

Cabinet Member (Strategic Finance and Resources)

29th July 2013

Name of Cabinet Member:

Cabinet Member (Strategic Finance and Resources) – Councillor Gannon

Director Approving Submission of the report:

Director of Finance and Legal Services

Ward(s) affected:

All

Title:

Access to Payday Loan Websites

Is this a key decision?

No – although this matter has the potential to affect all electoral wards, it is not expected that the impact will be significant.

Executive Summary:

There has been significant recent media coverage regarding payday loan companies, with the Citizens Advice Bureau (CAB) nationally describing the payday loan industry as “out of control”, following claims of irresponsible lending and harassment.

Some councils have begun to take action against payday lenders by blocking access to online payday loan companies from public computers in its libraries. Dundee City Council was the first to block access in December 2012, followed by Renfrewshire Council. Cheshire East Council and London Borough of Haringey both announced they would block access to online payday loan companies in June 2013.

The software that manages access to the internet through these PCs enables the Council to filter access to specified websites, typically because they contain illegal, obscene or pornographic material. This software would enable the Council to block access to payday loan websites.

Access to the websites of the top 50 payday lenders identified in the OFT’s Compliance review could be blocked using this software, and the policy applied to PCs for public use in all Council buildings wherever practically possible, as well as PCs used by Council employees.

Recommendations:

It is recommended that the Cabinet Member instructs officers to put measures in place to:

1. Prevent direct access to payday loans websites on all Council owned computers available to the public
2. Ensure information is available to residents on alternatives to using payday loans websites

List of Appendices included:

None

Other useful background papers:

None

Has it or will it be considered by Scrutiny?

No

Has it, or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No.

Report title:

Access to Payday Loans Websites

1 Context (or background)

1.1 There has been significant recent media coverage regarding payday loan companies, with the Citizens Advice Bureau (CAB) nationally describing the payday loan industry as “out of control”, following claims of irresponsible lending and harassment.

1.2 In March a meeting of Full Council supported the following resolution:

“This Council recognises the impact current economic conditions are having on people across the UK, including our constituents in Coventry.

Therefore, the growth of short term pay day loans companies is of immense concern. Such companies are capitalising on people’s economic vulnerability by charging extortionate amounts of annual percentage rates on their loans.

The Council requests that Central Government place a reasonable limit on the interest charged on short term loans so financial companies are not capitalising on the vulnerability of so many of our citizens during these challenging economic times”

1.3 On 1 July, CAB called for tough new rules to stop irresponsible advertising and end celebrity endorsement of financial products, with its Chief Executive, Gillian Guy saying that evidence showed payday lenders were failing to treat people fairly, breaking 12 of the 14 promises they laid out in their customer charter. The CAB also warned:

“While times are tight the demand for small, short-term loans will remain high. The blizzard of benefit changes coming up could mean a jump in the number of people turning to payday lenders, and we want to see high street banks step up and offer micro-loans with clear, fair conditions to fill this gap in the market.”

1.4 On 27 June The Office of Fair Trading (OFT) referred the market for payday lending in the UK to the Competition Commission because of concerns the OFT has about deep-rooted problems with the way competition works.

1.5 Announcing its decision, the OFT said it ..”continues to suspect that features of the payday lending market prevent, restrict or distort competition. It considers that these issues go deeper than can be addressed through existing laws and guidance.

Features of the market of concern to the OFT include:

- Practices that make it difficult for consumers to identify or compare the full cost of payday loans, undermining competition over price for loans.
- Barriers to switching between lenders when loans are rolled over that prevent other lenders competing for this business.
- Variable levels of compliance with relevant laws and guidance leading to firms that do invest time and effort complying being at a competitive disadvantage to firms that do not.
- A significant proportion of borrowers have poor credit histories, limited access to other forms of credit and/or a pressing need to borrow. The cost of the loan may therefore be a less significant factor for borrowers, which may weaken competition on price between lenders.

- 1.6 In addition, the OFT is concerned that lenders are competing primarily on the availability and speed of loan approval, rather than price. The competitive pressure to approve loans quickly may give firms an incentive to skimp on the affordability assessment which is designed to prevent irresponsible lending and protect consumers. The OFT is also concerned about business models that appear predicated on making loans which are unaffordable, leading to borrowers paying far more than expected through rollovers, additional interest and other charges. Lenders appear to derive up to 50% of their revenue from such practices.”
- 1.7 However, The Consumer Finance Association, which is the principal trade association representing the interests of major short-term lending businesses operating in the UK defends the use of payday loans. Research published on the association’s website says:
- 93% of payday customers are satisfied with the overall experience
 - 74% of payday customers are satisfied with the value
 - 90% of payday customers are satisfied with the clarity of the terms and conditions for their loan
 - 54% of users say their loans make it easier to pay bills on time
 - 85% of payday customers say they had no difficulty repaying their loan
 - 56% say that using payday loans has prevented a financial difficulty becoming a crisis
 - 29% of payday loans are refinanced – on average no more than twice
- 1.8 Some councils have begun to take action against payday lenders by blocking access to online payday loan companies from public computers in its libraries. Dundee City Council was the first to block access in December 2012, followed by Renfrewshire Council. Cheshire East Council and London Borough of Haringey both announced they would block access to online payday loan companies in June 2013.
- 1.9 The public are able to access the internet through public PCs in Coventry City Council libraries, the JobShop and other public and community facilities across the city.
- 1.10 The software that manages access to the internet through these PCs enables the Council to filter access to specified websites, typically because they contain illegal, obscene or pornographic material. The software also uses dynamic content analysis to screen the actual content, context and construction of web pages, so that objectionable, hidden and malicious material can be accurately identified and blocked, ensuring safer surfing, in particular for young people. This software would enable the Council to block access to payday loan websites.
- 1.11 Access to the websites of the top 50 payday lenders identified in the OFT’s Compliance review could be blocked using this software, and the policy applied to PCs for public use in all Council buildings wherever practically possible, as well as PCs used by Council employees.

2 Options considered and recommended proposal

- 2.1 It is recommended that the Cabinet Member instructs officers to put measures in place to.
- prevent direct access to payday loans websites on all Council owned computers available to the public
 - Ensure information is available to residents on alternatives to using payday loans websites

- 2.2 The alternative would be to take no action and continue to permit internet users to be able to access payday loans websites on publicly available Council owned computers. However, this is not the recommended course of action due to the concerns in relation to these organisations as identified within the report.

3 Timetable for implementing this decision

- 3.1 Officers will commence work on the recommended proposals immediately. Currently payday loan sites are automatically categorised as 'financial data and services' and allowed via the internet filters. A new category will be created called 'payday loans' and websites advertising these services will be manually re-categorised and then blocked. There are between 50 and 100 websites that will be affected. This is a small piece of work and will be completed within a day.

4 Results of consultation undertaken

- 4.1 Coventry CAB is fully supportive of this move and is providing information and advice to ensure that people wanting support around debt advice are signposted to the appropriate agencies and websites.

5 Comments from Director of Finance and Legal Services

5.1 Financial implications

No implications – all work will be carried out by the in-house ICT team

5.2 Legal implications

none

6 Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / LAA (or Coventry SCS)?

This policy will support the Council's objectives of "supporting our most vulnerable residents"

6.2 How is risk being managed?

Discussions are taking place with Coventry CAB to ensure information is available in Council libraries and other public buildings to signpost people to alternative services that may provide help and support for people.

6.3 What is the impact on the organisation?

None

6.4 Equalities / EIA

No specific implications

6.5 Implications for (or impact on) the environment

none

6.6 Implications for partner organisations?

This work supports the work of the cross agency Welfare Reform group, which is working across Coventry to help and support vulnerable families.

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