



# Payday loans campaign

September 2012 – April 2014

## What was the problem?

In the last four years the Citizens Advice service saw a ten-fold increase in the number of debt clients with payday loans, while our evidence showed that payday loan companies were not treating their customers fairly - and were even breaking regulations and guidance regarding responsible lending.

It took me 25 rollovers until I was offered a repayment plan. Even then I was asked to rollover three times before interest was stopped. In total I repaid £3400 for £400.

Most of the problems we were hearing about related to payday lenders not checking that customers could afford the loan, and pressuring them to 'roll over' the loan when they struggled to pay it back on time, as well as the way in which lenders took payments from their customers' accounts – leaving them with no money for essentials.

I have been struggling to pay the repayments because I have been unemployed. I have just found a job and my first wage has been paid to my bank today. By 12:15 am this morning my account has been raided and over £200 has been taken. I have £1.17 left to last until next week. It costs me £30 per week in travel expenses to get to work which is 15 miles away. I cannot go to work now next week so I am going to lose my job.

I told them my monthly wage before day-to-day living costs was £1200 and they lent me £990 meaning I had to pay back £1400 in one month. I therefore could not afford to pay back the loan even if I spent nothing from my monthly wage.

We were also concerned about the glossy advertising practices of payday lenders, which were often irresponsible and misleading, masking the reality of debt.

Finally, we wanted to make sure people knew about the alternatives and where to go for help.

The CAB service wanted payday lenders to be properly regulated and for them to stop using irresponsible advertising practices. We achieved this by taking five key steps...

# What did we do about it?

**1.** When the industry introduced a Good practice customer charter in November 2012, we encouraged payday loan consumers to tell us about their experiences, by taking an easy survey, so we could see whether the lenders were sticking to the charter's rules. The statistics and the examples given through the survey showed the charter wasn't working and that payday lenders needed tougher rules.

**2.** We gave this evidence to the Government and the regulator through meetings, discussions, and responses to formal consultations. We also spoke out publicly about the problems we were seeing with the payday loan industry, giving the evidence to the press and to MPs. This was done on a national and local level and helped to put further pressure on the Government and regulators to take action.

**3.** We raised awareness about payday loan customers' rights. We created a short film, used social media to highlight the issue and our network of bureaux ran events up and down the country.

**4.** We asked our supporters to get 'mad about the ad' and report irresponsible or misleading payday loan adverts to the Advertising Standards Authority (ASA). To help people do this, we made a short guide and also arranged to pass on complaints to the ASA. Citizens Advice also sent complaints to the ASA about seven different adverts that we were made aware of during the campaign.

**5.** Citizens Advice Bureaux worked closely with their local councils to remove irresponsible advertising locally. We also shared examples of what local councils have been able to do to help their residents with debt and payday loan problems and produced a short guide to encourage councils to consider similar action.

# What were the results?

## **New rules for payday lenders**

The rules require lenders to:

- carry out proper affordability checks
- only roll over a loan a maximum of two times
- only attempt to seek payment using continuous payment authority two times
- signpost consumers to independent, free debt advice before a loan can be rolled over
- include a 'health warning' on payday loan advertising.



## **Closer monitoring**

The Financial Conduct Authority (FCA) has taken over the regulation of the industry and is immediately going to carry out an in-depth review into payday lenders' debt collection practices. We have also agreed to share our evidence of payday lender behaviour with the FCA so they can take action to protect consumers.

## **Cap on the cost of credit**

The Government announced that there will be a cap on the amount of money a loan can cost you by 2015.

## **Advertising practices under the microscope**

Complaints have been made about 23 payday loan adverts and a number have already been banned. We expect the ASA to make rulings on other complaints in the near future. Ten Citizens Advice Bureaux have been working with their councils to take action on irresponsible advertising.

This is all fantastic news for the consumers who are expected to take out over 10 million loans this year and will now have far greater protection from unscrupulous payday lenders.

The efforts of the Citizens Advice service are clear to see in the new rules and our bureaux and supporters were key to securing this change.