

**Agenda Item No: 3(b)**

**DERBYSHIRE COUNTY COUNCIL**

**CABINET MEMBER MEETING - HEALTH AND COMMUNITIES**

**12 November 2013**

**Report of the Deputy Chief Executive and Strategic Director Health and  
Community Safety**

**COUNTERING ADVERTISING BY PAYDAY LOAN COMPANIES**

**1. Purpose of Report**

To seek approval from the Cabinet Member for Health and Communities to block access to advertising by payday loan companies on Council computers and to promote Derbyshire based Credit Union membership.

**2. Background reports**

Office of Fair Trading – Payday Lending – Compliance Review Final Report (March 2013)

**3. Information and Analysis**

**Background**

Current estimates suggest that more than 1 million adults in the UK are borrowing on a regular basis from payday loan companies. Payday loans are targeted at people in employment struggling to budget and provide a short-term loan at inflated rates of interest, in some cases over 2,000% APR. Although there are a variety of short term lenders - including pawnbrokers and door to door lenders - operating across the country, the Office of Fair Trading is aware of about 240 payday loan firms altogether in the UK.

There have been a number of recent cases in Derbyshire of people who have taken out such loans and sought assistance from local advice agencies and the Council's Trading Standards and Welfare Rights Services. These cases have highlighted the harmful impact of payday loans on local people struggling to budget their finances and facing an immediate crisis. Once people take out a loan they often become permanently indebted to the company if they are unable to repay the initial loan on time. The Office of Fair Trading (OFT) compliance report on payday lending found that many lenders are not treating borrowers in financial difficulty with the right level of understanding. In addition the OFT found that misuse of regular automatic payments are causing

distress to consumers, in some cases leaving them with insufficient funds to cover their most basic needs.

The exact number of people taking out payday loans in Derbyshire is unknown although it could amount to many thousands of people. A number of lenders have offices or shops locally, as well as larger companies which can be accessed online, via mobile phone sites, and by telephone.

The Derbyshire Financial Inclusion Strategy commits partners to taking action to promote more affordable forms of borrowing, such as the Credit Unions. The Council has recently allocated a significant grant of £300,000 to the county's Credit Unions for instant access loans to support people who, otherwise, may be attracted to high interest payday loans. The County Council is also working with local Credit Unions to promote membership.

### **Moving forward**

Nationally, a number of local authorities have taken steps to prevent people from being able to access the websites of payday loan companies on Council owned computers. This is primarily seen as a way of discouraging access to payday loans and demonstrating concern over the high cost of these loans. To date around twenty councils have taken or intend to take this action. Preventing access to every payday loan company's website and then maintaining this would be both practically difficult and costly.

It is, therefore, proposed to prevent access from Derbyshire County Council computers to around 25 websites of the main national lenders who have been identified based on their share of the market. In addition, the websites of a small number of the most active locally based lenders will also be blocked. By doing so, it is estimated that the Council could restrict access to more than 80% of the current sources of borrowing through payday loans.

The effect of implementing this approach is that individuals, including employees and people accessing the internet at local libraries, will be prevented from accessing the websites of the payday loan companies whilst using Derbyshire County Council computers. As part of our financial inclusion work we will actively promote local Credit Unions and help to increase their accessibility to local people.

### **4. Financial Considerations**

The proposal will cost around £1,000 per annum for the Council's ICT contractor to carry out this work. This can be met from existing budgets held by the Transformation Service.

### **5. Legal and Human Rights Considerations**

None specifically arising from the report

## **6. Equality and Diversity and Human Resources Considerations**

Taking action to counter advertising by payday loan companies and to promote much more affordable sources of borrowing will help households on low incomes who experience financial exclusion to budget and avoid expensive forms of borrowing.

As part of the implementation of this policy consultation with the Trade Unions will take place.

## **7. Other Considerations**

In preparing this report the relevance of the following factors have been considered: legal, human resources, prevention of crime and disorder, environmental, health, property and transport considerations.

## **8. Key Decision**

No.

## **9. Call-In**

Is it required that call-in be waived in respect of the decision in the report?

No.

## **10. Background Papers**

None

## **11. OFFICER'S RECOMMENDATION**

That the proposal to block access to the websites of payday loans companies as set out in the report be approved.

**David Lowe**  
**Deputy Chief Executive and Strategic Director Health and Community**  
**Safety**