

HIGH COST LENDING

1.0 Introduction

Since early in 2003 Leeds has been developing a strategy to tackle financial exclusion in the city and put in place mechanisms to assist people and provide an alternative to high interest doorstep lenders and loan sharks.

Whilst this area of work has been an important priority for many years it has been escalated in importance in recent times due to the current economic climate and the changes to welfare and benefits policies and arrangements.

2.0 High Cost and Payday Lending

There has been a recent boom in payday and other high cost lending, leaving many of the most vulnerable citizens in the city facing problems with debt and related issues. Representative interest rates of more than 4,000 APR are not uncommon with many of these lenders.

A joint campaign to address high cost lending in the city is being developed by Leeds City Council with voluntary, private and public sector partners. The campaign has cross party support and action will take place across the city and one ambition is to make Leeds a payday loan free city.

The campaign is urging local residents to avoid the temptation to take out loans with high cost and payday lenders, many of which enjoy a high profile thanks to their expensive TV advertising campaigns and lucrative sponsorship deals. Marketing of well-known brands has convinced many to think of payday loans as normal and an easy way out of their problems, but these lenders can leave many people with unsustainable debts. The campaign is reminding people that there are alternatives such as Credit Unions which can help those who are most affected. People will also be made aware of the impartial and free money and debt advice available in the city. More details about the campaign are provided later in this report and in appendix 2, High Cost Lenders Action Plan.

3.0 Retail store closures – risers and fallers

According to a recent analysis by Price Waterhouse Coopers and the Local Data Company, statistics show retail store closures have climbed tenfold in one year. However, pound shops, pawnbrokers, charity shops, cheque cashing, payday loan shops and betting shops are bucking the trend and showing considerable growth. The table below shows the 'risers and fallers' by business type across the UK's top 500 town centres during 2012:

Risers	Net Change (%)	Fallers	Net Change (%)
Cheque Cashing/Payday Loans	+20.0	Card & Poster Shops	-23.4
Pound shops	+13.0	Computer Games	-45.0
Pawnbrokers	+13.2	Women's Clothes Shops	-7.2
Charity shops	+2.7	Recruitment Agencies	-15.1
Betting Shops	+3.3	General Clothing	-8.7
Supermarkets	+3.6	Health Foods & Products	-24.7
Coffee Shops	+3.4	Banks & Financial Institutions	-2.9

Table - Top risers and fallers by business type in 2012 (Source: Local Data Company)

Work was undertaken in 2012 to try to determine the numbers of money shops in Leeds city centre and in district centres. This is not straightforward because there is no clear planning or industrial classification to distinguish these types of shops. **However, from available sources of information a list was compiled in September 2012 and is attached at Appendix 1.**

The high cost lending market (Home Credit, Pawn Brokers, Money Shops, Payday Lenders, rent-to-buy) was estimated by the OFT to be £7.5 billion in loans to consumers in 2008¹. The equivalent figure for payday loans at that time was £900 million but it is reported that this figure will have more than doubled by 2011. It is further estimated that 5 million people in the UK access high cost credit of which 2 million use payday lenders.

If this national picture is equated to the Leeds population it means that up to 60,000 people in Leeds may use high interest lenders including approximately 22,500 people who may take out Payday loans. In addition to the social cost, this market represents a potentially huge impact on the Leeds economy. Based on national data, the high cost market in Leeds could be in the region of £90m. If everyone using high cost credit in Leeds had access to affordable sources this could reduce the cost of borrowing by up to £60m in a year to Leeds families. Even a 10% penetration into this market would represent a significant annual gain for Leeds communities and the economy.

The StepChange debt charity, which provides a national debt counselling service, has said that more than twice as many people who sought help with debts in 2012 had payday loans compared with 2011. It helped 36,413 people last year who had payday loan debts, some 20,000 more than the previous year. They also reported that 42% of their clients under age 25 had payday loans. This is a fourfold increase in just 2 years.

4.0 OFT review

Earlier this year the Office of Fair Trading (OFT) undertook a review of the businesses of the top 50 payday lenders (which together account for around 90% of the payday market by turnover). The review found a number of examples of non-compliance with the industry code of practice including:

- Failing to show the APR interest of their loans;
- %age APR or calculated examples not prominent enough on their sites;
- Omitting or downplayed information about the costs and risks to the borrower;
- Not conducting adequate affordability assessments;
- Actively promoting rolling over loans for an extended term when borrowers would be better served by a repayment plan;
- A number of firms were using aggressive debt collection practices.

As a result, the sector will face advertising curbs and be under closer supervision. The government wants to limit the number of adverts shown per hour on TV and ensure that terms and conditions are displayed more prominently.

The OFT also required the companies to take immediate steps to address areas of non-compliance or risk losing their consumer credit licence. After the end of the 12 week deadline set by the OFT, 19 of the companies indicated that they were to withdraw from the payday lending market (1 company failed to respond). In addition the OFT has referred the whole of the industry to the Competition Commission, which has wider powers to deal with some of the issues identified for the protection of consumers.

5.0 Financial Conduct Authority (FCA)

The new financial services regulator – FCA - will take over the Financial Services Authority's consumer financial watchdog powers and have powers to cap the cost of high cost loans, but not until 2014. The FCA will be granted this key weapon, along with other ways to keep rogue lenders in check. There will however be a 'legal loan sharks' window of opportunity before regulators can limit charges in 2014.

¹ OFT, Review of High Cost Credit, June 2010

The FCA will also have powers to create rules which will:

- Limit the length of a payday loan
- Impose a limit on the number of times a payday loan is rolled over
- Make a payday loan agreement unenforceable
- Force money or property to be returned to consumers and redress to be given to consumers by a firm

While the regulator will have these powers, it has to assess whether they need to be used. In a recent report (March 2013) from the Department for Business Innovation and Skills (BIS), the Government Minister indicated that whilst "the Government recognises that a cap might be appropriate at some point in the future" "The Government does not believe that a total cost of credit cap is the best way to address the concerns in the pay day lending market at this time."

6.0 High Cost Lending Campaign in Leeds

In June 2013, Executive Board approved a campaign to tackle high cost lenders in the city. The key elements of the campaign are:

- Co-ordinate activity across public, private and the third sector to deal with high cost lending
- City Wide High Profile campaign
- Local Neighbourhood promotion and education campaign
- Build Capacity for alternative affordable credit
- Reduce dependency on and use of HCLs
- Provide direct support for those caught up in HCL and reminding people that there are alternatives

A number of city wide initiatives have been providing support to citizens for many years involving a broad network of partner organisations. Some key services include:

Leeds City Credit Union

A key partner in the battle to tackle high cost lenders is Leeds City Credit Union (LCCU). LCCU is working closely with the Council and other partners to develop support for residents who do not have access to affordable banking services. As part of the Local Welfare Support Scheme adopted by the Council, the Executive Board approved a recommendation that an element of the scheme funding should be used to support, among other things, promotion and development of Leeds City Credit Union services and increased provision of advice and support.

Headrow Money Line

The Community Development Finance Institution (CDFI) operating as Headrow Money Line, is a sister organisation to LCCU and started lending in November 2012. In the initial months of trading, Headrow Money Line (HML) is taking a deliberately cautious approach to lending in order to embed systems and to protect against risk. HML is providing affordable credit to many of the residents who have been turned down currently for credit union loans. In so doing it will enable these residents to have access to the broader network of support either provided directly through HML or through partner agencies.

HML offers a source of credit which is significantly lower in cost and therefore much more affordable than payday loan companies, doorstep and similar lenders. CDFIs operating around the country charge interest in the region of 40% to 70% APR. HML is currently operating at the higher end of this range in order to ensure security of the business and give time to assess the impact of bad debt provision. Although this seems high, it is significantly lower than the typical rate charged by doorstep lenders (300% and above) or of some "payday" lenders (4000% plus).

Leeds Advice Partners

A partnership of advice agencies provide debt and welfare rights advice, along with the Councils own Welfare Rights Unit. This service is becoming increasingly important given the many changes to the benefits system highlighted in this report. The City Council is currently undertaking a review of advice provision with the intension of ensuring a more comprehensive coverage of support in all the areas of the city where there is a need and delivering advice in a more integrated way. The new service is planned to be introduced during 2014.

7.0 Other activity in Leeds

Sporting Clubs

Full Council received a deputation of Leeds residents on 14 November 2012, regarding payday loan companies and their effect on residents in Leeds. The deputation has been involved in a campaign calling on football authorities to cease advertising by payday loan companies anywhere in football.

Officers have been exploring with the deputation the possibility of working with Leeds professional sporting clubs on a positive campaign to warn of the dangers of doing business with high cost lenders and also to work with the clubs on other potential financial inclusion initiatives. Meetings have now taken place with Yorkshire County Cricket Club, Leeds Rugby as well as Leeds United FC.

High Cost Lending Conference

A national conference will be taking place in Leeds on 25 October at the Civic Hall. Over 30 different cities will be represented at the conference to learn from the campaign taking place in Leeds.

Payday lender site blocking

A list of 190 payday lenders has been compiled and forwarded to LCC IT Services. The list has also been sent to all other West Yorkshire authorities and York who agreed to block the lenders' websites from all internal Council and public access terminals from 2 September 2013.

Internet redirect pages have been prepared explaining why the payday lender sites have been blocked and alternatives are given.

The pages which have been set up can be accessed on the council's web site at:

www.leeds.gov.uk/bettercredit

www.leeds.gov.uk/hclcampaign

A press statement was issued at the time of the action to block payday lender sites and this received a significant amount of publicity in early September. In addition to the local media and radio, some national press covered the story and the Guardian undertook a live webchat which headlined with the Leeds story. The council Leader, Cllr Wakefield was widely quoted and undertook a number of live interviews.

Appendix 1 - Legal Credit Activity in Leeds (September 2012)

Details of Credit Businesses Based in Leeds

Businesses involved in Consumer Credit activity (loans, brokerage, debt collection, debt management) are required to hold a Consumer Credit Licence, issued by the Office of Fair Trading. As the local regulator of consumer credit West Yorkshire Trading Standards Service (WYTSS) is sent details of any new or amended application for a Consumer Credit licence for their comments, e.g. that a person is fit/unfit to hold such because of convictions, etc.

A list of all businesses in West Yorkshire with a Consumer Credit Licence was formerly maintained by WYTSS but there is now a national register kept on line (link below) and the West Yorkshire service has to rely on this national register for local information.

<http://www2.crw.gov.uk/pr/Default.aspx>

Legal High Cost Credit Providers in Leeds

The following high cost home collected credit lenders are based in Leeds:

Adamson Finance - 135 Otley Old Road, Leeds, West Yorkshire, LS16 6HH

CLC Finance - Unit 4, Meadow Court, Millshaw, Leeds, West Yorkshire, LS11 8LZ

Fowlers Permanent C& S LTD - 53 Stanningley Road, Leeds, West Yorkshire, LS12 3ND

Leeds & District Clothing & Supply Co Limited - 164 Harehills Lane, Harehills, Leeds, West Yorkshire, LS8 5JP

Naughton Finance Ltd - Mayflower House, 14 Pontefract Road, Leeds, LS10 1SG

Martin Oddy & Co - 4 Griffin House, Station Road, Morley, LS27 8JW

Park Finance Co Ltd - 9 Ring Road, Seacroft, Leeds, West Yorkshire, LS14 1AT

Pioneer Finance - 2 Holly Tree Lane, Colton, Leeds, West Yorkshire, LS15 9JF

However in addition to these businesses there are a number of other businesses that operate 'rounds' in Leeds, including Provident and West Riding Family Finance (Bradford); D & J McGuinness, J R Naylor and Provida Loan (Wakefield); and Shopacheck (Birstall) plus some businesses from Rotherham, Chester, Solihull and Worcestershire.

All businesses involved in small cash loans are required to place their details on the Lenders Compared website – www.lenderscompared.org.uk – which lists all the businesses who will offer such credit by postcode and includes rates, payment periods and other key terms and conditions. It is interesting to note that some businesses operate at a very local level. There are for example some businesses that will offer loans in Seacroft but not Morley or the city centre.

The Lenders Compared web-site lists loans (a) which offer a number of repayments and (b) loans between £50 and £800. As such it does NOT include the high cost short-term payday loan businesses such as Wonga or Quickquid; or high cost loan businesses offering medium sized loans (£1,000 - £5,000) such as Ocean Finance. Most of these businesses operate regionally or nationally and advertise via newspapers, television and increasingly via the internet (especially using formats specifically tailored for mobile phones).

Lenders Compared does also NOT pick up businesses which offer high cost loans based on a security (usually a car - often referred to as log-book loans) who use a range of archaic financing tools that mean they are not legally defined as either "small amount" or "multiple

payment” credit service. There are a number of such businesses that operate in but are not based in Leeds.

Below is a list of shops operating in Leeds by postcode which has been compiled by the Economic Policy Team. The list may not be fully comprehensive as there is not one simple data source for this information, some shops may be part of national groups which are registered outside of Leeds and due to the provisos indicated above. However, this is probably the most up to date list available at the current time.

Credit shops operating in Leeds (2012)

POSTCODE		
LS1	Money Shop	2 Call Lane, Leeds LS1 6DN
	Money Shop	25-27 The Headrow, Leeds LS1 6PU
	Pawnbrokers/payday loans	8 New Market Street, Leeds LS1 6DG
	Finance 321	57 Great George Street, Leeds LS1 3AJ
	Ramsdens 4 Cash	11-12 Kirkgate, Leeds LS1 8BY
	Herbert Brown Pawnbrokers	19 Kirkgate, Leeds LS1 6BY
	Cash Shop	26 New Market Street, Leeds LS1 6DG
	Cash for Gold	35 Vicar Lane, Leeds LS1 6DS
	Ramsdens 4 Cash	49 New Briggate, Leeds LS1 8JD
	Brown and Gold Cash for Gold	Park Cross Street
LS2	Money Shop	38 Eastgate. Leeds LS2 7JL
	Money Shop – Ramsdens	49 New Briggate, Leeds LS2 8JD
	Cash Converters	21 Eastgate, Leeds LS2 7LY
	Everyday Loans	Unit 2 Merrion Centre, Leeds LS2 8NG
	Herbert Brown Pawnbrokers	12 Eastgate, Leeds LS2
	The Money Shop	2 Call Lane, Leeds LS2
	Herbert Brown Pawnbrokers	40-42 Merrion Centre, Leeds LS2 8NG
	BrightHouse	Merrion Centre, Leeds LS2
LS7	Automoney	122 Potternewton Lane, Leeds LS7 2EG
LS8	Cash Converters	254 Roundhay Road, Leeds LS8 5RL
	Money Shop	243 Roundhay Road, Leeds LS8 4HS
	One Stop Money Shop	83 Roseville Road, LS8 5DT
	Cash Converters	164 Harehills Lane, Leeds LS8 5JP
LS9	Cash Converters	76 Lincoln Green Road, Burmantofts, LS9 7SU
	Automoney/Log book loans	577 York Road, Leeds LS9 6NH
	Ramsdens 4 Cash	314 Harehills Lane, Leeds LS9 7BG
LS10	NFL Cash Direct	Pontefract Road, Stourton, Leeds LS10 1SP
	Naughton Finance Limited	Mayflower House, 14 Pontefract Rd, Leeds LS10 1SG
LS11	Cash Converters	211 Dewsbury Road, Beeston, Leeds LS11 5FZ
	Cash Express	247 Beeston Road, Leeds LS11 7LR
	Shopacheck	Oakhurst Avenue, Dewsbury Road, Leeds LS11 7HL
	Cash Xpress	2 Parkfield Mount, Leeds LS11 7PA
	CLC Finance	Unit 4, Meadow Court, Millshaw, leeds LS11 8LZ
LS12	Cash Converters Log book loans	6-8 Town Street, Armley, Leeds LS12 3AB
	Money Shop	26 Town Street, Leeds LS12 3AB
	One Stop Money Shop	12 Town Street, Leeds LS12 1UX
	Cash Generator	41-43 Town Street, Leeds LS12
	Fowlers Permanent C&S Ltd	53 Stanningley Road, Leeds LS12 3ND
LS13	Cash Converters	30 Bramley Shopping Centre, Leeds LS13 2ET
	Albemarle and Bond Pawnbrokers	25 Bramley Centre, Leeds LS13 2ET
	Cheque Centre	21 Bramley Centre, Leeds LS13 2ET
	BrightHouse	27-29 Bramley Shopping Centre, Leeds LS13
LS14	Cash Converters	853 York Road, Leeds LS14 6AX

	Park Finance Co Limited	9 Ring Road, Seacroft, Leeds LS14 1AT
LS15	Money Shop	14 Station Road, Crossgates, Leeds LS15 7JX
	Cheque Centre	25 Crossgates Shopping Centre, Leeds LS15 8ET
	Herbert Brown	39 Crossgates Shopping Centre, Leeds LS15
	Pawnbrokers and cheque cashing	36 Austhorpe Road, Leeds LS15 8DX
	Cash Generator	7 Crossgates Shopping Centre, Leeds LS15 8ET
	Ready Steady Dough	Park Approach, Leeds LS15 8GB
	Cash Express	241 Selby Road, Leeds LS15 7JR
	Cash for Gold	243 Selby Road, Leeds LS15
	Pioneer Finance	2 Holly Tree Lane, Colton, Leeds LS15 9JF
	Bighthouse	Cross Gates Shopping Centre, Leeds LS15
LS16	Adamson Finance	135 Otley Road, Leeds LS16 6HH
LS18	Carloantoday	164 Town Street, Horsforth, Leeds LS18 4AQ
	ScrapGold	85b Town Street, Horsforth, Leeds LS18
LS20	Shopacheck	5-8 Richmond Terrace, Leeds LS20 8BP
LS22	One Stop Money Shop	21 Market Place, Wetherby, Leeds LS22 6LQ
	Brown and Gold – Cash for Gold	10 North Street, Wetherby, LS22 6NN
LS27	Ramsdens 4 Cash	62 Queen Street, Morley, Leeds LS27 9BP
	Martin Oddy and Co	4 Griffin House, Station Road, Morley, LS27 8JW

Appendix 2 – High cost lenders action plan

Priority area	Actions	Involvement/Partners	Action Progress
Develop understanding of the scale of the issue in Leeds	1. Financial profiling at SOA level	FI Team, Regional Policy Team	Discussions with Salford University on feasibility of mapping Leeds research data against nationally available data.
	2. Mapping of provision of HCL through mapping of local financial services	Area Management	Baseline data set out in Executive Board Report, September 2012, to be supplemented by local knowledge.
	3. Utilise data analysed during the Advice Sector Review to map current resources and activity to tackle debt issues across Leeds	FI Team, Environment and Housing Commissioning Team	
Coordinate activity across public, private and 3 rd Sector to deal with HCL	4. Presentation to Financial Inclusion Steering Group on HCL campaign	FI Team	Presented to Steering Group on 3 July 2013
	5. Coordinate activity across ALMO's to ensure that best practice is delivered uniformly across city.	LCC Housing Management Service Area Management	ENE and AV both employ a dedicated CU staff member to work closely with tenants.
	6. Encourage all social housing providers to engage with best practice examples	LCC Housing Management Service Area Management	
	7. Area Management Locality working to coordinate partners at a community level	Area Management	
Develop Communication Plan in two parts. 1. City Wide High Profile campaign	8. Develop an overarching communication plan for producing a comprehensive promotion and marketing plan warning of the problems of HCL's and promoting alternatives ie. LCCU.	FI Team Corp. Comms.	Communications Plan developed and currently seeking marketing agency to deliver the plan via a tender exercise. Interviews to take place on 3 September.
	9. Engage major sports organisations in campaign against HCLs and promoting alternatives particularly LCCU;	FI Team	Met with Leeds Rugby, LUFC and YCCC. Leeds Rugby and YCCC keen to be involved. Further letter sent out to LUFC following their management changes.

2. Local Neighbourhood promotion and education Campaign	10. Engage with major public and private sector employers and the banking sector to support the campaign	FI Team LCCU Area Management	Discussions held with Chamber of Commerce. LCC Chief Exec article circulated in Chamber of Commerce bulletin.
	11. Engage with Leeds's Universities and NUS to support the campaign	FI Team	Met with University of Leeds, Student Advice. Letter to 2 Leeds universities seeking action on payday lending
	12. Engage with local media to seek their involvement in the campaign	FI Team Corp. Comms.	Contact made with YP reporter
	13. High profile public meeting/media event to launch campaign	FI Team	Conference to take place on 25 October
	14. Investigate the use of "void space" on advertising hoardings, both public and private sector	FI Team Corp. Comms.	Meetings have taken place with relevant officers and possibilities being explored
	15. Investigate prominent banner adverts on public buildings	FI Team Corp. Comms. Area Management	See 13
	16. Ban websites carrying adverts for HCLs;	FI Team Corp. Comms.	List of 190 payday lenders compiled and forwarded to LCC IT. Also sent to all other WY authorities and York who have agreed to block websites. Date agreed – 2 September. Internet redirect pages prepared and press release ready for issue.
	17. Discourage contractors promoting HCLs;	Corp. Procurement	
	18. Develop campaign website to support HCL campaign with advice and information about partner services	FI Team Corp. IT Services	Met with IT services and temporary web pages have now been set up until new campaign branding in place.
	19. Develop a social media campaign through Facebook, Twitter etc	FI Team Corp. Comms.	
	20. Develop promotional and educational material to support local campaigning activity against HCL and promoting LCCU	Corp. Comms. Area Management	
21. Provide comparisons between HCLs and more	FI Team	Case studies prepared with LCCU	

	affordable options;	LCCU	
	22. Provide guidance on dealing with money issues that avoid using HCLs;	Advice Agencies LCCU Area Management	
	23. Create programme of events to keep issue fresh, raise awareness of issues and to raise awareness of frontline role;	FI Team Area Management	
	24. Provide briefing and training to frontline staff;	All Directorates Public Health Area Management	
	25. Develop HCL toolkit for frontline staff;	Advice Leeds All Directorates Area Management	
	26. Link with illegal lending team campaigns where appropriate;	Illegal Money Lending Team Area Management	IMLT are members of the FI Steering Group and work regularly with partners across the city
	27. Investigate advertising on side of council vehicles	LCC Transport Corp. Comms. Area Management	
	28. Work with Secondary Schools to develop media for education on HCL's possibly utilising such as "Shontal" theatre group	Children's Services Area Management	
	29. Investigate possibility to produce video production of the "Shontal" play for use by community groups and schools	FI Team Corp. Comms.	
Build Capacity for alternative affordable credit	30. Develop a programme of initiatives to support the delivery of expanded credit facilities through LCCU and Headrow Money Line (CDFI)	FI Team Corp. Comms. Area Management	See 8 above. A package of support initiatives agreed and funding provided to LCCU to implement.
	31. Engage with the banking sector to seek their support for working closely with LCCU to enhance provision	FI Team LCCU	Meeting set up with some banking partners and LCCU preparing for a larger meeting in the Autumn
Reduce dependency on	32. Set costs reduction targets for ALMO tenants;	ALMOs LCC Housing	

and use of HCLs		Services	
	33. Promote alternative options including CDFI, LCCU Payday Loans and LCCU Budgeting Accounts;	Corp. Comms. Area Management	See 8 above
	34. Use control zones in worst affected areas to discourage doorstep lenders visiting homes in the area;	ALMOs Area Management	
	35. Support social enterprise models for furniture re-use;	FI Team Citizens and Communities Directorate	
	36. Investigate possibility of developing a “Brighthouse” social model for white goods and furniture	FI Team Citizens and Communities Directorate	
	37. Link in with fuel poverty activity, including Wrap-up-Leeds, Warm Front and Community Energy Together (switching scheme)	Fuel Poverty Officer Area Management	Regular dialogue takes place with the Fuel Poverty Officer
	38. Work with employers to educate and support staff about Payday Loans and alternative arrangements	FI Team Area Management	
	39. Work with Public health to tackle lifestyle issues	LCC Public Health Area Management	
	40. Discourage HCL as a way of paying council/utility bills	LCC Revenue Division	
Provide direct support for those caught up in HCL	41. Work with Food Banks and other anti-poverty initiatives	FI Team Citizens and Communities Directorate Area Management	
	42. Increase money, debt and benefits advice	FI Team Env. And Housing Commissioning Team	
	43. Include debt review in rent/Ctax arrears cases;	LCC Revenue Division, Corporate Debt Team	

		ALMO's	
	44. Ensure a unified approach to debt collection by utilising the Corporate Debt Team and coordination through the Corporate Debt Liaison Group	FI Team LCC Revenue Division, Corporate Debt Team	Next meeting of the Corporate Debt Liaison Group taking place on 4 October
Measure the impact of the approach	45. Agree indicative KPIs	FI Team	
	46. Review and refresh approach as required	FI Team	

