LONDON ASSEMBLY

Economy Committee

# Final demand: Personal problem debt in London

March 2015

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# Foreword

Growing up in the 1950s I was taught that debt was to be avoided if possible and that saving money for things I wanted was the best way to get them. My parents' generation had heard vivid and distressing stories of the workhouse and debtors' prisons and were determined never to sink so low. Nowadays it is normal to be in debt of one kind or another, even if only a mortgage, and we think of being in debt as acceptable and bearable.

However, the Committee looked at the issue of problem debt, when the debt means sleepless nights, or going without necessities. The numbers are worrying: approximately half a million Londoners are currently over-indebted, or in financial difficulty. And we looked at ways that people can get out of problem debt and what debt support provision there is in London.

Drivers for problem debt are complex and such debts can impact on households in a variety of ways. We were particularly concerned to hear of the impact on children in over-indebted households. And we heard that the consequences of Council Tax arrears are the most severe.

Importantly, the estimated social cost of London's problem debt could be as much as £1.4 billion, putting more of a burden on systems such as education and the NHS.

Our recommendations include advice to the Mayor, who should re-prioritise addressing problem debt in the capital. The public profile of the Mayor presents a clear opportunity to tackle the stigma around problem debt to better support Londoners' access to affordable credit and debt advice.

**Baroness Jones AM**
Chair, Economy Committee

# Executive Summary

Problem debt and support for debt advice in the capital was a priority in the Mayor's first term. This report looks anew at the extent of over-indebtedness in the capital and current initiatives to advise and support Londoners in financial difficulty.

### *Assessing personal problem debt in London*

Approximately half a million Londoners are currently over-indebted or in financial difficulty. Since the 2008 financial crisis and subsequent recession, the composition of problem debt has altered. There has been a marked shift from consumer borrowing to debt related to essential everyday costs.

Council Tax arrears have specifically been identified as a rapidly growing source of problem debt. Debt recovery procedures for those falling behind on their bills must therefore reflect the current trend of individuals struggling to pay essential living costs.

A large proportion of low income households currently struggle to access traditional high street banking and mainstream credit. They can turn to other sources of credit including payday, log book, guarantor and doorstep loans. Many Londoners access high cost, short-term credit because of limited alternative credit options. Many are aware of the high cost of these forms of credit, but feel they have no other choice. Importantly, households in debt will typically be using more than one kind of credit, and/or have more than one type of debt.

### *Ensuring Londoners access debt advice at an early stage*

It is well established that debt advice works – both for individuals and their creditors. Londoners seeking debt advice can access a range of support from organisations that operate at national and local level. Capitalise, a pan-London partnership of advice agencies, collectively delivers face-to-face debt advice in every London borough.

Engagement with those dealing with problem debt still presents a considerable challenge. While the majority of the over-indebted population reports that their debt is having a negative impact on their lives, only a minority of over-indebted people actually access advice. Getting more people to access advice requires a comprehensive approach: aiming to target over-indebted people at an early stage; delivering the right service at the right time; and improving the delivery of multi-channel advice.

As part of efforts to engage Londoners better, we are calling on the Mayor to re-engage on this issue and run a ‘money advice week’ which would promote debt advice and affordable credit options.

### *Promoting affordable credit and savings*

Credit use is particularly widespread for those on low incomes, due to a lack of a savings safety net to withstand financial emergencies. This highlights the importance of more affordable credit options and household savings. Credit unions set out to offer an affordable alternative to short-term, high cost credit lenders. London membership remains modest in comparison to some other large urban areas in the UK and international comparators. Credit union growth is constrained by a number of factors, including low public awareness and limited capital. Again, the Mayor’s public profile should be harnessed to strengthen the affordable credit sector.

### *Tackling illegal money lending in the capital*

An estimated 40,000 London households are using illegal moneylenders (loan sharks) each year. Illegal lenders tend to be embedded within communities and operate locally on a word-of-mouth basis from peer to peer. This makes it difficult to track and challenge this practice. The national Illegal Money Lending Team, London boroughs and others are taking steps to identify and tackle this practice, as well as generate greater public awareness. The Mayor should play a greater role in this work, particularly in financial education.

# 1. Introduction

"For some families in problem debt, the on-going struggle to keep up with debt repayments and to provide for their children continues for months or years on end."[1]

1.1. Views around debt have changed. In today's world, consumers see debt as a viable means for purchasing items and services. It allows consumers to spread the cost of repayments over a manageable period. However taking on debt can have serious consequences, particularly where debts lead to over-indebtedness. Drawing further into debt on low or fixed incomes to cover day-to-day living expenses can have severe repercussions.

1.2. Over-indebtedness applies from the point at which someone's debts are considered "problematic". While there is no single definition, research bodies and money advice organisations try to capture what it means to be over-indebted by using indicators that combine both factual information about the extent and length of debts and individuals' subjective view of the burden of their debts.

1.3. Since the 2008 financial crisis and subsequent recession, the composition of problem debt has altered. There has been a marked shift from consumer (often credit card) debt to debt related to essential everyday costs. While definitions vary, data indicate that many Londoners are in financial difficulty due to their debts.

1.4. Tackling problem debt was a Mayoral priority in the current Mayor's first term. In 2009, the Mayor established the London Debt Strategy Group (LDSG) to address relevant issues arising from the recession. The Group produced a final report in 2011, setting out what it considered to be its achievements. These included:

- mapping the provision of debt advice with actual debt levels (insolvency data), and recommending improved data sharing across London;
- helping to secure funding for the Capitalise debt advice partnership to continue for a further year; and

[1] The Children's Society, Written submission

- establishing a health sub-group, which contributed to the Mayor’s Health Inequalities Strategy, influencing policy on welfare rights and debt management advice.

The Group has not been continued into the Mayor’s second term.

1.5. This report looks anew at the latest available data on problem debt in London and sets out the case for the Mayor to re-engage with this issue. There has been a marked shift in the balance of problem debt in London recently, with debts from essential household costs becoming a greater issue. Londoners, no matter where they live, should be able to access high quality, supportive debt advice which recognises the particular problems they face.

# 2. Personal problem debt in London – an overview

*The extent of personal problem debt in London*

2.1. Approximately half a million Londoners are currently over-indebted or in financial difficulty.

2.2. There are two authoritative measures of problem indebtedness used by the Money Advice Service and the debt charity StepChange. Debt is a multi-dimensional issue and different organisations approach the issue differently. Indicators combine both factual information about the extent and length of debts and individuals' subjective view of the burden of their debts.

2.3. The Money Advice Service[2] looks at two indicators - whether people are three months in arrears on bills within the last six months or say that they feel their debts are a heavy burden. Based on the Money Advice Service's definition, the total number of over-indebted people in London could be more than 450,000 people.[3]

2.4. The charity StepChange[4] uses six indicators to assess whether someone is in financial difficulty: falling behind on bills; falling behind on credit commitments; using credit to pay bills or other credit commitments; making minimum payments rather than paying off the bill; or routinely using credit to make it to payday. Based on StepChange's indicators, close to eight per cent of the total adult population in London are showing three or more signs of financial difficulty. This is more than 509,000 Londoners.[5]

2.5. More Londoners are seeking help from StepChange. Seventeen per cent of StepChange's clients are Londoners, but Londoners make up just 13 per cent of the national population. Of course, this may be partially due

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[2] The Money Advice Service (MAS) is an independent body, established by government in 2010, with responsibility for improving people's money management. The MAS provides its own free and impartial advice service and works in partnership with other organisations to help people make the most of their money.

[3] Money Advice Service, Indebted lives: the complexities of life in debt, 2013

[4] StepChange Debt Charity provides free telephone and online advice to individuals in debt.

[5] Eight per cent of 6,362,547 (2011 census) = 509,004.

to a higher awareness of StepChange's services in London, rather than a higher level of debt in the capital.

2.6. In 2009, the Mayor's London Debt Strategy Group reported that the average debt of people seeking free debt advice was over £18,000. It also found that the number of people with two or more debt issues had risen by 16 per cent since 2006, and that there was rising demand for free face-to-face debt advice since the financial crisis.

2.7. The two charts below set out the type of debts held by StepChange's London clients in 2009 and 2014. The proportion of credit card debt has shrunk, while the proportion of payday loans, catalogue debt and home credit have all grown.

**Figure 1: Type of debts held by StepChange London clients (% of all debts held), 2009**

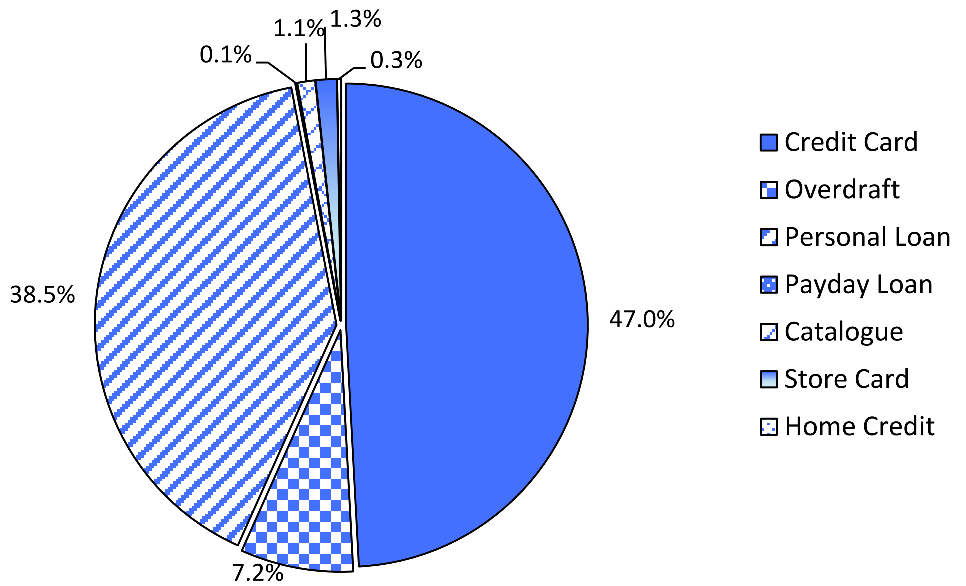
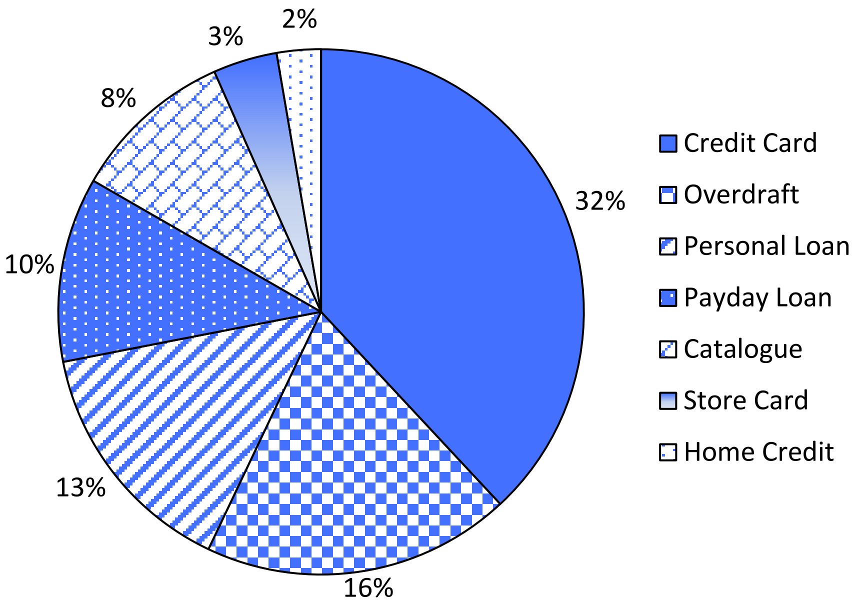


**Figure 2: Type of debts held by StepChange London clients (% of all debts held), 2014**




2.8. There has also been an increase in the number of Debt Relief Orders[6] (DROs) sought in most London boroughs between 2009 and 2013. This is said to reflect debt problems and availability of advice.[7]

2.9. Importantly, the estimated social cost of London's problem debt could be as much as £1.4 billion.[8] The impact of personal debt extends far beyond the amount of money owed, affecting the wider economy. Household debt affects mental and physical health, reduces productivity and employment prospects, strains relationships and threatens families. This is a further reason for the Mayor to play an active role in tackling problem debt in the capital.

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[6] Debt relief orders (DROs) can be a low cost alternative to bankruptcy. A DRO is only available if you owe less than £15,000 and have less than £300 in assets.

[7] New Policy Institute, Debt relief orders by London borough, 2011-2013

[8] StepChange, Written submission

### *Who is most at risk of problem debt?*

2.10. Levels of debt vary across households and communities and problem debt can affect all groups regardless of their characteristics. However, certain groups are disproportionately affected by problem debt. The Money Advice Service has identified groups it considers to be particularly vulnerable:

- low-income families;
- young workers, particularly those on low income;
- students;
- women;
- private renters; and
- working age households.

2.11. The Capitalise debt advice network has identified three groups that are particularly adversely affected by problem debt in London:

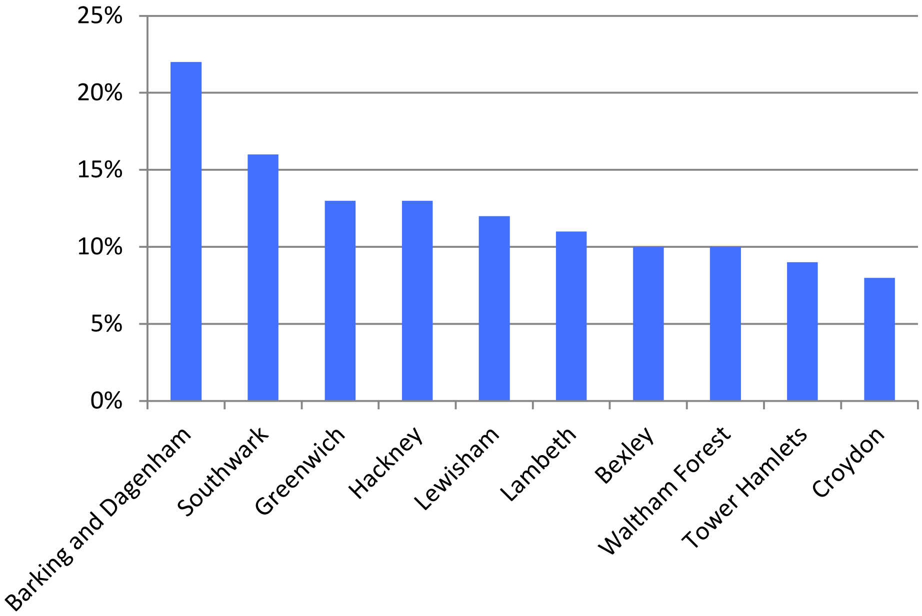
- people with mental health problems;
- those in receipt of benefits or on low incomes; and
- clients for whom English is not their first language.[9]

2.12. Children in London are also severely impacted by problem debt. For example, 165,000 families (16 per cent) in London are in arrears on household bills and credit commitments.[10] This can place a severe strain on family wellbeing.

2.13. The Money Advice Service has also identified a concentration of over-indebtedness in areas in the East and South London.[11] The chart below sets out the ten boroughs with the highest proportion of adults who are over-indebted and who have rates of indebtedness above the seven per cent average for London. Given higher levels of deprivation in this part of London, the higher number of over-indebted households is not a surprise.

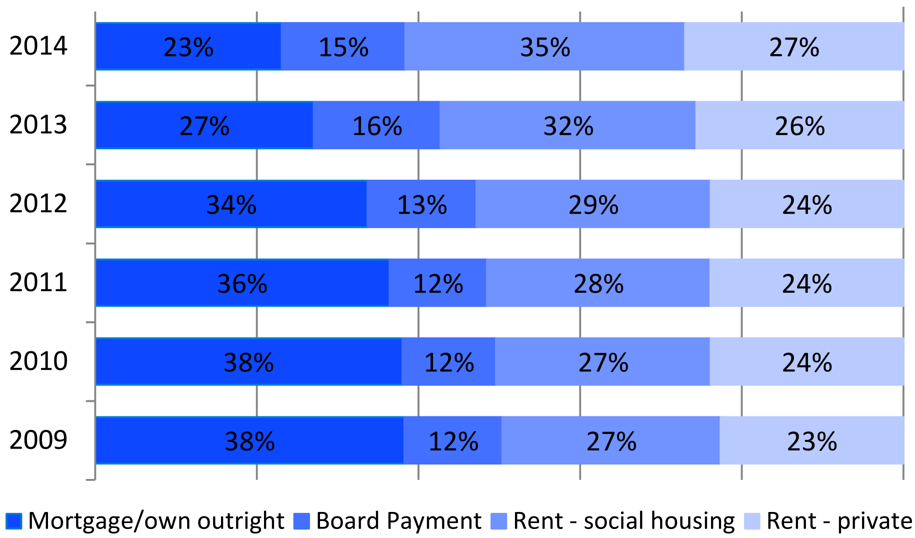
[9] Capitalise, Written submission
[10] Child Poverty Action Group, Written submission
[11] Money Advice Service, Economy Committee, 4 November 2014

**Figure 3: Percentage of adult population who are over-indebted**




2.14. Furthermore, the breakdown of StepChange's London clients has changed since 2009. For example, a greater proportion of clients are living in rental properties – from 50 per cent to 62 per cent.

**Figure 4: Housing type of StepChange London clients, 2009-2014**




*Drivers of personal problem debt*

2.15. Drivers for personal problem debt can be complex and multi-faceted. Often pressure on household incomes can combine with an unexpected event or cost, which triggers a crisis. For example, London School of

Economics (LSE) research into debt in Newham (commissioned by LB Newham) identified a number of drivers and triggers for debt: losing a job or experiencing a drop in income; changes in employment contracts; falls in real wages; the high cost of renting private sector accommodation; eviction; rising cost of utilities; cuts and changes to welfare benefit; and a sudden personal tragedy, as the main reasons households fall into debt.[12]

2.16. The Committee was told how changes in circumstances can have a dramatic impact on a person's short-term ability to manage. This can particularly apply to people without any form of savings. Multiple financial pressures can often result in succumbing to offers of easy loans, which may present as manageable in itself, but which can lead to unmanageable compounded debt.

2.17. Since the financial crisis, levels of problem debt have persisted but the type of debt experienced has changed.[13]

### *Sources of debt*

2.18. The landscape of problem debt has shifted in the last five years. In the past, consumer credit was repeatedly listed as the main source of problem debt. It does remain a sizeable problem in relation to problem debt,[14] but data indicates that there is now a significant rise in the number of people defaulting on essential household bills. Indeed, this has become the most prevalent form of debt among those in receipt of welfare benefits and on low incomes.[15]

2.19. Furthermore, within this increasing growth in household bill defaults, Council Tax arrears have specifically been identified as a rapidly growing source of debt both in London and nationally.[16] Between 2006 and 2014, the proportion of StepChange's clients with Council Tax arrears has more than doubled.[17] In London, 14 per cent of Citizens Advice's debt clients report Council Tax as the main source of debt while 10.7 per cent report credit cards as the main source of debt.[18]

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[12] Centre for Analysis of Social Exclusion (LSE) for LB Newham, Facing Debt: Economic Resilience in Newham, 2014
[13] Money Advice Service, Economy Committee, 4 Nov 2014
[14] Citizens Advice, Economy Committee, 4 Nov 2014
[15] Ibid
[16] Citizens Advice, Economy Committee, 4 Nov 201
[17] StepChange, London client data for 2009-2014 submitted to the Committee
[18] Citizens Advice, Economy Committee, 4 Nov 2014

2.20. Experts do not agree on the reasons behind the growth in this category of debt. Citizen's Advice suggests that it is primarily due to low incomes; people simply do not have enough money to pay all of their bills.[19] However, the Committee heard from John Gathergood that the trend may result from people strategically managing their debts. The debt people choose to default on is in part dependent upon the consequence of the default. For example, people are reluctant to miss their mobile phone bill as they get switched off very quickly but the consequences of missing a water bill are less severe, so that bill is not prioritised and is left unpaid.[20]

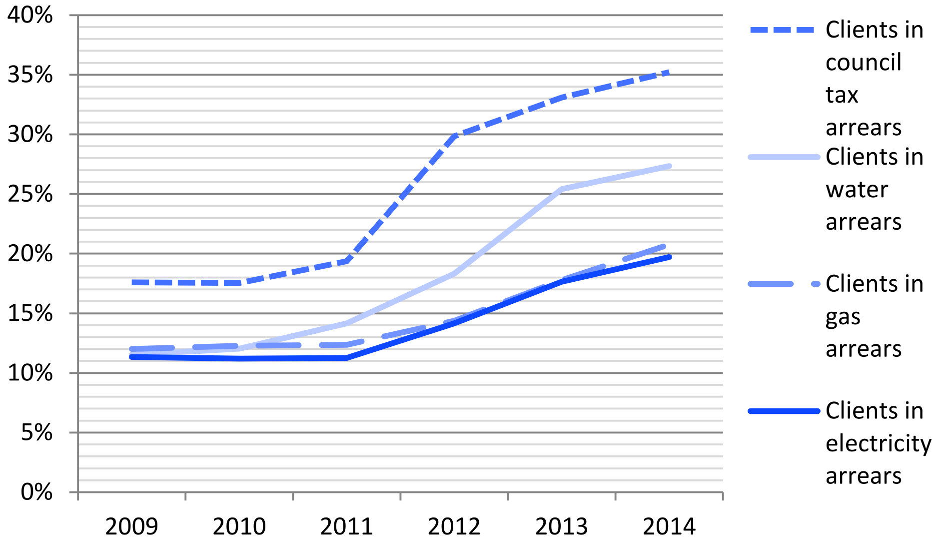
[19] Citizens Advice, Economy Committee, 4 Nov 2014
[20] John Gathergood, Economy Committee, 4 Nov 2014

# 3. Council Tax

*Council Tax arrears*

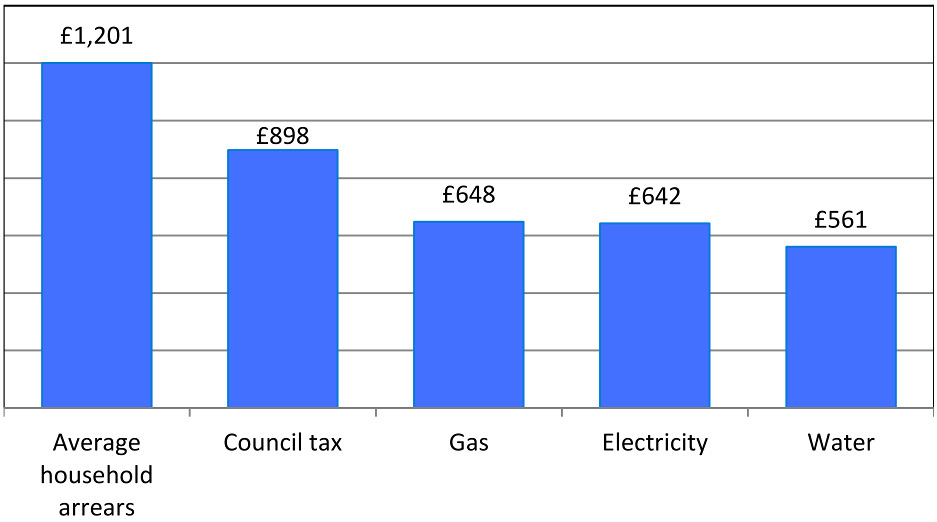
3.1. Council Tax arrears are emerging as the most problematic source of debt both in London and nationally, especially for low income groups. In oral evidence, Dr Pippa Lane from Citizens Advice told the Committee that for the first time, in 2014 the number one debt now seen by bureaux was Council Tax arrears.[21] Indeed, StepChange report that between 2006 and 2014, the proportion of clients with Council Tax arrears had more than doubled, as demonstrated in figure 5 below.

**Figure 5: Clients in household arrears, by type of arrears (% of all StepChange London clients), 2009-14**




[21] Citizens Advice, Economy Committee, 4 Nov 2014

**Figure 6: Average value of household arrears per client (StepChange London clients), by type of arrears, 2014**




3.2. The main reason for this is said to be reforms introduced in 2013 that mean that low-income families are liable for Council Tax for the first time. Under the current Council Tax Reduction scheme the average Council Tax charge for people who are claiming benefits is £151 more per annum than under the previous Council Tax Benefit Scheme.[22] This is equivalent to two weeks' of Jobseeker's Allowance – and a significant chunk out of a household budget. Many families already struggling on low wages and/or benefits find this difficult to service.

3.3. Those who were previously struggling financially are now required to sustain an additional bill putting strain on already fraught finances, and very often resulting in non-payment. Even where the amount of payment appears small, it can have a very serious impact on the precarious balance of household finances.

### *Debt recovery procedures*

3.4. Creditors' debt recovery procedures vary. Different organisations across the private and public sectors have very different approaches to debt recovery. However, there is a general perception that processes could be improved. When clients default on payments they are often alerted via letter, telephone, email or text message according to preference. Some providers issue hardship information sheets and make referrals to debt advice providers while agreeing an alternative payment plan.[23] The manner of this contact can be helpful to clients, but in some instances it can be unduly frequent, becoming threatening and difficult to

[22] Child Poverty Action Group, A new poll tax?: The impact of the abolition of council tax benefit in London, 2014
[23] Cash Converters, Written submission

understand, particularly for certain groups such as disabled people and/or people with communication or mental health problems.[24]

3.5. Furthermore, the Committee heard that London boroughs' debt recovery procedures can lead to significant hardship and distress. The Committee heard that the consequences of Council Tax arrears are the most severe.[25] In comparison with other creditors, boroughs are the most likely to quickly apply tough enforcement actions, often sending in bailiffs within a few months of someone falling into Council Tax arrears. Worryingly, of the top ten UK local authorities using bailiffs, six are London boroughs.[26] Behaviour such as persistent phone calls, visits from bailiffs and threatening court action, puts families, especially those with children, under enormous and often unnecessary strain.[27]

3.6. Additionally, the Committee is concerned that these practices are not helping boroughs in a period of reductions in their overall funding. We heard that despite sometimes aggressive approaches to debt recovery, local councils are also negatively affected, with average collection rates significantly dropping from that of previous years.[28]

3.7. There are concerns that people are not being referred for debt advice before boroughs engage bailiff action and possession proceedings.[29] Indeed, some families report receiving a sub-standard service from their local councils when seeking help for debt arrears: of those who sought help from their council, a third (32 per cent) found services 'not helpful at all' indicating that council departments, in comparison to other creditors, were most uncompromising when struggling to make repayments.[30] To compound this, four in ten Londoners who were in Council Tax arrears (equating to 120,000 people across London) had been sent a court summons for non-payment.[31] Yet, many families felt they would have liked to have received increased support at an earlier stage.[32] There is

[24] Capitalise, Written submission
[25] StepChange, Economy Committee, 4 Nov 2014
[26] Money Advice Trust, Local Authorities in England and Wales refer 1.8 million debts to bailiffs in 12 moths
[27] The Children's Society, Written submission
[28] Local Government Association, Council tax support: the story continues, 2015
[29] Capitalise, Written submission
[30] The Children's Society, The Debt Trap, 2014
[31] Child Poverty Action Group, London's poorest and councils hit hard by Council Tax changes, 2014
[32] The Children's Society, Written submission

good evidence that suggests pre-arrears contact can be successful in addressing potential problems before the debt becomes unmanageable.[33]

> **Examples of London boroughs' debt recovery procedures**
>
> The Committee contacted all boroughs for information on their debt recovery procedures. A number of examples are included below.
>
> LB Sutton has recently developed a Council Tax collections policy which strives to apply fair standards in Council Tax collection procedures, by ensuring front line staff are suitably trained to deal with enquiries, working with advice agencies to offer timely support to those experiencing difficulties paying and offering flexible payment solutions.
>
> Both LB Harrow and LB Richmond have commissioned formal debt advice referral and signposting agreements predominantly with local Citizens Advice bureaux. Both recognise that unless a specific policy is used to accommodate a vulnerable debtor, debt advice information is provided relatively indirectly, for example details on leaflets and the back of invoices.
>
> In the last year LB Lambeth has developed a partnership with St Mungo's Broadway who can offer independent debt advice. The borough recognises that debtors may well not want to deal directly with the borough. A leaflet advertising the advice service is now included with reminder notices, rather than just with final notices or summonses as had happened previously. The borough also shares debtors' details with the advice service in order that it can pro-actively contact them. Officers told us that under this new system, the borough is now aware of a much greater number of issues related to debtor vulnerability.

3.8. **Borough debt recovery procedures need to be revised to allow for increased flexibility to those struggling to make payments, reflecting the current trend of individuals struggling to pay essential living costs. This should be more conducive to servicing the final bill and also saves the local authority high administrative fees and bailiff charges.**

3.9. **Boroughs should work with London Councils to ensure a fair and consistent approach to debt recovery across London.**

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[33] Money Advice Trust, Understanding financial difficulty: Exploring the opportunities for early intervention, 2011

### Recommendation 1

**Central government** should ensure all London boroughs are adopting fair and transparent debt recovery procedures

### Recommendation 2

**London boroughs** and **London Councils** should implement genuinely fair approaches to debt recovery and learn from each other about what works.

# 4. London's credit market

4.1. Those on low incomes for sustained periods of time can find financial management and budgeting difficult leading to over-indebtedness.[34] By necessity, people on low incomes can be excellent budgeters, but they often lack a savings safety net to withstand unexpected financial shocks; increasing pressure on already tight, albeit tightly managed, finances.[35] A large proportion of low income households currently struggle to access traditional high street banking and mainstream credit, or pay disproportionate amounts to do so.[36] Key alternative sources of credit are outlined below.

4.2. Households in debt will typically be using more than one kind of credit, and/or have more than one type of debt. They often manage these debts by setting one off against the other, rather than servicing them all, for example taking out a loan to service credit card repayments.[37] The multiple financial pressures can often result in succumbing to further offers of easy, high cost credit. This may seem manageable in itself, but often accumulates to unmanageable compounded debt. There is evidence that suggests that high cost, short-term credit providers are located in areas with high levels of deprivation.[38] As a consequence, these providers are more accessible to those who are likely to access these products.

4.3. We also heard that people are increasingly using credit to smooth expenditure between pay days.[39] Recently, the rising cost of living in contrast to stagnating wages has been a key driver for this trend. In real terms, since 2009, pay has fallen by between one per cent and two per cent a year.[40] As a result, many households have struggled to get by on wages alone. These households have struggled to secure mainstream credit, due to tightened lending criteria. These economic factors have resulted in an increased demand for alternative forms of financing and credit.[41]

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[34] Joseph Rowntree Foundation, Credit and debt in low-income families, 2010
[35] Consumer Finance Association, Economy Committee, 9 Dec 2014
[36] The Centre for Social Justice, Restoring the balance, tackling problem debt, 2015
[37] Joseph Rowntree Foundation, Credit and debt in low-income families, 2010
[38] Guardian Datablog, 2014
[39] ABCUL, Economy Committee, 9 December 2014
[40] Resolution Foundation, Low Pay Britain, 2014
[41] Consumer Finance Association, Written submission

**Key alternative sources of credit**

- **Payday loans** are typically short-term, high cost loans available for a one month period, normally of up to £500. The borrower normally gives the lender authorisation to withdraw the money from their bank account using a Continuous Payment Authority (CPA),[42] or provides them with post-dated cheques. Payday loans are being increasingly utilised; uptake rates have been solidly rising since 2009. However, recent Financial Conduct Authority (FCA) restrictions may see a reduction in this market.

- **Doorstep loans**, also referred to as 'home-collected credit', are a longer established form of credit and are not as widely accessed as payday loans. This is possibly due to their confusion with illegal loan sharks, as well as the existence of organisations and regulations tackling this type of lending more consistently.

- **Log book loans** are loans secured with a debtor's vehicle whereby the lender temporarily owns the car until the loan is repaid. The log book loan market is relatively small with a limited number of providers, nevertheless the uptake of this form of credit is rising; the number of log book loans taken out increased by 35 per cent between 2011 and 2013.[43] This is due to the promise of quickly-accessed cash without conventional credit checks and availability of a large loan sum.

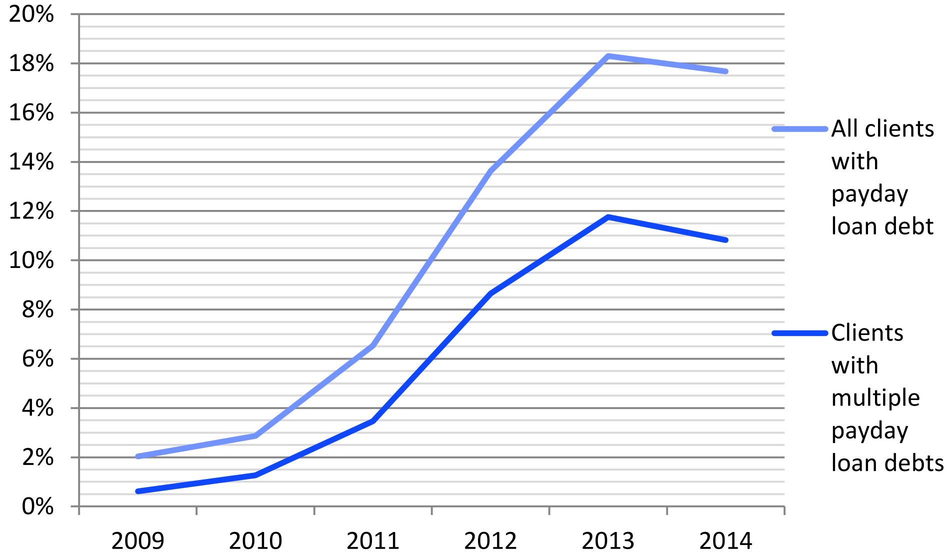
- **Guarantor loans** allow those with bad credit and insufficient ratings to nominate a second person as a guarantor to an unsecured loan. Guarantor loans have been introduced to the UK fairly recently. There is little data in relation to the prevalence of this form of loan, however several charities have indicated that these are becoming an increasing issue.[44]

- **Loan sharks (illegal moneylenders)** offer loans illegally at extremely high interest rates. The extent to which people turn to illegal loan shark lending is difficult to quantify as clients can be reluctant to admit use of these services. In a survey carried out by Demos, just one per cent of respondents in debt said they had lent from a loan shark.[45] Further information is set out below.

[42] A continuous payment authority which may also be called a 'recurring payment' is where a business has permission to take a series of payments from a customer's debit or credit card.
[43] BBC News, Citizens Advice warning over log book loans, 2014
[44] Citizens Advice, Economy Committee, 4 November 2014
[45] Demos, The Borrowers, 2014

4.4. This graphic demonstrates that approximately half of StepChange's clients who have payday loan debt, have more than one of these loans.

**Figure 7: Clients with payday loan debts (% of all StepChange London clients), 2009-14**




4.5. Most of the credit products listed at the start of this section are expensive, short-term products accompanied with relatively high risks. Debtors put at risk their property, vehicles and credit ratings. Inability to sustain credit payments can also affect a range of non-financial factors such as mental health and family cohesion.[46]

*Public awareness of the risks of different credit products*

4.6. Our written evidence suggests that many Londoners access high cost, short-term credit because of limited alternative credit options. Many are aware of the high cost of these forms of credit, but feel they have no other choice.[47]

4.7. Lenders understand they have an obligation to explain the cost of credit products to customers. There are reports of high rates of understanding; 92 per cent of the Consumer Finance Association (CFA) members' customers said they understood the total costs of the product before committing to it.[48] However, some institutions are looking to improve

[46] House of Lords Library Note, The Impact of Personal Indebtedness in United Kingdom Households, Especially on Children, 2014
[47] Capitalise, Written submission
[48] Consumer Finance Association, Economy Committee, 9 Dec 2014

their processes in this regard. We heard from British Bankers Association, that customers tend to be less confused when rates of interest are set out in monetary terms, as opposed to annual percentage rates (APR).[49] The CFA supports this approach, upholding that displaying costs in pounds and pence avoids confusion.[50]

4.8. APR rates are still useful in allowing customers to compare products. Yet consumer research reveals that many taking out high cost, short-term loans misunderstood, or did not pay attention, to APR. Consumers conceptualised loans in terms of repayment rates and charges/fees that would be applied in total, rather than the interest that would accrue over time. To compound this, many people prioritised the speed and convenience of gaining credit over the final cost of products.[51]

4.9. This is particularly true with log book loans. According to FCA research, many people who took out these loans, had limited, or no, awareness of the product prior to being directed to it. This included a lack of understanding of the terms of the loan and APR rates. Customers were often desperate at the point of taking out the loan, some having being rejected for payday loans.[52] Evidence from Citizens Advice backs this up; out of those applicants who made use of log book loans, almost one fifth (17 per cent) said that the terms of the loans had not been clearly explained in a way which they understood.[53]

4.10. Payday loans debtors also reported struggling to terminate their loan agreements and finding it easier to extend the loan than to repay it in full. In fact, many described being actively discouraged by lenders to terminate their loans. Misleading advertising and sales were also found to be an issue, for example, unclear charges for loans and lack of disclosure about roll-overs and loan extensions. There was a widespread sense that lenders carried out limited assessments of people's ability to repay a loan and used minimal safeguards to ensure customers were in a sound state of mind when taking out the loan. Once loans were secured, communication with consumers was often limited. Those struggling to repay found it particularly difficult to make contact with their lenders.[54]

[49] British Bankers Association, Economy Committee, 9 Dec 2014
[50] Consumer Finance Association, Economy Committee, 9 Dec 2014
[51] FCA, Consumer Credit Research, 2014
[52] Ibid
[53] Citizens Advice, Logbook loans set to soar by 61%, 2014
[54] FCA, Consumer Credit Research, 2014

### *Recent action to address problems in the short-term high cost credit sector*

4.11. There has been significant public and political pressure to address problems associated with the payday loan market. This has focused on both regulatory reforms and increasing consumer awareness. The FCA has now introduced tighter rules that require:

- for all high cost short-term credit loans, interest and fees must not exceed 0.8 per cent per day of the amount borrowed;
- if borrowers do not repay their loans on time, default charges must not exceed £15 and interest on unpaid balances and default charges must not exceed the initial rate; and
- borrowers must never have to pay back more than twice the loan borrowed.[55]

4.12. The Competition and Markets Authority (CMA) has recommended the development of at least one FCA-approved price comparison website for payday loans. This website or websites would aim to improve the consumer search function across providers, as well as introduce new information disclosures to make the true cost of credit more apparent to consumers.[56]

4.13. Positive feedback has been received on similar initiatives from the United States, indicating that these messages are effective in steering consumers to rethink their applications for high cost credit. The Consumer Finance Association (CFA), which represents some payday lending firms, reports that its members have also made efforts to set up hotlines for frontline debt advisers, such as Citizens Advice advisors, to contact lenders to discuss repayment plans if customers are in financial difficulty. CFA members state that they encourage early contact with lenders as this generates better outcomes.

4.14. There are differing views on the impact which regulatory and other reforms are likely to have on the credit sector. The proposed cap will reportedly save customers around £250 million each year. However, it is estimated that at a national level approximately 160,000 people each year (11 per cent of the payday loan market) will no longer have access to these loans, due to an inevitable reduction of providers in the market.[57]

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[55] FCA, FCA confirms price cap rules for payday lenders, 2014
[56] CMA, Payday lending market investigation: Final report, 2015
[57] Money Saving Expert, Tell the regulator: Has it got the payday loan cap right?, 2014

4.15. Some argue that potentially problematic products such as log book loans and guarantor loans, which are excluded from the cap, may take a larger market share.[58] The FCA recently published a consultation on changes to the regulation of guarantor loans and high cost credit providers.[59]

4.16. The CFA also asserts that the increase in regulation and a reduced number of providers, could open up the market for illegal lenders. This would particularly apply to those who are financially excluded at the bottom of the credit ladder.[60]

4.17. However, the debt charities and advice services which participated in our investigation were all agreed that high-cost short-term credit is not a helpful option for those with the very lowest household incomes. The charities maintained that rejection from such providers will drive people into what they see as the preferable option of seeking debt advice instead of accumulating further debt.[61]

4.18. There are a number of international examples of comparable regulatory reforms and some studies of their impact to date. For example, in Florida there are fears that a cap on payday loans has led to an increase in arrears in household bills, whereas in Finland there has so far not been an identifiable increase in illegal money lending. Crucially, the Financial Conduct Authority will review the impact of the market cap two years after its implementation. Part of this review will assess the impact on customers who were no longer able to access credit because of the cap.[62]

4.19. **It is vital that any assessment of the impact of increased regulation of the payday loan market is based on robust evidence. Given it is the lowest income households that will be most affected by these changes, it is essential that any negative consequences for these groups are examined and mitigated as quickly as possible.**

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[58] Citizens Advice, Economy Committee, 4 Nov 2014
[59] FCA, Consumer credit – proposed changes to our rules and guidance, February 2015
[60] BBC News website, FCA proposes loans cap of 0.8% per day, 2014
[61] Money Saving Expert, Payday loans cap will slash costs, regulator says, 2014
[62] FCA, Policy Statement: Detailed rules for the price cap on high-cost short-term credit, 2014

# 5. Illegal money lending in London

*The extent of illegal money lending*

5.1. There is no robust data to indicate how many Londoners access illegal money lending. Due to the criminal nature of this activity, the extent to which people use such services is difficult to quantify, as it generally remains unreported. Some data suggests that areas with rising rent arrears are likely to have a higher number of operating loan sharks, as this is usually the primary debt that individuals look to service above all others.[63]

5.2. However, the national Illegal Money Lending Team[64] (IMLT) estimates that in London approximately 40,000 households are using illegal lenders each year. On average, an individual utilising loan shark services will accumulate three-and-a-half loans per year, paying back double on each. Accordingly, in London it is estimated that roughly £88 million transfers through the pockets of loan sharks, equating to an average of approximately £2,500 per household engaging in this form of lending.[65]

5.3. From its experience of providing services in the capital, Capitalise reported that illegal money lending is a sizeable issue, especially on some estates. Capitalise providers have also witnessed a significant increase in problematic, informal lending between families and friends. Welfare reforms are cited by some stakeholders as a key driver for this, compelling Londoners to look for alternative forms of easily accessible credit. Capitalise report an increase in the number of clients seeking advice about Council Tax arrears following the abolition of Council Tax Benefit, replacing it with the council tax reduction scheme.[66] There is further concern that this pressure on households may increase following the uncertain future of crisis loans.[67] Research carried out in Newham, reported that reduced access to welfare support was undermining households' financial security and resilience. Reduction across a range of welfare support were found to have had a strong, cumulative impact on

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[63] FCA, Policy Statement: Detailed rules for the price cap on high-cost short-term credit, 2014

[64] The Illegal Money Lending Team is an England-wide government funded agency hosted by Birmingham City Council. It identifies, investigates and prosecutes illegal moneylenders (loan sharks).

[65] Illegal Money Lending Team – Economy Committee, 9 Dec 2014

[66] Capitalise, Written submission

[67] Ibid

already low incomes; creating intense anxiety, uncertainty and barriers to financial progression in some cases.[68]

5.4. The Committee heard that generally there are three reasons which influence the decision to choose unlicensed, illegal loans over other conventional methods of lending:

- the belief that there is no other financial option and that they are financially excluded; (in many instances they are not);
- a financial shock is experienced and an imminent bill needs to be serviced; or
- people are deterred by form-filling for legal credit applications. An instant decision is given when dealing with illegal lenders with the promise of immediate cash.[69]

5.5. Illegal lenders tend to be embedded within communities and operate locally on a word-of-mouth basis from peer to peer. This means that many people are introduced to illegal lenders through friends or neighbours in their community. Therefore, authorities need to overcome the belief that these types of transaction are based on a friendship-based relationship, if they want to encourage increased reporting of illegal money lending. Reporting levels are further complicated by illegal lenders knowing a customer's familial set-up, for example where their children attend school and who their friends are. This leaves borrowers feeling threatened and tied-in to honouring an illegal money lending agreement, often to protect those close to them.

5.6. The threat from illegal moneylenders is not only within communities themselves. Illegal moneylenders also operate online. For example, in the run up to the Christmas 2014, the IMLT acted on the appearance of a number of illegal websites, offering cash for Christmas without credit checks and an instant guarantee of cash, all of which were non-compliant with regulations.[70] Social media is also a more recent means for illegal lenders to contact prospective clients.[71]

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[68] Centre for Analysis of Social Exclusion (LSE) for LB Newham, Facing Debt: Economic Resilience in Newham, 2014
[69] Illegal Money Lending Team, Economy Committee, 9 Dec 2014
[70] Consumer Finance Association, Economy Committee, 9 Dec 2014
[71] Illegal Money Lending Team, Economy Committee, 9 Dec 2014

### *Action against illegal money lending*

5.7. Specific efforts are being made to target illegal money lending in the capital. The Illegal Money Lending Team identifies, investigates and prosecutes illegal moneylenders. Partnership working with London boroughs, advice organisations and other community groups are an essential part of this work. Specialist advice providers are clear that targeted information, increased public awareness and monitoring is required to deter people from using illegal lenders, encouraging them instead to seek debt advice or more affordable credit. The team also tries to trace and take action against illegal moneylenders operating online.

5.8. Early financial education is fundamental in building financial resilience.[72] There is a focus on educating young people about the dangers of illegal money lending. The IMLT has developed ready-made lessons designed to warn pupils about the danger of loan sharks; highlight the help available; and provide a financial education to teach the difference between credit and debt. The educational resources have been funded by confiscated money from convicted illegal lenders.

5.9. Nationally, over 6,000 schools in England have utilised these resources.[73] The knowledge children gain in the classroom can be taken home and shared with parents who take on what the children are talking about and in turn can make alternative decisions for themselves.[74] This is found to be an effective tool in filtering information to communities that may have otherwise been unreachable.[75] The Mayor's School Excellence Fund has also funded the Personal Finance Education Group to work with 12 secondary schools in the capital to improve financial literacy. Further funding was recently allocated to expand this work to reach more schools in the capital.

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[72] ABCUL, Economy Committee, 9 Dec 2014
[73] Illegal Money Lending Team, Economy Committee, 9 Dec 2014
[74] BBC, The dangers of loan sharks to be taught in schools, 2014
[75] Illegal Money Lending Team, Economy Committee, 9 December 2014

**Good practice – London Borough of Enfield**

Since 2012, officers in Enfield have been pursuing a programme to tackle illegal money lending in the borough, in partnership with the ILMT and a wide range of community partners. They have co-ordinated over 40 advocate trainings sessions with partners, service users and any contacts who demonstrate an interest. This work particularly focused on groups identified as having less access to legal credit products including disabled people. The borough proactively promoted the ILMT's lesson plans. As of June 2014, 60 schools have signed up to using these. At a strategic level, officers champion the inclusion of tackling illegal money lending within the borough's wider financial strategy.[76]

5.10. **Londoners should be aware of the specific risks associated with illegal money lending, as well as how to report it. Illegal money lending is evidently a real issue in London which requires greater attention. In order to minimise this activity, it is clear that targeted information, increased public awareness and monitoring is required to deter people from using illegal lenders, encouraging them instead to seek debt advice or more affordable credit.**

5.11. **Early education by way of IMLT lesson plans are considered to be an effective way of disseminating information throughout communities about the criminality of loan sharks, empowering many to report such activity. The Committee wants to see all schools in the capital aiming to use this valuable resource to build financial capability in young people from an early stage as well as informing them of the very real dangers of illegal money lending.**

[76] LB Enfield, Economy Committee, 9 December 2014

# 6. Accessing debt advice and affordable credit

6.1. Londoners seeking debt advice can access support from organisations that operate at national and local level. At a national level, a number of not-for-profit organisations offer debt advice over the phone and/or online and there is a wide range of private sector organisations which offer support to manage debt. Some offer this as a free service as they take a fee from creditors once a debt repayment plan is in place.

6.2. The Money Advice Service is an independent service set up by government to help people manage their money. It provides debt help through funding a nationwide network of centres which provide frontline debt advice services. The Money Advice Service is funded by a levy raised by the Financial Conduct Authority which is collected from financial firms who benefit from the provision of debt advice.

6.3. In 2014/15, the Money Advice Service distributed £30.362m funding to five lead organisations. This funding was then distributed to around 200 debt advice organisations in England and Wales. Toynbee Hall is the lead organisation for London with partners in every London borough. As of October 2014, funding arrangements were extended to a three-year cycle. This decision acknowledged that debt advice was not a temporary need and the previous one-year funding cycle inhibited the ability of services to be sustainable and develop in innovative provision. The level of funding has a direct bearing on a debt advice services' available capacity.

6.4. As the lead organisation, Toynbee Hall coordinates Capitalise, a pan-London partnership of advice agencies, which collectively deliver face-face debt advice in every London borough. In 2013-14, the Capitalise partnership helped 20,750 people with a combined debt totalling more than £422 million, or an average of £22,000 per client.

6.5. Separately, London boroughs also offer or fund general local advice services, including debt advice, delivered by local agencies such as Citizens Advice bureaux.

### *Debt advice uptake in London*

6.6. It is well established that debt advice works – both for individuals and their creditors.[77] National figures show in 2013, 88 per cent of Money Advice Service clients who received face-to-face debt advice from its partners went on to take action, such as making reduced payment to creditors, or setting up a household budget to address their debt situation. Overall, 76 per cent reduced or cleared their debts within three to six months of receiving advice.[78]

6.7. The majority of the over-indebted population reports that their debt is having a negative impact on their lives. However, a minority of over-indebted people who would benefit from advice, actually access it – approximately 77,000. The Money Advice Service estimates that one third (25,000) of those indebted people who do seek advice will require face-to-face advice. In London, It is projected that the Money Advice Service funded Capitalise partnership will be able to advise just over 16,000 people this year. [79] Therefore, based on these estimates, 9,000 people in urgent need of quality face-to-face debt advice will not be catered for by this service. This group may of course seek face-to-face advice locally without using the Capitalise channel.

### *Barriers to debt advice uptake*

6.8. Engagement with those dealing with problem debt is a considerable challenge. Getting more people to access advice requires a comprehensive approach: delivering the right service at the right time; aiming to target over-indebted people at an early stage; and improving the delivery of multi-channel advice.

6.9. There are two main barriers to accessing advice: thinking that living in debt is the norm and not admitting to being in debt (24 per cent of those considered over-indebted did not recognise they were in debt.) [80] There are opportunities to make more knowledge available. Another aspect that affects engagement is the channel through which debt advice is delivered.

6.10. A large number of people stated a preference to receiving debt advice via email (which they feel is more anonymous), but worryingly, there is not a

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[77] Money Advice Service, Debt advice works for nine out of ten over-indebted people, 2014
[78] Money Advice Service, Debt Advice Review, 2014
[79] Money Advice Service, Letter to the Economy Committee
[80] The Money Advice Service Indebted lives: the complexities of life in debt, 2013

significant provision of debt advice provided in this manner. New delivery methods are currently being tested by the Money Advice Service with a view to increasing engagement with the over-indebted population. The Money Advice Service will look at the information on the success of various types of piloted advice and attempt to feed back this information to others, in a report on best practice.

6.11. It is critical that new delivery methods do not replace or supplement the face-to-face component of debt advice. This is where most progress can be made: it is a vital lifeline for a significant percentage of the indebted population.

6.12. A scheme has also been piloted to assess how best to market debt advice for 'first timers'. The Money Advice Service has recently launched a promotional debt advice campaign specifically targeted at those in debt who have not previously accessed advice. The Money Advice Service ran a campaign in Hull, Birmingham and Manchester for four weeks, consisting of various advertising in press and radio, to raise awareness and encourage access to debt advice. Data is currently being gathered to assess whether this has succeeded in encouraging people from this bracket to seek debt advice. Valuable lessons could be learned and incorporated, to make the most of future debt advice marketing campaigns.

### *Preventive advice*

6.13. Early action is key to prevent people from falling deeper into debt difficulties. Good, appropriate support enables customers to repay their debts, improving their general wellbeing and benefitting all parties involved.

6.14. It is widely acknowledged that many people do not seek debt help until they are at a 'crisis point'.[81] Some attribute this to a cultural issue, money being a taboo subject for discussion, leaving people reluctant to admit they are struggling.[82] Other research suggests that when people get into debt problems and creditors start to contact them, they begin to shut down their channels of communication with the outside world, because they are worried the next letter or telephone call will be a demand for repayment.[83] Nevertheless, addressing problems at an early stage reduces the overall negative impact on individuals, families and

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[81] The Money Charity, Written submission

[82] A survey found that a third of adults found talking about money to families and friends difficult. Money Talk Survey, Adults' and Children's views on talking about money, 2014

[83] John Gathergood, Economy Committee, 4 Nov 2014

communities. Evidence indicates that the vast majority of families with problem debts felt that they would have liked to have received more support at an earlier stage.[84]

6.15. The Committee heard that although early preventive action would help to minimise the number of people falling heavily into debt, it presents a capacity issue for debt advice services (as set out above). Telephone capacity can be scaled up relatively quickly, but around 28 per cent of people who need debt advice, need it through a face-to-face service which is more difficult and expensive to scale up.[85] Moreover, a balance needs to be made between resourcing early action and supporting urgent crisis situations.[86]

6.16. The GLA runs an annual 'Know your rights' campaign. This was initially launched with the specific aim of ensuring that the capital's older people, carers and low-income families receive financial help and advice when they need it, and get the benefits they are entitled to. In past years however, the focus of this campaign has been to reduce the number of older Londoners in poverty. This year's campaign focuses on increasing knowledge around pension credit.

6.17. **Debt advice should be available to all who need it. A fine balance needs to be struck. Debt advice services are keen to reach out to more indebted people, but would struggle to accommodate a surge in capacity without further resources.**

6.18. **The public profile of the Mayor presents a clear opportunity to tackle the stigma around problem debt – targeting individuals, professionals and frontline services while providing increased exposure, using TfL advertising, to better support Londoners access to affordable credit.**

6.19. **We encourage the Mayor to publicise debt advice services. A further funding commitment will need to be in place to ensure the subsequent uplift in demand for debt help will be sufficiently resourced by London's debt advice services. This will help indebted Londoners to build financial resilience and cope with financial difficulties more sustainably, reducing the damage that debt causes to family life while making a considerable saving on social costs in the wider economy.**

[84] The Children's Society, Written submission
[85] Money Advice Service, Economy Committee, 4 Nov 2014
[86] LB Newham, Written submission

# 7. Challenges to accessing affordable credit and accruing savings

*The need for affordable credit*

7.1. Credit use is particularly widespread for those on low incomes due to a lack of a savings safety net to withstand financial emergencies. In 2011, it was reported that three quarters of low-income Londoners (74 per cent) would find it difficult or impossible to raise £200 to £300 in an emergency without borrowing.[87]

7.2. As a result over the past six years, short-term credit is also being increasingly utilised by a growing percentage of people who have had limited access to facilities such as overdrafts. To help ease the gap between the rising cost of living and wages, they have looked to secure alternative forms of credit.[88]

*Credit unions*

7.3. Credit unions set out to offer an affordable alternative to short-term, high cost credit lenders. As financial cooperatives, they are owned and democratically controlled by their members. They promote responsible lending and enable their members to access current and savings accounts, as well as affordable loans. Recently, the London Mutual Credit Union (LMCU) piloted a CUOK! payday loan product. This product included some of the 'attractive' characteristics of short-term lending (accessible, simple, convenient and instant), whilst designing out the 'negative' characteristics. This proved to be extremely popular; 2,923 payday loans were approved with a value of £688,000. The flexible loan repayment terms were welcome and default levels were relatively low in comparison to the rest of the payday loan industry. Despite this, the scheme was considered not to be financially viable at the point of evaluation. If additional income could be generated via increasing overall membership of the credit union, it would become viable.[89]

[87] Jones & Ellison, Community finance for London, 2011
[88] ABCUL, Economy Committee, 9 Dec 2014
[89] The Financial Inclusion Centre, Can payday loan alternatives be affordable and viable? An evaluation of London Mutual Credit Union's pilot scheme, 2013

### *Barriers to increasing credit union membership*

7.4. To be successful in themselves, credit unions need to reach out to a wider demographic. This can only be achieved through higher value lending and attracting savers from across the board.[90]

7.5. Since 2005, credit union membership in London has been growing apace at around 18 per cent per annum. Membership is patchy across the City. At borough-level, it is highest in Southwark, Tower Hamlets, Newham, Greenwich and Lewisham.[91] Generally, the credit unions that have grown most significantly in London are those that have benefitted from government funding for expansion.

7.6. London membership remains modest in comparison to some other large urban areas in the UK. Around one per cent of the London population are credit union members, compared with three per cent in Merseyside and over five per cent in Glasgow.[92] The UK as a whole also lags far behind other countries. For example, some 45 per cent of US citizens are members of their local credit union, compared to just two per cent of Britons.[93] Credit Union membership, for historical reasons, is also significantly stronger in the Republic of Ireland. Many rural communities preferred credit unions to banks, so the sector firmly took root relatively early on.[94]

7.7. Credit unions in London – as in other parts of the country – find it very difficult to market their proposition and raise awareness of their existence. While many work in partnership with local authorities and other agencies, public bodies are reported to shy away from directly promoting credit unions.[95] As a result, there is a distinct lack of public awareness of them and the services they offer. This means that many Londoners could be benefitting but are neither aware of the existence of credit unions, nor their capacity to provide personal banking.[96]

7.8. In order to overcome this challenge, greater marketing is required. Often endorsements from high-profile, trusted individuals play a crucial part in attracting people to credit unions by reassuring them that banking with

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[90] ABCUL, Economy Committee, 9 Dec 2014
[91] Stephen Knight AM, Payday London, 2014
[92] Stephen Knight AM, Payday London, 2014
[93] New Economics Foundation, Key facts, 2014
[94] ABCUL, Economy Committee, 9 Dec 2014
[95] ABCUL, Written submission
[96] ABCUL, Economy Committee, 9 Dec 2014

them is a safe and desirable option.[97] In recent years, both the Welsh and Scottish Governments have used their resources to fund advertising campaigns for their credit unions.

7.9. **Londoners with problem debt should be able to access debt advice as quickly as possible to help them manage existing debts, avoid unsustainable or detrimental credit and, where viable, signpost to more affordable credit options. It is clear that London faces a pressing need for enhanced knowledge around sources of affordable credit and financial services. A substantial demand for affordable credit products exists, particularly for those on low incomes, in order to weather unforeseen financial shocks without accruing further damaging debt. However, many are unaware of where and how to find credit products at affordable rates.**

7.10. **Increased marketing would better publicise the advantages of joining a credit union. Credit unions are constrained in funds for marketing their products and are unable to compete with advertising budgets available to other lenders in the market. Yet their capacity to provide the infrastructure for their own sustainability, as well as innovative products on easy terms, relies largely on revenue generated from an increased membership.**

## Recommendation 3

The **Mayor** should monitor whether London's debt advice services are sufficiently resourced to deliver both crisis and preventive face-to-face debt advice. This monitoring would also include an assessment of the effectiveness of existing services and any areas of unmet need. This should be published on an annual basis in the Mayor's annual equalities report.

The **Mayor** should then take further action if this monitoring identifies a shortfall in resources and/or service provision.

[97] ABCUL, Economy Committee, 9 Dec 2014

**Recommendation 4**

The **Mayor** should commission a 'money advice week', to promote debt advice and affordable credit options.

The **Mayor** would use this week to tackle stigma around financial difficulties and use Transport for London advertising sites to encourage uptake of debt advice services and promote affordable credit options.

The **Mayor** should take note of the evaluation of the Money Advice Service's pilot of debt advice marketing to inform the development of this 'money advice week'.

The **Mayor** should ensure that deterring illegal money lending is included within the scope of the 'money advice week'.

**Recommendation 5**

The **Mayor** should take further action to promote savings options, such as credit unions, to a wide range of Londoners. This would support growth of the affordable credit market.

**Recommendation 6**

The **Mayor** should promote debt education for London's children and young people, through the Personal Finance Education Group (PFEG). As part of this, the Mayor should incorporate lessons plans from the Illegal Money Lending Team to raise further awareness around illegal money lending.

**Recommendation 7**

The **Money Advice Service** should evaluate whether, and if so how, the piloting of debt advice marketing was successful in reaching hard-to-reach groups in London.

# Appendix 1: Recommendations

### Recommendation 1

Central government should ensure all London boroughs are adopting fair and transparent debt recovery procedures

### Recommendation 2

London boroughs and London Councils should implement genuinely fair approaches to debt recovery and learn from each other about what works.

### Recommendation 3

The Mayor should monitor whether London's debt advice services are sufficiently resourced to deliver both crisis and preventive face-to-face debt advice. This monitoring would also include an assessment of the effectiveness of existing services and any areas of unmet need. This should be published on an annual basis in the Mayor's annual equalities report.

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The Mayor should ensure that deterring illegal money lending is included within the scope of the 'money advice week'.

### Recommendation 5

The Mayor should take further action to promote savings options, such as credit unions, to a wide range of Londoners. This would support growth of the affordable credit market.

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### Recommendation 7

The Money Advice Service should evaluate whether, and if so how, the piloting of debt advice marketing was successful in reaching hard-to-reach groups in London.

# Appendix 2: How we conducted the investigation

### Written submissions

1. Association of British Credit Unions Limited (ABCUL)
2. Cash Converters (UK) Ltd
3. Cash On Go Ltd
4. Peabody
5. Consumer Finance Association
6. Capitalise (Toynbee Hall)
7. London Borough of Newham
8. The Money Charity
9. StepChange
10. Financial Ombudsman Service
11. The Children's Society
12. RMT Credit Union
13. Mayor of London

### Formal Committee meeting

**4 November 2014 with the following guests:**

- Caroline Siarkiewicz, Head of UK debt advice programme, The Money Advice Service
- Ally Paget, Researcher, Demos
- John Gathergood, Associate Professor, Faculty of Social Sciences, University of Nottingham
- Robbie de Santos, Senior Public Policy Advocate, StepChange
- Dr Pippa Lane, Senior Policy Researcher, Citizens Advice Bureau

For the transcript see:
http://www.london.gov.uk/moderngov/ieListDocuments.aspx?CId=255MId=5524&Ver=4

**9 December 2014 with the following guests:**

- Russell Hamblin-Boone, Chief Executive, Consumer Finance Association
- Ian Fiddeman, Policy Director, British Bankers Association
- Frank McKillop, Policy Manager, The Association of British Credit Unions
- Tony Quigley, Head of the England Illegal Money Lending Team

- Rob Gardner, Licensing and Trading Standards Manager, London Borough of Lambeth
- Charles Okello, Operations Manager, London Borough of Lambeth
- Maureen Smith, Client Performance Manager, London Borough of Lambeth
- Sheila Lahey, Fair Trading Officer, London Borough of Enfield

For the transcript see:
http://www.london.gov.uk/moderngov/ieListDocuments.aspx?CId=255MId=5361&Ver=4

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Chinese

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Vietnamese

Nếu ông (bà) muốn nội dung văn bản này được dịch sang tiếng Việt, xin vui lòng liên hệ với chúng tôi bằng điện thoại, thư hoặc thư điện tử theo địa chỉ ở trên.

Greek

*Εάν επιθυμείτε περίληψη αυτού του κειμένου στην γλώσσα σας, παρακαλώ καλέστε τον αριθμό ή επικοινωνήστε μαζί μας στην ανωτέρω ταχυδρομική ή την ηλεκτρονική διεύθυνση.*

Turkish

Bu belgenin kendi dilinize çevrilmiş bir özetini okumak isterseniz, lütfen yukarıdaki telefon numarasını arayın, veya posta ya da e-posta adresi aracılığıyla bizimle temasa geçin.

Punjabi

ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਸੰਖੇਪ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਲੈਣਾ ਚਾਹੋ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਇਸ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਉਪਰ ਦਿੱਤੇ ਡਾਕ ਜਾਂ ਈਮੇਲ ਪਤੇ 'ਤੇ ਸਾਨੂੰ ਸੰਪਰਕ ਕਰੋ।

Hindi

यदि आपको इस दस्तावेज का सारांश अपनी भाषा में चाहिए तो उपर दिये हुए नंबर पर फोन करें या उपर दिये गये डाक पते या ई मेल पते पर हम से संपर्क करें।

Bengali

আপনি যদি এই দলিলের একটা সারাংশ নিজের ভাষায় পেতে চান, তাহলে দয়া করে ফো করবেন অথবা উল্লেখিত ডাক ঠিকানায় বা ই-মেইল ঠিকানায় আমাদের সাথে যোগাযোগ করবেন।

Urdu

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پتے پر ہم سے رابطہ کریں-

Arabic

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Gujarati

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