDAY LENDING

Pathways to payday lending

People who access payday lending are generally on low incomes – both in and out of work – and turn to payday loans in order to pay for non-luxury items, such as utility bills and school uniforms.⁸

“I first got one [a payday loan] when my hours were reduced in work and I had bills that needed paying.”

(eConsultation, payday loan customer)

“As a single parent to two children, living on benefits, my income was significantly low. Essential items such as clothing and household furniture/white goods were beyond my reach.”

(eConsultation, payday loan customer)

“Other options became my only option as I had exhausted borrowings from the social fund.”

(eConsultation, payday loan customer)

“I turned to payday loans really because my credit rating was so poor and was facing a few family emergencies.”

(eConsultation, payday loan customer)

Students, many of whom are unlikely to have regular income, are emerging as significant payday loan customers and a number of payday lenders (e.g. Simple Pay Day Student Cash Loan and Student Cash Loan) are specifically designed for the student market. A 2012 survey of 14,500 further and higher education students found that 10% had taken out a high risk loan.⁹

“We are seeing a growing number of students who are accessing payday loans. Most are using online providers and these companies seem happy to lend to students who have no regular monthly or weekly income.”

(eConsultation, Debt Adviser)

Debt advisers also indicated that high cost lenders may be targeting vulnerable groups such as students and people on benefits.

“There are many on-line providers who are centring their business, and their business name, around those in benefits and looking to profit from the most vulnerable in society. It is true that those on a low income may be more likely to encounter emergency situations that would require instant cash, but providing a loan which will accumulate rapidly is really not helping them.”

(eConsultation, Debt Adviser)

Lack of information

A major issue is customers may not be fully aware of the terms and conditions of the payday loan. A survey by Trading Standards of 29 loan companies in Northern Ireland revealed that the majority did not adequately explain the consequences of failing to repay a loan on time.¹⁰ Trading Standards also found that in every case the payday lender was unable to quote the Annual Percentage Rate (APR), as required under consumer credit legislation. Research by the Office of Fair Trading (OFT) found that an emphasis on speed and easy access to loans is leading to borrowers not getting a balanced picture of the costs and risks involved.¹¹

"I am seeing an influx of clients with payday loans who do not have the money to repay at the end of the month and who are not aware of the charges for missed payments."

(eConsultation, Debt Adviser)

Affordability checks

Given the gap in financial expertise between borrowers and lenders, there is an onus on the latter to ensure that the loan is repayable. However research carried out in 2012 found that eight out of 34 payday loan companies didn't carry out any credit checks as part of their approval procedure.¹² Nearly two-thirds of the people surveyed were not asked about any aspect of their financial situation apart from their salary.

"Explanations of the interest rate and charges are brushed over, if mentioned at all, and credit checks are minimal."

(Interview, Debt Adviser)

In a study of 50 payday lenders, the OFT concluded that credit-worthiness and affordability policies and procedures are often incomplete; the OFT highlighted cases where customers were issued with loans even though they did not comply with the lender's written criteria. Only six of the 50 lenders were able to provide documentary evidence that they assessed consumers' likely disposable income as part of their affordability assessments.¹³ Trading Standards reported that half of the companies it surveyed would be willing to lend £100 even if the borrower failed a credit check.¹⁴

"I didn't disclose to the company that I was on benefits though their checks didn't discover this fact either."

(eConsultation payday loan customer)

"Two clients in the same house had a whole series of payday loans from a number of companies, i.e. both the clients had individual loans from the same companies, there appeared to be no checks being made by the lenders. At one time new loans were being taken out monthly to cover for existing debts."

(Interview, Christians Against Poverty)

Fines and charges

Fines and charges are commonplace. One survey of people who had taken out payday loans found that in the last 12 months, 45% were subject to unexpected charges and 56% incurred charges because of missed or bounced repayments.¹⁵

Inability to repay

In the above context it is unsurprising that many borrowers are unable to repay payday loans. 48% of people surveyed by Which? said they could not afford to pay back their debts.¹⁶ Similarly, the Irish League of Credit Unions found that 43% of people who took out payday loans to cover household bills were unable to meet their repayments.¹⁷ This is likely to worsen a person's credit rating and further reduce people's ability to access mainstream finance.

"I did not know what I was getting myself in for and it really was not explained to me very well - I guess I hoped, foolishly, that I would be able to pay the debt back within a few weeks."
(eConsultation, payday loan customer)

"The level of debt is also increasing year on year; whereas a few years ago an average large debt was £5,000 it grew to £10,000 now it can be £25,000; individually there are cases with much more substantial debts up to £100K."
(Interview, Debt Adviser)

Rolled over loans

People who are unable to repay often 'roll over' their debt. A rolled over loan is when the customer renews the loan when repayment is due. For example if a customer takes out a month long loan of £300 with an interest payment of £90 at the end of the month he/she can repay the interest on the original loan and 'roll over' the £300 into another month long loan. The customer owes £390 at the end of the second month, which means £180 of interest being paid on an original £300 loan. This situation can continue with customers only paying off interest.

The OFT estimates that across the payday industry 28% of all new loans in 2011/12 were rolled over or refinanced, and that rolled over loans account for almost 50% of payday lenders' revenue.¹⁸ This research also found cases in which clients took out loans from other payday companies in order to pay the interest on existing debt. One debt adviser highlighted a case where a client presented with 13 payday loans. One of the

outstanding loans had been rolled over for seven years, after which time the original debt of £500 remained at the same level. The client was in a desperate state, often spending an entire day on the phone 'managing' the loans.

"Payday loans don't come one at time but rather in batches. My first client with payday loan problems had nine in total. When someone takes out a payday loan and can't make the repayment in full, the cost of holding it over for another month is very high and the temptation is to take a further loan to repay the first."
(eConsultation, Debt Adviser)

Debt recovery

Having monitored complaints over a six month period the OFT found that the majority related to aggressive and unsatisfactory debt collection practices, with some payday lenders 'bombarding' customers with emails, texts and phone calls.¹⁹ OFT inspections found that lenders' collection strategies tend to focus on recovering outstanding debt quickly and in full rather than negotiating an alternative repayment plan.

"Locally there was one company which was quite aggressive in their approach indicating that they would call out to the client's house and 'make sure' they got their money; they were also aggressive when we tried to speak to them on behalf of the client."
(Interview, Debt Adviser)

Furthermore, with what is known as a continuous authority payment, lenders can extract payments from borrowers, regardless of a client's instruction to a bank to remove authority. In interview, Danske Bank explained that it can't stop a payday lender withdrawing money from an account because that is a separate agreement between that company and the customer; the bank has no authority to cancel the payment or to act on the customer's behalf. This means that payday lenders get paid before essential household items and bills are paid for, and may result in bank charges (such as overdraft charges). One debt adviser commented:

"I know a few of my own clients have complained that they missed the repayment date and the company continually tried to take money out of their account causing more and more charges from both the bank and the lender."

(Interview, Debt Adviser)

Current welfare reform proposals will see a Universal Credit paid as a single payment to a nominated person in the household, a change from a system of multiple benefits often being paid to different individuals within a household.²⁰ Continuous authority payments from the accounts of universal credit recipients may impact on the equitable distribution of benefits within households. Similarly Universal Credit will mean Housing Benefit will no longer be paid directly to landlords. The use of continuous authority payment could mean that payday loan debts are repaid before rent, leading to a rise in rent arrears and the potential for eviction.

Worsening finances

Ultimately, many people's financial situation worsens as a result of using payday loans. Research published in 2011 by insolvency trade body R3²¹ showed that of those sampled who had taken a payday loan, 60% regretted the decision and 48% believed the loan has made their financial situation worse. Only 13% thought their payday loan had a positive impact on their finances. Debt advisers consulted as part of this research repeatedly emphasised the way in which people quickly become embroiled in a debt 'trap' after taking out a payday loan.

"I have noticed a lot of individuals on benefits rely weekly on payday loans. This leads to a constant spiral of debt as the clients are paying off the loans with benefits and having to borrow again to survive."

(eConsultation, Debt Adviser)

"I had one client who borrowed money at over 4000% APR- she wasn't able to make a full repayment and the situation has snowballed from a debt of £600 to approximately £4,000 in a matter of months. A warning to anyone contemplating engaging with this type of financial product- it may seem short term at the time, but it can have serious long term implications for financial health."

(eConsultation, Debt Adviser)

Other impacts

The traumatic effect of indebtedness on the lives of the borrower and their family was a common theme in the eConsultation.

Contributors cited issues around stress, their mental health and self-esteem, and knock-on impacts on children.

"I have been really struggling recently after getting myself involved with a few different payday lenders. I feel so stupid for getting in this situation."

(eConsultation, payday loan customer)

"Knowing this debt hangs over my head has caused my mental health to worsen. My children have had to cope with helping me deal with my health which is more than others their age have had to deal with."

(eConsultation, payday loan customer)

"I tried to make small payments but this didn't improve my situation at all. I had to deprive myself of income to pay off the debts, though with the interest I wasn't really paying it all. Eventually the debts were sold to other companies. This affected my mental health."

(eConsultation, payday loan customer)

"Payday loans have hit me hard. The pressure it has put on me is massive. I first got one when my hours were reduced in work and I had bills that needed paying. It was very easy to get one and I struggled to repay it and it has snowballed from there."

(eConsultation, payday loan customer)

"In a case involving people with mental health issues and on benefits, they ran up debts of £23,000 in no time at all."

(Interview, Debt Adviser)

Christians Against Poverty, (CAP), a charity working across the UK to lift people out of poverty and debt, offers free debt counselling. It indicated that half of its clients in Northern Ireland have considered or attempted suicide as a result of debts (not only those related to expensive legal lending). The comparative UK figure is one in three.²² Similarly FASA, a community organisation providing services for those affected by substance use, suicide and self-harm, found that of 55 clients whose main problem was debt, 29 were suicidal.

ILLEGAL LENDING

Researching illegal lending is problematic given its underground nature and the threat of intimidation and physical violence posed to borrowers.

Anecdotal evidence suggests that it is prevalent in pockets of deprivation, where it is the option of last resort. Whilst in theory there may be recourse to the law, the fear of violence means that debt advisers often try to extricate clients from their commitments to the illegal money lender.

“Something which is quite obvious is the fear that people feel when they are in debt to an illegal lender.”

(eConsultation, Debt Adviser)

“It is not really an option to expect a client to report the illegal lender to the authorities due to the level of threat posed.”

(eConsultation, Debt Adviser)

“In one case I was able to negotiate with a client’s other (legal) creditors to accept token payments until the client repaid the illegal lenders. The credit card companies involved agreed to this when I explained that there was a threat of violence to the person.”

(eConsultation, Debt Adviser)

Illegal lending – a definition

Illegal lending is lending without a consumer credit license, as required by the OFT under the terms of the Consumer Credit Act.

Local political representatives interviewed as part of this research, as well as other research participants, stated that illegal lending in Northern Ireland is linked with perceived paramilitary activity. A number of politicians confirmed that constituents had reported the operation of paramilitary affiliated loans sharks. One local representative reported evidence from their constituency office that people had resorted to engaging in criminal acts for a paramilitary organisation in order to pay off a debt. Similar practice was also reported in an interview with FASA.

CAP has negotiated on behalf of individuals indebted to people associated with paramilitaries. For example the organisation was recently aware of paramilitary associated lending in Carrickfergus, mainly to single women with children. CAP noted that with illegal lending it can be difficult to establish what the original debt amount was, so debt never gets paid off; and no one is willing go to the police.

“Borrowers don’t always know exactly how much they owe as interest accrues arbitrarily and only the lender keeps a record of the amount borrowed, how much is left owing and when it is due.”

(Interview, Christians Against Poverty)

FASA has also assisted a number of young men caught up with debts associated with paramilitaries. Two scenarios were identified. For some young men, who had been selling their own drugs and had been caught by local paramilitaries; their debts were as a result of them being fined or 'taxed'. In other cases local paramilitaries had sold drugs to individuals for personal use and the men were struggling to pay off the resulting debts.

In one of FASA's cases a young man borrowed £20 from a paramilitary organisation with the understanding that he had to pay back £35; this debt spiralled to £1,400. The individual in question, who had severe mental health issues, had his benefits taken by the paramilitaries and he resorted to begging in order to survive. In time a local community worker helped re-work the debt. Another FASA client was 'caught' by local paramilitaries selling heroin and was 'fined' £5,000. By the time FASA became involved £2,000 had been paid to the paramilitary organisation. FASA was able to negotiate an end to the debt.

"In one case a client who has an addiction borrows off the paramilitaries; he basically hands over all his wages each month now to the paramilitaries to cover the interest on the original loan."

(Interview, Debt Adviser)

WAYS FORWARD?

The context within which people resort to expensive lending raises a range of broader questions around income levels, economic development and poverty.

“The key issue is to develop an overarching strategy to deal with poverty in areas rather than the piecemeal approach which has been taken to date where organisations like FASA, for all the good work done, act as little more than a sticking plaster over the problem.”

(Interview, FASA)

Setting aside these bigger issues, a credible strategy to tackle the problems highlighted above must have four main components: regulation of payday lending, accessibility to affordable credit, education, and enforcement.²³

Regulation

One option is simply to ban expensive lending. Payday lenders cannot exist in Germany as only banks can provide credit, and lending at an interest rate more than twice the market rate constitutes a criminal offence.²⁴ However it is questionable if this approach is applicable to the UK where people on low incomes have less access to mainstream finance. Banning expensive lending will not address the underlying need for credit among low and medium income households, and might even result in more people turning to illegal lenders. Debate in the UK is therefore focussed on how to improve practices within the payday sector through regulation.

In other parts of the world the payday sector is subject to quite rigorous restrictions. Mark Durkan MP suggested that lessons could be learned from the models operating in 35 states in the USA where real-time central databases are used to enforce limitations. These limitations relate to the level of fees and charges; the maximum loan amount; the number of roll over loans allowed; fees charged; the number of loans which can be taken out at one time; and the provision of a repayment plan if the borrower faces problems repaying their loan.

In the UK such regulations do not exist but the matter appears to be coming to a head. The OFT’s dissatisfaction with the sector was evident when in March 2013 it gave the leading 50 payday lenders, accounting for 90% of the market, 12 weeks to change their business practices or risk losing their licenses. The OFT has also announced that, subject to consultation, it proposes to refer the payday lending market to the Competition Commission after it found evidence of deep-rooted problems in how lenders compete with each other. The position adopted by the OFT was welcomed by the Prime Minister David Cameron.²⁵ The UK Government also announced that it will begin work to clamp down on the advertising of payday lending, to ensure consumers are not encouraged to take out a payday loan which is not right for them.²⁶

As part of its wider reforms of financial services regulation, the UK Government has decided to transfer responsibility for consumer credit regulation from the OFT to the Financial Conduct Authority (FCA) in April 2014. According to the Government the FCA will be tougher than the FSA and

more proactive in protecting the interests of consumers. It will be empowered to ban or impose requirements on financial products, including a cap on the cost of credit and restrictions on the duration of credit agreements.²⁷

The UK Government commissioned a study on the impact on business and consumers of a cap on the total cost of credit. It found that “[r]educing the cost of credit would benefit short-term credit users by lowering credit repayments and increasing the amount of disposable income available to them”. However, the report also concluded that market impacts would mean that “access to credit may reduce particularly for low income or other vulnerable consumers”. Based on a consumer survey the report concluded that this may push a small number of people towards illegal lending and lead some people to default on other financial commitments, especially household bills. The report suggests that there are other potential changes that might help protect consumers who use short term credit. These include limits on the amount that can be applied to default charges, and restrictions on the number of times a loan can be extended.

Source: Bristol University, Personal Finance Research Centre, The impact on business and consumers of a cap on the total cost of credit, March 2013.

Regulation Discussion Points

1. Would the establishment of the following regulations better protect consumers against existing problems? If so, what form should those regulations take?
 - A cap on the number of loans a consumer can take out;
 - A cap on the number of times a loan can be ‘rolled-over’;
 - A cap on the maximum loan value;
 - A cap on the amount that can be applied to default charges;
 - A more robust affordability assessment regime;
 - A system of automatic access to free money advice services for people applying to payday loans.
2. How can Northern Ireland influence UK regulation policy?
3. Are there other ways in which the Northern Ireland Executive can influence payday lending practices?

Access to Affordable Credit

Greater access to affordable credit is key to reducing reliance on high cost lending. In many quarters there is a belief that credit unions have a key role to play in this regard, particularly in Northern Ireland where 50% of the adult population are members of a credit union, compared to just 2% in Great Britain.²⁸ Amongst MPs and MLAs interviewed there was universal support for the work of credit unions. For example, both George Robinson MLA and David Hilditch MLA encouraged those in financial distress to contact a credit union instead of turning to payday lenders.

However in interview, the Ulster Federation of Credit Unions pointed out that credit unions are not currently equipped to compete with payday lenders. In order to protect their members' interests they encourage prudent lending, whereas the payday lending model is designed to accommodate a high proportion of defaults.

Greater flexibility in setting interest rates might also enable credit unions to compete with high cost lenders - currently legislation defines an upper limit of 1% per month on the outstanding loan balance (which must include administrative and other expenses incurred in making the loan). If credit unions had the option to raise interest rates, perhaps to 2%, it might help them to compete with expensive lenders. However, this would constitute a considerable shift in attitude and practice towards pricing for risk within the Credit Union movement in Northern Ireland. If the Credit Unions are to play a more prominent role, the NI Executive may have to provide financial support such as a Loan Guarantee Scheme²⁹ or match funding, similar to the Department for Work

and Pension's Growth Fund in England and Wales. However, again this would constitute a considerable shift in the practices and services offered by credit unions in Northern Ireland and their relationship with Government.³⁰

Ensuring that everyone has a bank account could make it easier for people to access credit at a reasonable rate. It is estimated that 13% of adults in Northern Ireland do not have a current bank account, higher than the UK average of 6%. Perhaps more also could be done to ensure that banks provide affordable credit to those on payday and minimum incomes, via regulations such as the Community Re-Investment Act in the USA.³¹ Banks in France are legally obliged to open a basic bank account for everyone, and have to offer an overdraft of 50 per cent of a client's income on current accounts.³²

In Australia, banks have teamed up with leading charities, and with the help of government funding they have been able to offer affordable loans to low income families.³³

The impact of welfare reform must also be considered. Community Care Grants and Crisis Loans (elements of the Social Fund) have traditionally provided people in extreme need with a financial safety net. However within the welfare reform bill it is proposed that these will be replaced by a new Discretionary Support system, unique to Northern Ireland, which offers assistance to those facing the most exceptional, extreme or crisis situations and who have no other means of support. However anyone with an outstanding loan of £1,000 or more will be disallowed from this support. This has the potential to push more people into the path of expensive lenders.

Affordable Credit Discussion points

1. How can Credit Unions be supported to play a bigger role in providing credit to people on low incomes in Northern Ireland? Is the establishment of a NI Executive Loan Guarantee Scheme for credit unions a viable option?
2. Is there scope to develop other lending models specifically targeted towards low income households in Northern Ireland?
3. How can banks be encouraged to provide more affordable credit to people on low incomes?
4. How can the impact of welfare reform be mitigated?

Education

Improving people's financial capability i.e. their ability to manage their finances, is a third component of a solution. According to the Consumer Council NI, the level of financial capability is lower in Northern Ireland than elsewhere in the UK.³⁴ In interviews a number of MLAs, including Ross Hussey and Sandra Overend, supported the development of a financial education programme, with a view to teaching people better payday management and preventing people getting into financial difficulties. As Roy Beggs MLA suggested, such a programme should include better financial education at primary and secondary levels, as well as ensuring that borrowers have access to free and independent debt advice. It is therefore important that debt advice providers are funded accordingly. It is noted that the policy consultation document for A Financial Capability Strategy for Northern Ireland was published by the Department for Enterprise Trade and Investment on 2 May 2013.³⁵

Education Discussion Point

1. Will the proposals outlined in the Financial Capability Strategy adequately tackle the financial capability deficit in Northern Ireland?

Enforcement

As an illegal practice, loan sharking demands a policing response. However the Trading Standards Service has recorded only two cases of illegal lending in Northern Ireland³⁶ and paramilitary organisations continue to operate in many working class communities. The Illegal Lending teams in Great Britain may offer a model that could be replicated in Northern Ireland.³⁷

It has adopted a multi-agency approach, involving police and Trading Standards to address two key objectives: to conduct enforcement actions that would remove loan sharks from the communities in which they operate and ultimately reduce illegal lending; and to support victims of loan sharks in accessing debt advice to rebuild finances and make the transition to affordable, legal credit. The teams combine an investigative arm, to meet the enforcement objective, and a financial inclusion/victim support element, to address the needs of victims.

Enforcement Discussion Points

1. How can we find out more about the extent and nature of illegal lending in Northern Ireland?
2. How can illegal lending and paramilitarism be tackled and does the model of Illegal Lending teams offer a potential solution?

Final Discussion Point

Are there any areas of further research that would be useful?

END NOTES

- ¹ Consumer Focus, *Keeping the plates spinning – Perceptions of payday loans in Great Britain*, August 2010. Exact figures for Northern Ireland are not available
- ² The Financial Inclusion Centre, *The Real Cost of Christmas: Assessing the impact of illegal lending on consumers*, January 2010
- ³ For example, Consumer Focus, *Keeping the plates spinning – Perceptions of payday loans in Great Britain*, August 2010, found that almost half (46%) of household that used payday loans in 2009 had an income below £15,499. Two thirds (67%) had an income below £24,999.
- ⁴ PriceWaterhouseCoopers, *Precious Plastic 2012: All change please*, 2012.
- ⁵ For example Which?, *Half of people with payday loans cannot afford to pay back their debts*, November, 2012 found that while 11% of payday loans were used for holidays, the remaining 89% were for items such as food, fuel, bills, and unforeseen emergencies.
- ⁶ Interviews were conducted with MPs Naomi Long, Gregory Campbell, Margaret Ritchie and Mark Durkan; MLAs George Robinson, David Hilditch, David McIlveen, John Dallat, Judith Cochrane, Ross Hussey, Roy Beggs and Sandra Overend; Trading Standards Service, Ulster Bank, Danske Bank, Advice NI Debt Advisers, Christians Against Poverty, Families Against Substance Abuse, Consumer Council for Northern Ireland, the Irish League of Credit Unions, and the Ulster Federation of Credit Unions.
- ⁷ Advice NI facilitated the eConsultation at www.voiceni.net (*Find Your Voice, Have Your Say*) and it generated over 50 responses.
- ⁸ Which?, *Struggling consumers in payday loan trap*, May 2012.
- ⁹ Huffington Post, *Payday Lenders Are Exploiting Vulnerable Students, Warns NUS' Pete Mercer*, December 2012. Available through: http://www.huffingtonpost.co.uk/2012/12/10/payday-lenders-exploit-students-warn-nus_n_2270008.html [Accessed March 2013].
- ¹⁰ BBC NI on-line news, *Northern Ireland payday lenders face investigation*, March 2012. Available at: <http://www.bbc.co.uk/news/uk-northern-ireland-17392407?print=true> [Accessed November 2012].
- ¹¹ Office of Fair Trading, *Payday Lending Compliance Review Final Report*, 2013. The report further found that 30 of the 50 websites visited by the OFT emphasised the speed and simplicity of loan applications; 14 sites failed to show either a representative example or APR where required – which illustrates to the borrower how much their loan could cost them; 20 sites either omitted or failed or downplayed important information about costs and risks to the borrower.
- ¹² Which?, *Struggling consumers in payday loan debt trap*, May 2012.
- ¹³ Office of Fair Trading, *Payday Lending Compliance Review Final Report*, 2013.
- ¹⁴ Trading Standards Service, *Trading Standard's warning to payday lenders*, March 2012.
- ¹⁵ Which?, Consultation response: *Review of compliance of payday lenders with the OFT Irresponsible Lending Guidance*, May 2012.
- ¹⁶ Populus, on behalf of Which?, interviewed a random sample of 4031 GB adults aged 18+ online between 10th and 12th August 2012. Surveys were conducted across the country and the results have been weighted to the profile of all adults.
- ¹⁷ Irish League of Credit Unions, *Household Income Tracker Survey*, October 2012.
- ¹⁸ Office of Fair Trading, *Payday lending and compliance review*. March 2013. The OFT estimate the total number of new payday loans in 2011/12 to be between 7.4 and 8.2million with the total value of new loans issued estimated as between £2.0 and £2.2 billion.

- ¹⁹ Office of Fair Trading, *Payday lending and compliance review*, March 2013.
- ²⁰ It is noted that the Minister for Social Development is in discussions with the Department for Work and Pensions regarding the possibility of moving Northern Ireland to a bi-monthly payment system.
- ²¹ Which?, *Rise of the zombie debtor as 3.5m consider turning to payday loans*, December 2011.
- ²² Information supplied by Christians Against Poverty in research interview. The figure relates to CAP data from 2011. The UK figure is one in three.
- ²³ Our thanks to Trading Standards Service for making this point.
- ²⁴ New Economics Foundation (nef), *Doorstep Robbery*, November 2009.
- ²⁵ Daily Mail, 6 March 2013, Payday loan firms told to clean up their act or face closure: Companies given 12 weeks to sort practices. Available through: <http://www.dailymail.co.uk/news/article-2289337/Payday-loan-firms-told-clean-act-face-closure-Companies-given-12-weeks-sort-practices.html> [Accessed April 2013].
- ²⁶ HM Treasury, *A new approach to financial regulation: transferring consumer credit regulation to the Financial Conduct Authority*, March 2013.
- ²⁷ HM Treasury, *A new approach to financial regulation: transferring consumer credit regulation to the Financial Conduct Authority*, March 2013.
- ²⁸ See also HM Treasury and DETI, *Proposals for regulatory reform of credit unions in Northern Ireland*, 2010.
- ²⁹ See Women's Resource and Development Agency, *The Northern Ireland Economy: Women on the Edge?* 2011.
- ³⁰ For further discussion on this issue and other opportunities for credit unions to expand into the low income market, see Paul A Jones (2013) *Towards Financial Inclusion: The expansion of credit union financial services for low income households in Northern Ireland*.
- ³¹ The Community Re-Investment Act is a federal law that imposes an affirmative obligation on banks to serve the credit needs of low and moderate income communities and to take steps to provide equal access to responsible financial products and services to traditionally underserved populations.
- ³² New Economics Foundation (nef), *Doorstep Robbery*, November 2009.
- ³³ For example the No Interest Loan Scheme (NILS) was developed by Good Shepherd Youth & Family Service nearly 30 years ago; today the Good Shepherd Youth & Family Service accredits organisations to be NILS providers in Australia. The National Australia Bank (NAB) is one of the main providers of NILS. NAB offers small, no interest loans for people on low incomes for the purchase of essential household goods. Loans are safe, and affordable – in the region of \$800 to \$1,000 – and are completely free of interest and fees. NAB has provided \$15 million to expand NILS across Australia, as part of NAB's \$130 million capital boost to support lending to low income groups. Consumer Focus, *Affordable Credit: Lessons from Overseas*, 2011.
- ³⁴ Consumer Council for Northern Ireland, *The price of being Poor*, 2011.
- ³⁵ Department for Enterprise Trade and Investment, *Taking Control, A Financial Capability Strategy for Northern Ireland, Policy Consultation*, May 2013.
- ³⁶ Research interview with Trading Standards Service.
- ³⁷ See, for example, Department for Business, Innovation and Skills, *Interim Evaluation of the National Illegal Lending Projects*, October 2010.

