

Dealing with the Impact of Payday lending

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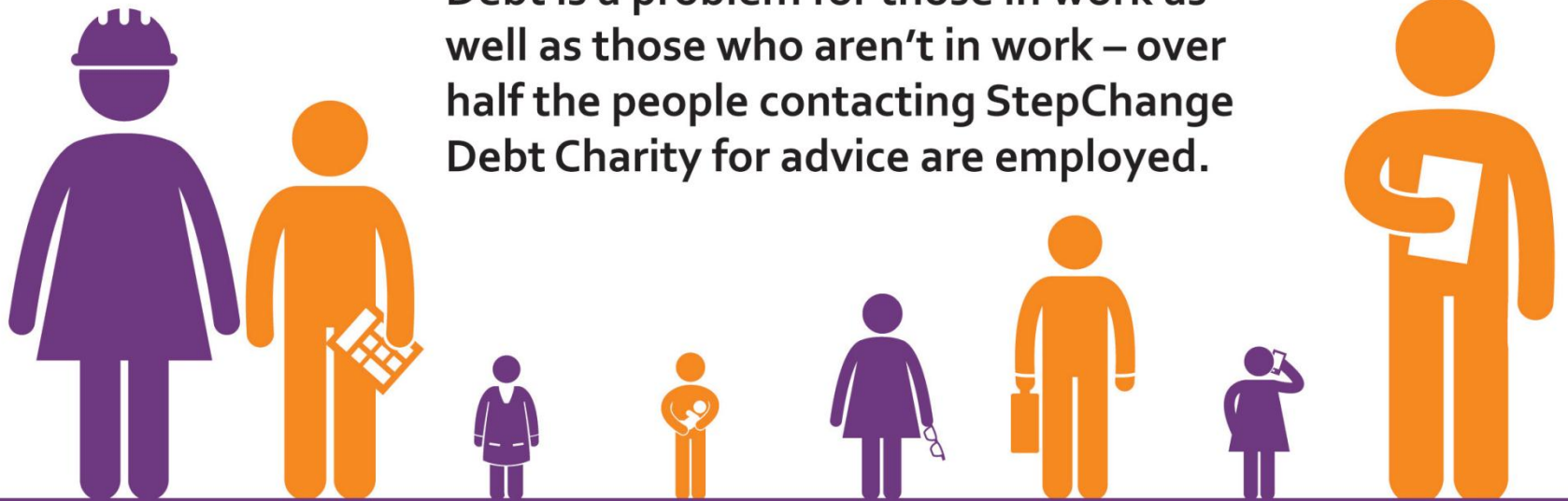
Reasons for Debt

Unemployment and reductions in income are the biggest drivers of debt problems. People often find it difficult to recover after a financial shock.



Client Profile

Debt is a problem for those in work as well as those who aren't in work – over half the people contacting StepChange Debt Charity for advice are employed.



Employed
full time

31%

Employed
part time

17%

Full time
carer

1%

Looking
after the
family/home

2%

Retired

7%

Self
Employed

9%

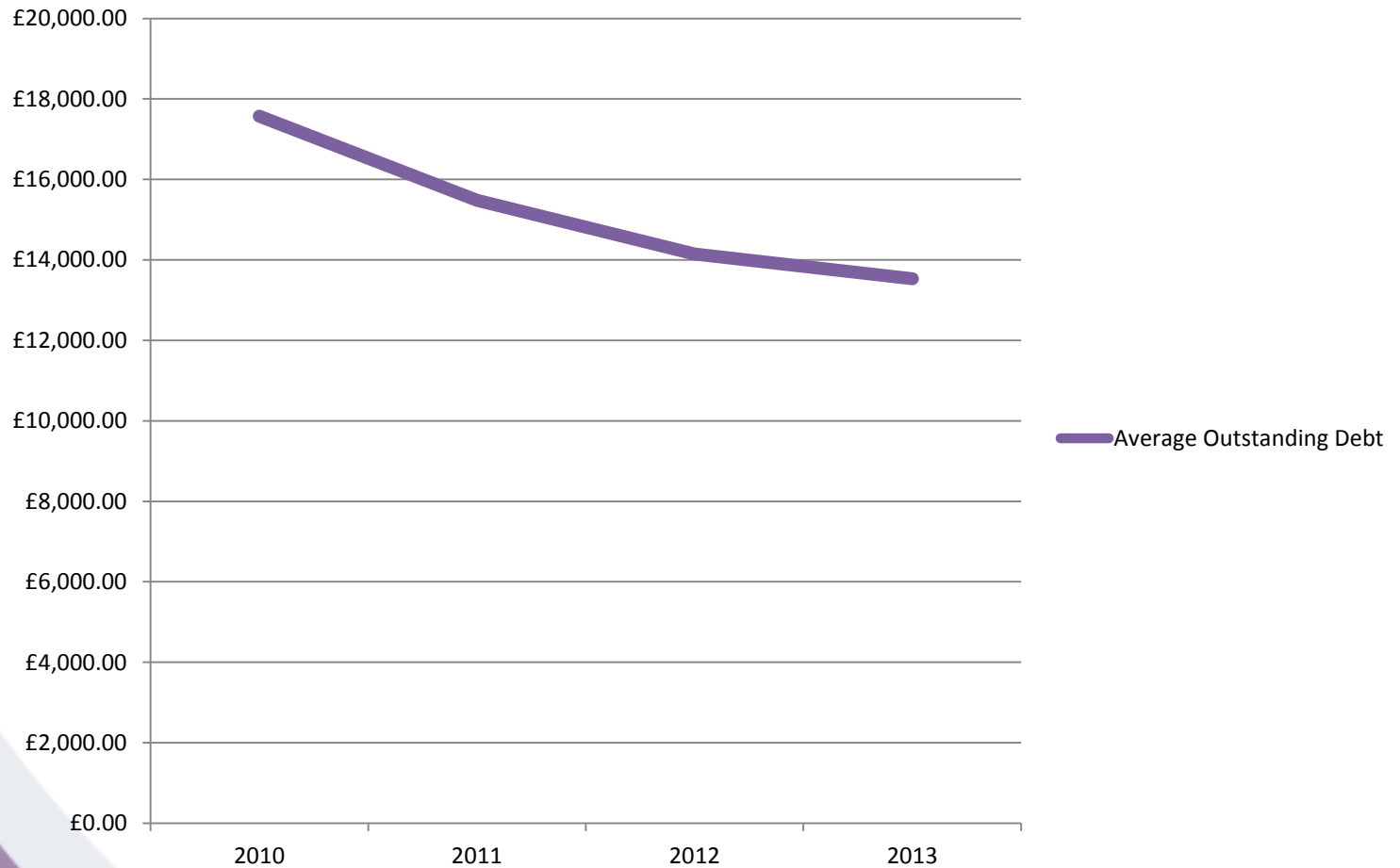
Student

2%

Unemployed

32%

Average Unsecured Debt



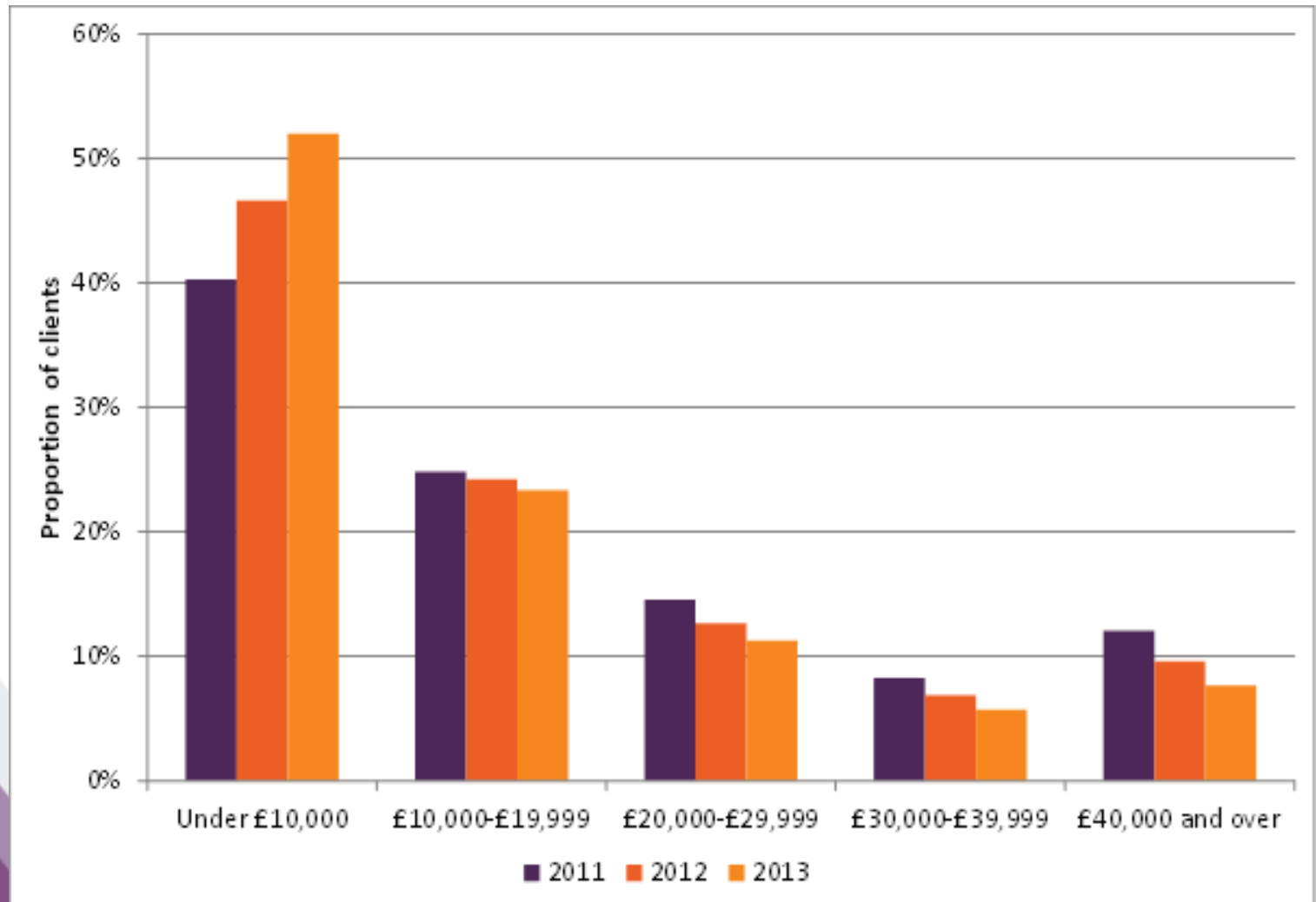
Debt Types

There are a variety of different types of debt. The most prevalent for StepChange Debt Charity clients are credit card and overdraft debt.



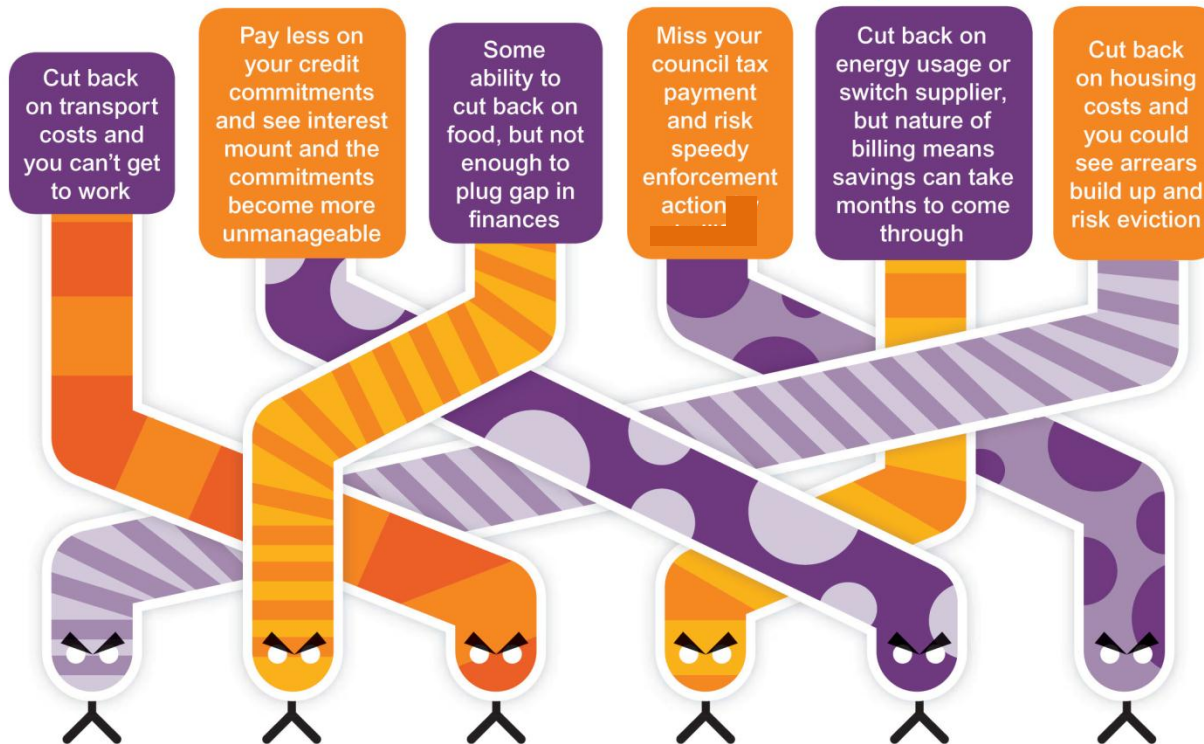
In 2010, Payday loan debt was less than 1%

Unsecured debt levels



Impact of Income shock

If their income dropped by a quarter to £1,200 a month, how could they cut back to meet essential costs? What would you do?



Most options for cutting back lead to worse consequences quickly – as debts mount, arrears build and it becomes harder and harder for people to bounce back.

Impact of Payday lending

	2012	2012	2013	2013
	% of Clients with a Payday Loan	Average Payday Loan Balance	% of Clients with a Payday Loan	Average Payday Loan Balance
All Scotland	9.0%	£1,398.07	18.5%	£1,457.60
Aberdeen	13.9%	£1,402.00	26.8%	£1,760.53
Dundee	7.1%	£1,142.60	18.7%	£1,112.54
Edinburgh	10.3%	£1,433.10	20.2%	£1,455.90
Glasgow	9.5%	£1,347.70	19.0%	£1,378.22
Inverness	8.0%	£874.25	18.1%	£1,298.07
Perth	13.3%	£1,174.33	28.8%	£1,653.53
Sterling	10.8%	£1,910.50	16.7%	£1,215.63

Payday profile

- 30% clients have 1 payday loan – debt £686
- 36% clients have 2-3 loans – debt £1,543
- 17% clients have 4-5 loans – debt £2,242
- 17% clients have 6 or more loans – debt £5,433

- 156 different payday lenders

- Ave interest 5,853%APR
- Worst rate: 2,496,496,134,721% APR

Client Comments

Payday lenders were the biggest source of complaints in 2013 for our clients and the fastest growing – in 2010, 4% of complaints related to payday lenders but by the end of 2013 this had increased to over 30%.



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