

Tackling Payday Lending and Gambling in Scottish Town Centres and neighbourhoods

A report from a summit hosted by Derek Mackay, Minister for Local Government and Planning, Scottish Government.

May 2014

1 BACKGROUND

Derek Mackay MSP, Minister for Local Government and Planning made a commitment to host a summit following a debate in the Scottish Parliament on 16th January 2014. The debate concerned the Scottish Government's recently launched Town Centre Action Plan. The plan encourages stimulus from the wider public, private and community sectors to develop Scotland's town centres as vibrant, well-functioning, well-maintained places and assets that support the needs of their residents, businesses and visitors.

The debate heard cross-party concern, not only about the clustering and numbers of Payday lenders and betting shops in town centres, but also about the social and personal impacts of using these services on individuals and communities. Since the Minister's announcement there has been on-going press coverage and concern from a range of stakeholders.

The issues are complex and cross cutting with interests across of a number of Scottish Government directorates and agencies, external partners, third sector and private interests. The aim of the summit was to share good practice, spread information about local, national and UK interventions and to discuss possible solutions to the proliferation of payday lenders and gambling shops in town centres through planning, licensing or further interventions and possible impacts of such actions.

Scottish Government Policy is driven by defined strategic objectives and national outcomes within the National Performance Framework (<http://www.scotland.gov.uk/About/Performance/scotPerforms>). Specifically in this area, wealthier and fairer, smarter, safer and stronger.

Our Policy Objectives are to:

- Improve the town centres, creating vibrant community hubs with a range of services by tackling the increasing numbers and clustering of Payday lender and gambling establishments.
- Minimise exposure and potential adverse risk to vulnerable individuals of Payday lenders via town centres.
- Minimise exposure and the adverse risk to vulnerable individuals through gambling via town centres.

The Scottish Government has already taken steps to ensure that those most affected by high-interest lending and debt have access to appropriate statutory remedies. Recent legislation, the Bankruptcy and Debt Advice (Scotland) Act 2014, creates the framework for the Financial Health Service for Scotland. It will provide access to advice and education for those with money concerns. Law on consumer credit and regulation of lenders currently sits with UK Government.

Scottish Ministers have made their case through correspondence to UK Ministers and Westminster departments on the role of the Financial Conduct Authority and the need for greater regulation and scrutiny of the Payday lending industry and on current gambling legislation. Scottish Government has also used devolved powers to remove business rates relief from Payday lenders with premises in Scottish towns.

The Scottish Government is committed to tackling poverty, working with local authorities, third sector and business organisations. Addressing this problem is important to the overall approach and in

particular to the key outcomes in the Child Poverty Strategy to maximize household resources. Whilst Ministers are pleased with the progress that has been made in tackling poverty over recent years, they are concerned about the impact of economic changes, and in particular welfare reform, on low income households in Scotland. So whilst the impact of decisions taken by the UK Government needs to be recognized and taken into account, Scottish Ministers will continue to take action where they can.

2 EXECUTIVE SUMMARY

The event took place on 23rd April 2014 in Trades Hall, Glasgow. 120 delegates from a range of stakeholders and interests participated. Representatives from local authorities, money advice services, welfare organisations, payday lenders, bookmakers and credit unions and the private sector were involved in discussions. The core purpose of the event was to consider how town centres can be revitalised by addressing the clustering of payday lending and betting shops. This summit report is being shared widely with attendees and those with an interest who were unable to attend.

There was lively debate and wide ranging discussion on possible solutions. Consensus amongst those attending was that continuing working together on a shared objective was the way forward and a recognition of the amount of work and different approaches already being taken by local authorities and in communities should be more widely promoted. For example South Lanarkshire Youth Council Valuable Information Penny Savers (VIPs) and The Future Savers initiative is “Glasgow's starter for ten”.

The need to build on actions already taken and continue to develop a coherent strategy amongst stakeholders was discussed. The need to improve and better understand the evidence base and improve the sharing of best practice was identified. A number of common themes emerged from the presentations and discussions on the day. These related to

Regulation: Scotland does not have the powers in relation to the regulation of payday lenders and limited ones for gambling; concern at the practices of some payday lenders; need to develop stronger relationships with the regulatory bodies in the Financial Conduct Authority and Gambling Commission.

Town Centres: concern about both the number and clustering of payday lenders and betting shops in town centres

Alternative Lenders: need to extend, promote and support alternative lenders

Financial Capability: continuing to improve financial capability through information and education is key to preventing future problems, wider links to welfare reforms and health concerns.

In response to the summit, an action plan is being developed. The plan will build on existing commitments to the Town Centre Action Plan and the Financial Health Service. The action plan will focus on:

Intervention

Areas where Scottish Government or jointly with other partners can take action to change the landscape, for example, using planning law or different approaches to business rates or consideration of appropriate interventions which promote alternative lenders.

Prevention

Continuing to develop and implement prevention and early intervention programmes is key to tackling this issue across a range of age groups. The Financial Health Service, to be launched later this year, will bring together access to a wide range of advice and education services. Money Advice Services, Credit Unions and other sources of advice and education will be promoted to ensure information and support is easily accessible for all.

Regulation

The Scottish Government has already made clear that if it had responsibility for consumer credit a multi-pronged approach would be taken to regulation of payday lending, including a cap on the cost of credit. The Scottish Government will continue to argue push for more devolved powers for Scotland in relation to consumer finance and gambling either through UK Parliament or memorandums of understanding with regulatory bodies. We will continue to influence policy of the UK Government, for example in relation to advertising by payday lenders.

We will also explore whether a 'public health' objective and primary activity test should be added to the Gambling Act 2005 to improve the ability of those making licensing decisions to address issues such as problem gambling and Fixed Odds Betting Terminals (FOBTs).

Support

Consider the need for further research to establish an improved evidence base in respect of problem gambling in Scotland.

Explore with regulatory bodies any training programmes which can be delivered by FCA or Gambling Commission in Scotland

Working together across portfolios, local authorities and key agencies, integrated approaches will be important to success, as will the creation of strong relationships in Scotland with the regulatory bodies for consumer credit and gambling. Scottish Government will ensure the summit report is circulated widely and that action and delivery plan is developed and launched in due course.

3 PAYDAY LENDING AND BETTING SHOPS - IS IT A PROBLEM?

What are Payday lenders?

Payday loans are one of the services offered by a number of consumer credit firms across the UK. They may also offer traditional pawn broking services and foreign exchange services, but are commonly known as "Payday lenders". The Financial Conduct Authority's definition states a Payday lender offers high cost short term credit where

- APR equal or higher than 100%
- Credit is provided for any period up to 12 months
- Credit is not secured by a mortgage, charge or pledge

Why are they a problem?

For some users "payday" loans provide short term financial solutions without causing any difficulty. If the product is sold and used as intended, they can offer lending at a lower cost than some banks overdrafts. For others though, unsecured short term loans until "payday" can quickly become a problem.

If the terms of the loan cannot be met, use of this credit option can result in financial difficulty or unmanageable debt due to

- High Interest rates of up to 5000% which often the consumer does not understand the impact of this and how quickly debt can get out of control, if the loan is not paid back as agreed.
- Aggressive practices in the use continuous payment authority, which allows the lender direct access to the borrowers bank account.
- Roll over of loans, which may see debts spiral further out of control.
- Risk that vulnerable people are exposed to credit they cannot afford which could have detrimental consequences on their lives in a range of ways.

In terms town centres, there is increased concern that over-provision and clustering may in certain circumstances affect the vitality of town centres and impact on individuals in a negative way.

What is the impact of unmanageable debt?

The individual and social impacts are life changing. Ill health- both mental and physical, family breakdown, reliance of public sector services, poor future credit rating, bankruptcy, crime and the very worst suicide are all documented results of unmanageable debt.

What's wrong with betting shops?

Gambling is a legitimate business, concern is not necessarily with "a" betting shop, but rather the proliferation and clustering of betting shops and how it affects the appearance of town centres, main streets and neighbourhoods. More importantly, the impact of some of the services now offered in town centres and on-line raises concern on how such services affect vulnerable people in our communities.

Fixed Odds Betting Terminals are of particular concern, known as the "crack cocaine of gambling", they can swallow up £100 in 20 seconds. Punters can play with cash or credit cards at the counter. It is recognised that the shift to gambling on line and the growth on "in-game" betting using smart phones are more complex issues to resolve, however some of the impacts on individuals and communities are often seen "front line" through public services.

Public Health England published a report in 2013 which defines problem gambling?

"Problem gambling describes a state where an individual's gambling that disrupts or damages personal, family or recreational pursuits. In a severe form it becomes an addiction which is recognised as a clinical psychiatric diagnosis: Disordered Gambling. Disordered Gambling was previously called Pathological Gambling and the diagnosis criteria were changed in 2013."

The [Scottish Health Survey 2012](#) states

"Gambling behavior is increasingly a subject of public health and policy interest in Britain. In the past decade, the gambling landscape in Britain has changed significantly. This is evident with the rise of online gambling opportunities and also with the implementation of the UK Gambling Act 2005. Fully implemented in 2007, this legislation overhauled the way commercial gambling is licensed, advertised and regulated in the UK.

In Britain, gambling is positioned as a legitimate recreational and leisure activity with policy responsibility held by the UK Department for Culture, Media and Sport. The regulation of gaming,

betting and lotteries is a reserved matter under the devolution settlement. This means it is regulated by the UK Government and is not a matter on which the Scottish Parliament can legislate. Some limited powers have been devolved to Scottish local authorities, who award gambling premises licenses, but these powers have a tight focus and they cannot be used in relation to matters elsewhere in the Gambling Act 2005. For example, they cannot be used to limit the numbers of gaming machines on premises or to refuse a license simply on the grounds that the area is overprovided with gambling establishments.

There is widespread recognition among policy makers, industry and health care professionals that, like alcohol consumption, some people who engage in gambling activity can experience harm. Unlike alcohol consumption, there are no specific policy targets relating to harm minimisation.”

The Gambling Act 2005, however, contains three core licensing objectives. These are to:

- prevent gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime,
- ensure that gambling is conducted in a fair and open way, and
- protect children and other vulnerable persons from being harmed or exploited by gambling”

The final objective highlights the potential for some people who participate in gambling to experience harm as a result of their behavior and states that these groups specifically should be protected.”

The Department for Culture Media and Sport recently confirmed the UK budget statement’s commitment to change planning use classes for betting shops. The changes will mean that local councils can scrutinize applications and refuse them where there are grounds to do so. In addition to the planning changes, the UK Government is seeking a step change from the industry to put measures in place to protect players at the heart of their businesses and is also looking at controls on gambling advertising. These include;

- Requiring betting firms to show how they are complying with social responsibility codes when applying for licenses.
- Ensuring that controls on gambling advertising provide enough protection, especially to children and the vulnerable
- Working with then industry to explore how a “Think25” initiative could help prevent underage access to gambling.

The UK Government has also set out plans for improved player protection measures on Fixed Odds Betting Terminals (FOBTs) to ensure that players are in control of the choices they make and the money they are spending. New Measures include;

- Requiring FOBT customers who want to bet over £50 in one play to pay over the counter before they can begin to play, meaning that they will have to interact with staff.
- Changing the rules so that at the start of play, machine users must be presented with a choice to set limits on what they spend or for how long they play.
- Requiring larger operators to offer customer accounts and encourage take up so that players can track and monitor their spending via statements.
- Provide regular warning messages and pauses in play to encourage players to be more aware of their gambling

- Strengthening the voluntary self-exclusion system so that players can make a single request to be banned from betting shops on a wider basis.

Powers to Act

The summit heard that a key barrier to more coherent action on this matter is the complex nature of reserved, devolved legislation on planning, licensing, business rates and gambling. Planning and Business Rates are devolved. Financial Services, Consumer Credit and Gambling are reserved – with some powers at local authority level. This means that Scottish Government and local councils have limited controls on how to address concerns about the social impacts of Payday Lenders and betting shops. Any future actions in Scotland must also be compatible with European State Aid obligations.

Financial Conduct Authority

From 1 April 2014, the powers to regulate Payday lenders transferred from the Office of Fair Trading to the Financial Conduct Authority (FCA). Payday loan companies who wish to operate in this market will be required to be registered and authorised by the FCA.

On 28th February, the FCA confirmed the final regulatory rules that will govern the £200 billion a year consumer credit industry which includes approximately 50,000 firms. The new rules include:

- Mandatory affordability checks for Payday borrowers;
- Power to ban any misleading adverts by Payday lenders
- Limiting the number of roll-over loans to two;
- Limiting the number of times a firm can seek repayment using a continuous payment authority(CPA) to two

There will also be a requirement for lenders to provide information to customers on how to get free debt advice. The FCA also began a programme of thematic work which will review high cost short term credit (HCSTC) firms' debt collection practices and the management of borrowers in forbearance and arrears. In addition, the FCA is also undertaking analysis on the impact of a cap on the cost of high cost short term credit on firms and consumers. A consultation will take place during the summer with a price cap being in place by 2nd January 2015.

The Gambling Commission

The Gambling Commission has UK responsibility to regulate the Gambling Industry as outlined in the Gambling Act 2005. This removed the ability for local authorities to deal with clustering of betting shops in their towns setting in place a more liberal approach, which the UK government at the time would stimulate economic growth.

The Gambling Commission was set up under the Act to regulate commercial gambling and seeks to ensure that those offering facilities for gambling or working in the gambling industry are suitable to do so and that the activities they plan to carry out will be conducted in a manner which minimizes the risks to licensing objectives.

Working with local licensing authorities, The Gambling Commission is required to issue guidance to licensing authorities on the manner in which they are to exercise their functions and the principles to be applied in exercising them. Licensing authorities are required to have a regard to this guidance under the Gambling Act 2005. Latest guidance was published in 2012 and is available at

http://www.gamblingcommission.gov.uk/shared_content_areas/publications_2012/gla.aspx.

The

Gambling Commission will be consulting in 2014 on new guidance.

Licensing authorities are required to develop, consult on and publish a statement of their licensing policy. This statement must set out the principles that they propose to apply in exercising their functions under the Gambling Act 2005. The Gambling Commission support and encourage a range of good practice activities and training for local authorities, which is promoted through their monthly bulletin (<http://www.gamblingcommission.gov.uk/gh-newsletter.aspx>).

4 CURRENT REGULATION AND LEGISLATION

Key relevant and related Scottish Legislation and Orders¹

Scottish Planning Policy (SPP)

SPP is a statement of Scottish Government policy on nationally important land use. It sets out general aims of the planning systems as well as subject specific policies. It informs development plans for the local area and can itself be a material consideration in determining applications for planning permission.

Town and Country Planning Act (Scotland) 1997

The Act sets the broad statutory framework for the planning system in Scotland. Section 26 defines “development” which requires planning permission, including “material” changes in the use of land or buildings. Section 26(2)f allows Ministers to make an order grouping into classes and specifying changes between uses in the same class that do not involve “development” (Sections 25 and 37 of the Act also specify that decisions on planning applications must be made in line with the development plan for the area unless material considerations indicate otherwise. See entry on Circular3/2013 below.

Town and Country Planning (Use Classes)(Scotland) order 1997

The current order made under Section 26(2)f of the Town and country Planning Act (Scotland) 1997, Class 2 covers financial, professional and other services appropriate to provide in shopping areas and for visiting members of the public. Class 2 includes betting shops and various forms of lending and other financial services found in town centres. Changes between uses which are not within a single use class require planning permission where they involve a “material” change of use.

Town and Country Planning (General Permitted Development) (Scotland) order 1992

This order grants a general Scotland wide planning permission for various “developments”, including between certain uses and classes of use, and removes the need to apply to the planning authority for such permission.

Article 4 Direction

A direction under article 4 - *Directions restricting permitted development* of Town and Country Planning (General Permitted Development) (Scotland) order 1992 to remove locally, the general planning permission granted by the order for specified “development”, so that applications for planning permission would have to be made.

¹ There is other UK and Scottish legislation not listed here which impacts on all businesses, e.g. health and safety, Data protection.

Circular 3/2013 Development management procedures

Guidance on statutory processing requirements for planning application. Annex A discusses the issue of material considerations. See Town and country Planning Act (Scotland) 1997

Civic Government (Scotland) Act 1982

The Act makes provision as regards Scotland for the licensing and regulation of certain activities for example; for the preservation of public order and safety and the prevention crime, the rights and duties of the owners and users of certain land, buildings and other structures; as to the making by local authorities of byelaws; and to enable them to make management rules applying to land or premises under their control; it does not include provision for licensing of financial services or gambling.

Local Government Act (Scotland) 2003 – Part 3- Powers of well being

As part of the overall legislation related to Best value and Community planning. Part 3 of the act *Subsection (1)* enables a local authority to do anything it considers likely to promote or improve the well-being of its area, persons in that area, or both of these.

Subsection (2) sets out potential activities that may be undertaken using the power to advance well-being. This list is illustrative rather than limiting.

Subsection (3) allows flexibility in the way the power may be used. The power may be used in relation to the whole local authority area or any part of that area, for example, to a council-wide project covering the whole council area or to a project for a particular community; a particular town; or a particular island within the area. Similarly, the power may be used in relation to all or some of the persons within a local authority area – for example, to benefit all residents, a particular group such as tourists to the area or commuters into the area.

Subsection (4) enables a local authority to use the power outwith its geographical area if it considers doing so is likely to promote or improve the well-being of its own area and/or persons within its area.

Subsection (5) enables the Scottish Ministers, by order, to extend the meaning of “well-being”. This power might be used if, for example, the common understanding of the phrase becomes narrower or changes significantly over time.

Bankruptcy and Debt Advice (Scotland) Act 2014

The Act will come into force in April 2015. The legislation modernizes Scotland’s insolvency law by providing debt solutions within a “Financial Health Service” It provides for the people of Scotland

- Access to compulsory money advice before applying any statutory debt solution
- A range of improved debt solutions (The Debt Arrangement Scheme, Protected Trust Deeds, Bankruptcy)
- Financial education to build financial capability and prevent repeat debt problems.

The Adult Support and Protection (Scotland) Act 2007

There may also be occasions when the provisions of may be relevant to Payday lending and gambling. The act make provision for the purposes of protecting adults from harm; to require the establishment of committees with functions relating to the safeguarding of adults who are at risk of harm.

Legislation on Reserved Matters

Gambling Act 2005

The Act was introduced to regulate commercial gambling and put in place a more liberal framework. There are three key provisions within the Act

1. preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime,
2. ensuring that gambling is conducted in a fair and open way, and
3. protecting children and other vulnerable persons from being harmed or exploited by gambling.

Consumer Credit Act 1974

An Act to establish for the protection of consumers a new system, administered by the Director General of Fair Trading, of licensing and other control of traders concerned with the provision of credit, or the supply of goods on hire or hire-purchase, and their transactions, in place of the present enactments regulating moneylenders, pawnbrokers and hire-purchase traders and their transactions; and for related matters. Power to regulate were given to Office of Fair Trading and have now been transferred and further extended to Financial Conduct Authority as of 1 April 2014

Money Laundering Regulations 2007

These Regulations implement, in part, Directive 2005/60/EC of the European Parliament and of the Council on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (the Third Directive). The Regulations require the financial, accountancy, legal and other sectors to apply risk-based customer due diligence measures and take other steps to prevent their services being used for money laundering or terrorist financing.

Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market

Directive 2006/123/EC of the European Parliament and of the Council on services in the internal market was adopted on December 12, 2006, in force from 28.12.2006 r. (OJ L 376, page 36 from 27.12.2006 r.). The objective of the Directive is to support the improvement of the functioning of the EU internal market in services through harmonization of the legislation, reducing unnecessary administrative burden, reducing the protectionism and broaden the openness of the markets.

Provisions of the Directive further develop the fundamental freedoms in art.49 and art.56 of the Treaty on the functioning of the European Union and aimed to remove the administrative and legislative barriers to the operation of service activities, to create more transparent business environment and new business opportunities across the EU. The implementation of these provisions is expecting to stimulate the economic and social development, to expand the consumer choice, as well as to create more jobs

Power to suspend consumer credit licenses – OFT guidance for license holders (February 2013)

Guidance sets out how the OFT will use a new power to suspend consumer credit licences with immediate effect or from a date specified. The guidance is relevant to all UK businesses holding consumer credit licences and provides a general framework for consideration of whether a licence should be suspended. This guidance in place until FCA took over responsibility in April 2014.

CP13/10 – Detailed proposals for the FCA regime for consumer credit (consultation document published 3 October 2013)

[PS14/3 - Detailed rules for the FCA regime for consumer credit](#)

This policy statement outlines detailed rules for consumer credit firms.

5 THE LANDSCAPE

- In Scotland, there are between 180 and 200 Payday lenders in town centres. Exact numbers and comparators have been difficult to assess as the planning Use Classes Order includes a range of financial service providers, including accountants, building societies and Payday lenders in the same use class. Where a building changes use within the same use class planning permission is not required.
- StepChange Debt Charity recent report shows that 13 million people in the UK face chronic financial insecurity, knowing that a small change in personal circumstances would within weeks without push them into debt or financial difficulty.
- A range of debt charities estimate that 35% of Payday lending business is within town centres with 65% being conducted on line.
- The aggressive use of continuous payment authority by lenders, the use of roll-over loans or moving easily to another payday lender have been identified by debt charities and the FCA as the key reasons for chronic debt issues for those using Payday loans. Continuous payment authority means that the lender is the primary creditor and can remove money from a client's bank account at will.
- 2012 Figures from the Gambling Commission indicated that there are :
 - 1180 Betting Shops
 - 165 Adult Gaming Centres
 - 136 Others (including bingo halls and casinos)

These figures represent a relatively small increase in the numbers of betting shops; however they are more likely to be clustered together and with Payday lenders. There is a view held that clustering of potential "problem" services like pubs and fast food, means that the policing is easier.

- There is widespread reporting over the concerns over Fixed Odds Betting Terminals, in relation to the amount of profit been generated by "licensed" gambling outlets, e.g the big high street names being allowed up to 4 of these machines in each premise. According to the Gambling Commission there are 33,284 FOBTs across the UK The average weekly profit per FOBT in 2012 was £825, up from £760 in 2011, according to the Gambling Commission.
- It is estimated that between 0.6% - 0.8% of the adult population in Britain are problem gamblers (between 275,000 and 370,000 people). Figures for Scotland are estimated at 32,000.
- Scottish Health Survey 2012 reported that around one in ten adults (11%) took part in four or

more different forms of gambling in the past year with younger people, and young men (particularly those aged 25-34), most likely to do so. The odds of being a problem gambler were 11.6 times higher for men than women.

- Those living in Scotland's most deprived areas (SIMD² quintile 1) were around 7 times (odds ratio of 6.9) more likely to be a problem gambler than those in the least deprived areas (SIMD quintile 5). Disadvantaged social groups who experience poverty, unemployment, dependence on welfare and low levels of education and household income are most likely to suffer the adverse consequences of increased gambling. Within these groups those who are male, single and under 35 are more likely to be at risk of developing problems with their gambling. In addition problem gamblers are more likely than non-gamblers to have heavy and/or problem consumption of drugs, alcohol and cigarettes.

Joe

A single male aged 18 came for advice about his debts. It was discovered that he has an outstanding loan from the Pay Day Lender and this was taken out when he was 16 ½ years old. He was passing the shop and the manager invited him for a loan and despite telling him his age, he advised that was not a problem and also provided his passport as proof of age. A complaint was lodged with the Pay Day Lender who are currently investigating the matter and it was also passed on to the local Trading Standards team who will pass this onto to Edinburgh Trading Standards who are the home authority.

Source: Improvement Service

² Scottish Index of Multiple Deprivation

6 SUMMARY OF SUMMIT PRESENTATIONS AND DISCUSSION³

Plenary Presentations

Derek Mackay, Minister for Local Government and Planning

Collaboration, learning and sharing are key themes for the event, demonstrated by the range of attendees and interests and by the variety in presentations. Hopefully the summit will bring forward ways in which solutions to deal with the proliferation and clustering of Payday lending and betting shops can be developed.

Learning from colleagues across the UK and beyond is as important as recognising that the matter ranges across wider portfolio interests than local government and planning and that government ministers are working together to tackle the problem.

The summit is not about outright opposition to short term credit providers, we need to ensure that vulnerable people are protected and that there are safeguards to prevent people falling into vicious cycle of debt and poverty. Equally, it is not a value judgement on gambling or people who gamble, However, we are concerned with some of the ways in which gambling is affecting people in our communities.

Town centres are important. They offer a base for small businesses and local jobs, support local economies, offer space for community and civic functions, give a town its identity and offer a sense of place for those who want to live in, work in and visit it. What is in our town centres, how it looks and how it feels and the services they provide, play an important role in community identity and how people feel about themselves and pride in their community.

Planning is devolved and there have been calls to remove payday loans shops and betting shops from the current use class which groups them with financial, professional and other services. The implications of such a change are not straightforward, however, and today, in part, provides an opportunity to discuss the issues around such suggestions to extend planning controls.

Scottish Government has taken action within our limited powers to tackle the issues. Fergus Ewing MSP, Minister for Minister for Energy, Enterprise and Tourism has developed a “Financial Health Service” for Scotland through The Bankruptcy and Debt Advice (Scotland) Act 2014. In his financial statement to the Scottish Parliament on 6th February 2014, John Swinney MSP, Cabinet Secretary for Finance and Sustainable Growth, announced that from the 1st April 2014 payday lenders will no longer be eligible for business rates relief in Scotland

My colleagues, Fergus Ewing MSP and Kenny MacAskill MSP have also written to UK Government lobbying for action on Payday lending and licensing of gambling with, we believe, some success. I believe that the recent announcements by Financial Conduct Authority on future action on Payday lenders can be seen as the combined efforts of many from Scotland and across the UK successfully lobbying for action. I saw that From the 1st April one Payday lender has posted notices in their shops that they will no longer provide Payday loans. This is good news. But there is still much to do to address the

³ Information in plenary sessions was provided by contributors

problems of prevention and to ensure that our town centres are vibrant with a range of services and communities can influence decisions about their PLACE.

Roseanna Cunningham MSP, Minister for Community Safety and Legal Affairs is hosting a summit on Friday on control of premises selling “legal highs”, some of the issues will overlap, and this summit can explore the views you have on how a plan for action in Scotland can be developed.

Councillor Harry McGuigan, Community Safety spokesperson COSLA

Councillor McGuigan highlighted that the rise of payday lenders, both on the high street and online has been a regular topic for discussion at COSLA's Community Wellbeing Executive Group, with elected members voicing their concerns about how the most vulnerable members of society may resort to such punitive methods of borrowing. Councillor McGuigan then focused on the three main points that have been at the crux of the Executive Group's discussions: Attitude, Affordability and Alternatives.

- Attitude - There is a need to establish the reasons why people make a conscious decision to borrow from a high cost credit provider - both in terms of what the money is for and, also, why they have chosen this method of borrowing. Understanding the attitudes behind why people borrow in this way is crucial in order to develop a comprehensive solution to minimise risk. As such, an in-depth, Scotland specific study, building on the work already carried out would be warmly welcomed to help build the evidence base;
- Affordability - Are appropriate affordability checks being carried out? As part of their proposed consumer credit regime, the Financial Conduct Authority (FCA) want to ensure affordability checks are carried out for every credit agreement, to make sure that only consumers that can afford a loan can get a loan, whilst also limiting the number of loan rollovers a consumer can have to two. This should go part of the way to reducing detriment experienced, due to lax affordability checks; and
- Alternatives – Part of the rationale for individuals borrowing from high cost credit providers is that they don't know where else to go for help if they desperately need money.

Councillor McGuigan urged those present to think about how best to advertise the support services that are available, citing the findings from the Indebted Lives report produced by The Money Advice Service. This report identified that only 17% of the over-indebted population are seeking advice, meaning a staggering number of people are not obtaining advice or help, even though they may be 'drowning' in debt.

Councillor McGuigan concluded by recognising that whilst the focus of the Summit was on payday lenders and betting shops situated on the high street, a number of individuals are utilising the online options available to them and their needs will almost mirror the needs of those visiting establishments on the high street.

Yvonne MacDermid, Money Advice Scotland:

There was a level of concern that issues around payday lending and gambling have not been addressed as they should have and welcomed the summit a huge opportunity where we can all work together. She highlighted that there was concern over the negative impact of the use of the term “debt advice”. However money advisers can make a positive difference and find suitable debt repayment arrangements for those in need. The current recession made it more difficult for some individuals to access mainstream credit and therefore there has been big shift for some people to high cost credit.

Gambling presented a double-whammy for gamblers - debt problems and gambling addiction; in addition to the shame and maybe not speaking openly about it with the money adviser (gambling often a silent problem); it is a difficult cycle to break and to assess the scale of the problem. Around 30,000

problem gamblers in Scotland and there may be considerably more affected. Some issues around online gambling were highlighted for example, it was viewed as a 'safe place' for women to befriend others; women's magazines encourage this as a hobby, is it a bubble waiting to burst; many families don't know that their mother or daughter gambles online.

Education and prevention is a central part of any solution: Scotland leading the way in terms of linking education with money management to the new Financial Health Service; role of Credit Unions in terms of delivering alternative forms of credit and education; local authorities still major funding of money advice. Solutions were proposed:

- For gambling: More co-ordinated and targeted approach to the funding of prevention (research, treatment, education) similar to the model adopted by money advice; people know where to get debt advice but people don't know where to go to get help for a gambling problem; need for organisations to work in partnership (central and local government, including health services)
- Treatment organisations like RCA Trust have a significant role to play but there are not enough of them; need for more exposure of gambling as an issue and encouraging people to seek help
- Gambling has become normalised; let's normalise people getting help for their gambling problem and let's back this up by significant funding
- Other measures: Changes to planning permission, and ensuring poorer communities have more opportunities and become vibrant and resilient communities
- Need to work with creditor industry; regulation of credit under FCA; Common financial tool should be used as an affordability test when making lending decisions
- More rigor needs to be applied to regulating of betting and gaming, current regulation is too loose

She concluded that there should be better collaboration and joined-up thinking; let's get both industries tasked with coming up with a suitable levy reflecting the nature of the profits and which addresses the size of the problem for individuals and the society as a whole.

Councillor Paul Rooney, City Treasurer, Glasgow City Council
Glasgow Financial Inclusion Strategy – developing local approaches

Payday lending is a sophisticated business and the ways in which non-standard credit affects individuals, families and communities are diverse and complex. The trade is economically linked to gambling and is often tied, culturally, to alcohol. We are also beginning to understand some of its disturbing connections with organised crime. None of us, alone, can unpick those stitches. Payday lenders are not going to go away. This will not be fixed overnight. There are no local solutions.

However, there are local actions every community can take to play their part - and that has been central to our approach in Glasgow. Towards the end of 2012, Glasgow City Council commissioned research into the scale and impact of payday lending in the city. With the support of a range of colleagues and partners, a sounding board that took evidence from the trade, campaigners, money advice experts and credit unions. There was a suspicion that use of these loans would be relatively high in Glasgow, but the figures were startling. Glaswegians borrow more than £57 million this way each year - and around 100,000 adults in the city are using some sort of non-standard credit. There are some trends in terms of demographics but, significantly, there is no group untouched - no community, no social class, and no age group that is immune. To be absolutely clear, that means one thing. If you do not have a payday loan; someone you know does.

It became apparent, through the evidence we heard, that there is a need to reform how the market is regulated, with evidence of borrowers facing desperate problems as a result of questionable practices

from some lenders. While the Financial Conduct Authority will, eventually, have the power to limit the prices consumer credit companies can charge - the high cost of these loans is not the only problem. We know from our own research that borrowers can end up taking out multiple loans from various lenders, with no effective credit checks. There is also an urgent need to reform and limit the use of Continuous Payment Authorities. If you want local solutions, empower communities. Let councils put payday lenders and betting shops into an umbrella class that will allow communities to say 'enough is enough'

Glasgow have other approaches too, for example, the council will not offer a rent subsidy to a payday lender. In fact, it refuses to rent them property, at any price. And every young Glaswegian will be given an account with a safe community credit union to ensure they have access to safe, sustainable financial help now and in their adult life.

Evidence suggested many of those struggling with payday loans would have been better served by a credit union. Glasgow is already the credit union capital of the UK - and I am proud to continue to support the growth of that movement in our city.

Glasgow and its partners have made significant process against the actions set in the review - and will continue to do so. There is concern that we are talking, rather than acting. Politics is about priorities. This is not a picture opportunity - it is a human tragedy. And it is meaningless and absolutely hopeless for any of us to simply stand on the sidelines and demand action from everyone else. Glasgow will continue to innovate and take action, we hope you will join us.

Break-out sessions

Social Impact of Gambling

Andy Todd of RCA Trust

Margaret

A 72 year woman who enjoyed a game of bingo. She would play the fruit machines during the break as a form of socialising with her friends. Gradually she would spend more time and money playing, until she became addicted and was playing everyday across several locations.

Margaret was able to access credit due to being a homeowner. Despite her age she was able to access £50,000 of equity from her £100,000 home. She reckoned she had spent at least £40,000 of that equity on gambling. She will be 92 years of age when she has paid off her home again

Billy

A 39 year male, who is employed within the gambling industry. He is married with 2 kids. He gambles on roulette machines in the bookies. He moves around with work so finds it difficult to self exclude. He has been abstinent and then has lapsed several times. He admits openly that he struggles sometimes to cope.

Billy is very familiar with High Street Payday lenders and was able to gain £600 in total over the course of 3 visits to the same lender in a 90 minute gambling spree. He reported being served by the same customer advisor twice.

RCA Trust is a registered charity established originally in 1977 to offer volunteer-led alcohol counselling in Paisley, Scotland. Their services are provided by a mixture of volunteer, sessional and salaried workers all trained to recognised standards. In 2002 as RCA Trust they broadened their services and their extended operation in neighbouring local authority areas of East Renfrewshire, Inverclyde and Renfrewshire. They also offer gambling counselling throughout Scotland.

There are a range of other partners active in Scotland, Responsible Gambling Trust, Gamecare, PFA Scotland, Money Advice Scotland, some local authorities and the charitable sector, working to support problem gamblers and reduce impact of this activity.

Gambling is a multi-faceted and complex problem and not everyone who gambles develops gambling addiction. RCA Trust estimates that 31,000 problem gamblers affected by the consequences of their addition, which are greater than purely

financial losses. The social impact includes family breakdown, mental and physical health problems. The amount spent on gambling in the UK is estimated to be over £1 billion.

Gambling to excess and detriment is a hidden problem and gambling addiction not as well recognised as drugs and alcohol addictions. Problem gamblers are across a range of gambling activities and access routes. The impact on people who have gambling addiction is significant and can be life changing – family breakdown, mental & physical health problems, anti-social behaviour. Domestic abuse, finances and debt, homelessness and suicide.

There is a lack of understanding of the relationship between problem gambling and the availability of “easy” credit from those providing short term loans or Payday lenders. The results of problem gambling can be linked to serial debt issues linked to high cost borrowing.

Participant discussion themes

- *Development of integrated, Early intervention and targeted intervention and to Financial Education*
- *Explore how in Scotland we influence the advertising and the explosion in all media?*
- *Explore how local authorities with Scottish Government can develop programme and procedures to align with Tackling Poverty policy and Town Centre regeneration.*
- *Continue to lobby UK Government on better regulation*
- *Consider research to explore underlying reasons for gambling*

Ethically Responsible Financial Services

Niall Alexander, Financial Inclusion Consultant

Specialising in work that identifies the impact and consequences of a lack of financial products and services on the social housing tenant and low-income households. His experience comes from working with key agencies in Scotland including, Glasgow City Council, Glasgow Housing Association, Capital City Partnership (Edinburgh), Young Scot and Scottish Housing Best Value Network (SHBVN).

There are now over 10 million people in the so-called non-standard credit market in the UK, borrowing over £65bn annually. Their ability to borrow money from mainstream lenders is harder than ever. The Bank of England notes the increasing likelihood of demand is not being met by supply – “the ability of Britain’s banks to lend to households and businesses will be curbed if investors remain fearful of a potential collapse in the financial system.

What constitutes an ethically responsible financial service is difficult to define and it forms part of the challenge when considering the issue of payday lenders in town centres.

Scenario 1

Someone lends £30 to a friend in a pub and says “If you pay me back next week and buy me a pint we’re straight”. So the friend returns back to the pub the following week, pays back the £30 and buys a pint, cost £3.00. Reasonable enough? But the equivalent APR of this transaction would be over 14,100%.

If the pint costs £3.75, the equivalent APR of the transaction would be over 45,600%.

Scenario 2

Cash Convertors: A £100 repaying £130 over 28 days – Interest -20,342% APR.

Scenario 3

Lloyds Bank: unauthorised overdraft of £100 repaying £187 over 28 days – Interest - 187,200% APR.

Scenario 4

London Mutual CU: Credit Union OK payday loan of £100 repaying £103 42.6% APR if *Same Day transfer of £11 added then *477% APR*

It was emphasised that the global financial crisis and the credit crunch has exacerbated and increased the number of people who need access to quick access loans. The credit crunch, the resulting constriction in credit supply and UK austerity measures, which have placed households under financial strain, have created a demand for alternatives which Payday lenders have taken the opportunity to fill.

The reality is that there will always be a need for short term loans, the question is how to we ensure that it is fair and does not create further problems for vulnerable. However, many assumptions are made about the customers of Payday lenders. The presentation highlighted that

“while a third of payday lending customers have a household income of less than £18,000 per year, three in ten have an annual household income in excess of £36000 or more” and 37% of payday (online) & 60% of payday (retail) customers are defined as vulnerable (77% of home credit & pawnbroking customers are defined as vulnerable (PFRC⁴, 2013)

Affordability is key. How do you provide **sustainable**, affordable credit to the bottom income quartile and balance the risk of non-payment to the lender? For example, They are often young women, with children, bottom income quartiles, living in rented accommodation with poor or thin credit history...needing small sums, an encouragement to save, and a bit of flexibility.

Alternative lenders need to have a range of products that mean people can pay loans back. The term of the loan is equally as important as cost. For example, Moneyline, a leading not for profit social enterprise providing access to more affordable financial products for low income families around the UK. Their current physical network is in England and Wales. Operating on the basis that everyone has the right to access affordable financial products. They are a provider of non-standard social business lending in the UK, meeting the borrowing needs of customers ignored and unwanted by mainstream lenders. In meeting those borrowing needs, they aim to improve the standard of living and quality of life of customers.

Frank McKillop

ABCUL

The Association of British Credit Unions Ltd (ABCUL) is the leading trade association for credit unions in England, Scotland and Wales, representing the majority of credit unions in each nation. ABCUL provides a full range of advice, training and development services to help our member credit unions grow and become sustainable financial co-operatives.

Credit Unions have already been identified by Scottish Government and local authorities are part of the solution to high cost and damaging credit. Demand for credit is high, UK payday lending industry worth £2.2 billion with an estimated 1 million plus customers borrowing regularly. The turnover of the top 10 lenders grew from £300m in 2010 to £800m in 2013 and the largest payday lender made £1.2m profit per week last year.

A key part of the problem is that consumers expect instant lending decisions to respond to an immediate cash flow problem, however *must instant credit be short term credit?* London Mutual Credit Union ran a Payday loan product pilot, which offered borrowers the option to repay over 1, 2 or 3 months. Only 29% chose 1 month and 59% chose to repay over 3 months. The pilot demonstrated clear consumer demand for instant credit, but consumer demand was not necessarily for short term credit.

The purpose of credit is to spread an expense over a longer, affordable period – having the money in your account on payday does not mean the loan is affordable. When affordability – or unaffordability – is the main problem with payday loans, focusing solely on high interest rates risks missing the point.

Credit Unions are financial co-operatives owned and controlled by its members, they have Volunteer directors elected from membership on a one member, one vote basis. Membership based on “common

⁴ Personal Finance Research Centre, University of Bristol

bond” There size varies from less than 200 to over 30,000 members. Although not run for a profit motive, credit unions must cover their costs and generate a surplus to pay a dividend to savers and invest in their business, so they have one thing in common with Payday lenders – the need to make money from lending.

There are challenges to be met by credit unions taking this role

- Availability and accessibility of credit union services
- Attracting a mixed membership
- Competing with other financial services providers
- Meeting consumer expectations of automation and quick decisions
- Not all credit unions have the capacity or the desire to offer quick credit
- Lower value, shorter term loans carry high costs
- “Higher risk” borrowers carry a higher risk!

Credit unions can be part of the solution. Credit unions upgrading their technology, an automated lending decision tool developed and in use by Credit Union Expansion Project credit unions. Credit union interest rate cap has been raised to 3% per month (42.6% APR) and partnerships with employers are crucial to CU success in this arena. They have proven track record of success and a “good” instant loan product can attract consumers away from high cost options, and encourage a better approach to money.

Participant discussion themes

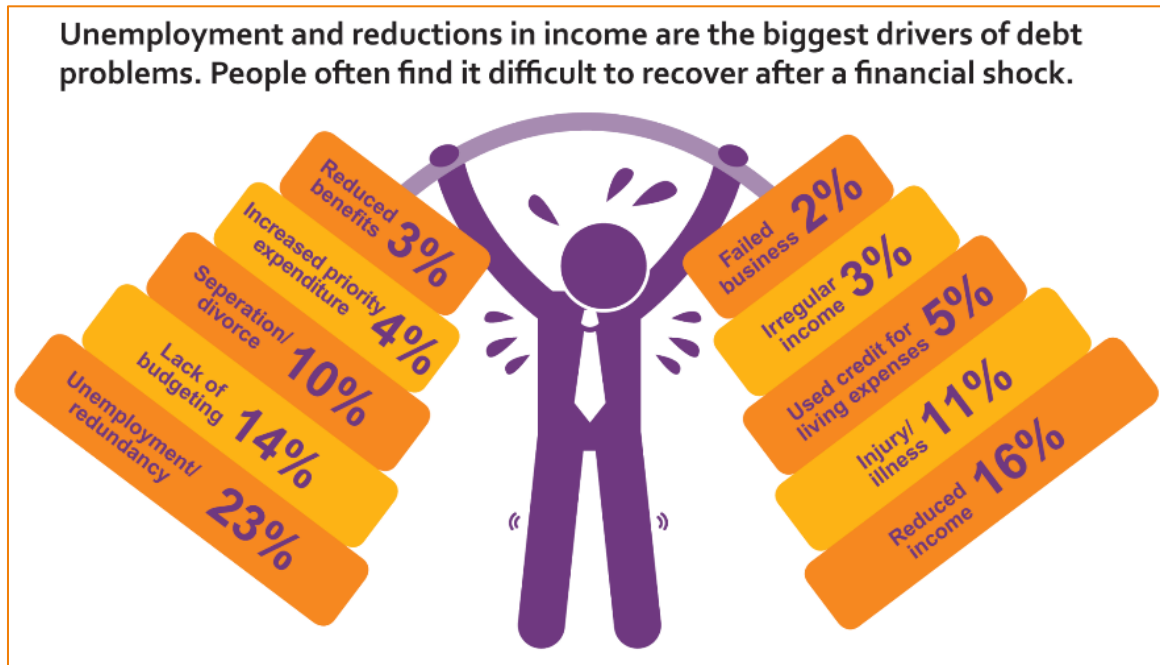
- *Need to increase the physical presence of alternatives and tailor to the demographic*
- *How to Establish scalable models of Community Development Finance Institutions (CDFIs)*
- *Getting the messages to the right places on-line*
- *Important of Financial Education an widening its reach*

Dealing with the impact

Sharon Bell, StepChange

StepChange Debt Charity, previously known as Consumer Credit Counselling Service (CCCS) is the UK's leading debt advice organisation, with over 20 years' experience of helping people become debt free. They work closely with partners in Scotland including Accountant in Bankruptcy, Citizens Advice Scotland, Scotcash.

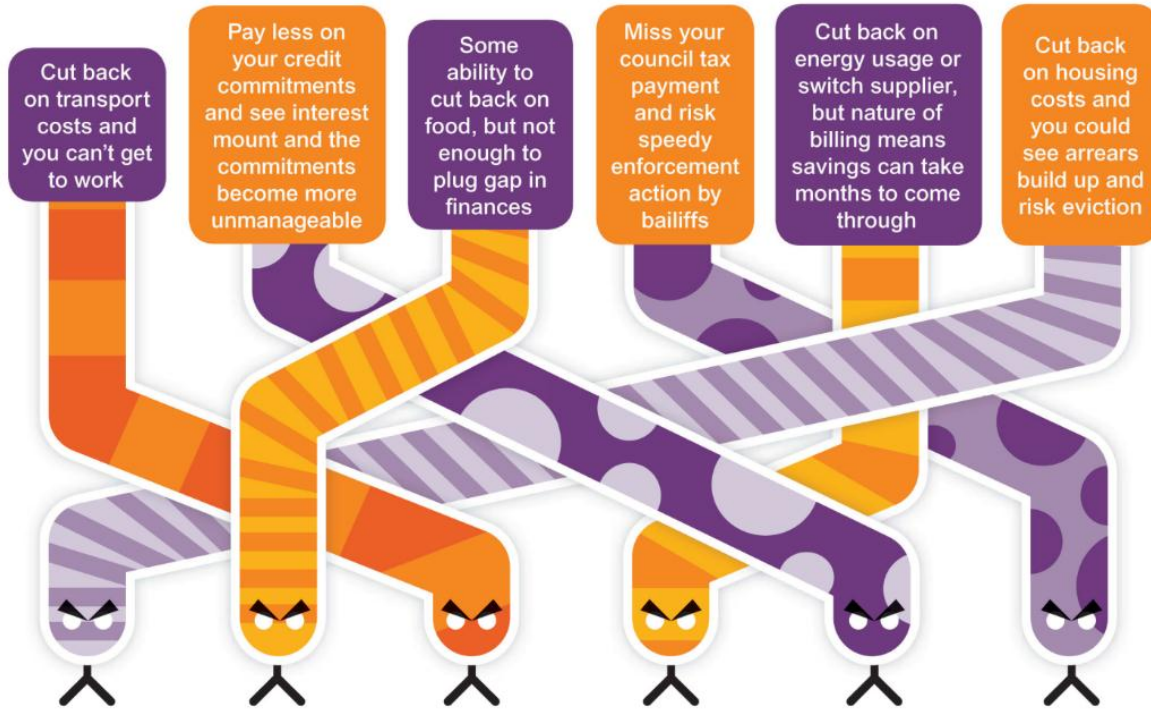
The main reasons for debt were summarised.



There are assumptions about those in debt being poor or with low income. Over 50% of those StepChange has dealt with are in work, with the unemployed accounting for 32% of clients. Types of debt include personal loans, catalogue debt, the most prevalent for Stepchange is credit card and overdraft debt. However Payday loan debt has increased from less than 1% in 2010 to 12% in 2012.

The Credit crunch, changes to the welfare system, reduced income, redundancy can all case income shock, which has a huge impact on individuals. A survey by Stepchange showed how people may deal with the issue.

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.

In Scotland, figure for payday lending in 2012 were

	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
Stirling	10.8%	£1,910.50	16.7%	£1,215.63

The average annual interest rate was 5853%, the worst rate was 2,496,496,134,721% among 156 Payday lenders.

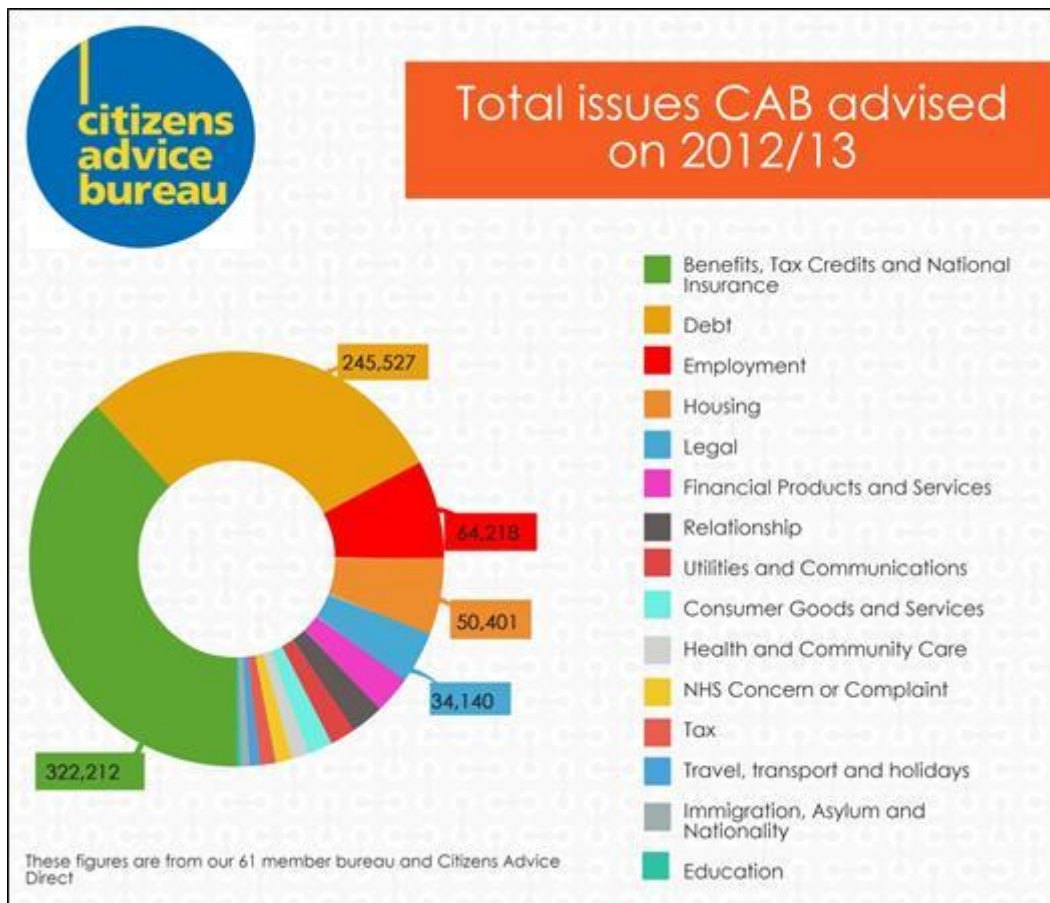
Payday lenders were the biggest source of complaint in 2013 from Stepchange clients and the fastest growing. In 2010 4% of complaints were about Payday lenders and rose to 30% in 2013. Complaints about them are consistent with those of other support agencies.

- Intimidating, abusive or inappropriate language.
- Continuous payment misuse.
- Irresponsible lending.
- Inaccurate or technically wrong advice.
- Excess interest rates or charges added to debt.

Susan MacPhee, Citizen’s Advice Scotland

Citizens Advice Scotland is a registered charity which supports Scottish Citizens Advice Bureaux by providing expertise on things like management and fundraising, resources such as IT support, tools and training to support advice giving, national and local policy work and help with running campaigns. CAS look at the problems people bring to our advice services and campaign for change where it’s needed most.

The Scottish Citizens Advice Bureau provides advice in a range of areas. Figures for 2012/13 were



The most likely reason that a person consulting CAS for debt advice had for taking a payday loan, was for rent, food and fuel, a staggering 36%. Reasons for debt cited were cited as low income, increased living costs, illness/disability, job loss, income reduction and uncertain working hours.

Of those taking payday loans

- One fifth access loans via a High Street shop
- Over half were under 34
- Half were in full time employment
- Just under a fifth worked part time
- 1:10 were unemployed
- 14% had benefits as only source of income
- 2:5 lived in social housing
- More than two thirds had relied on family for help
- More than 2:5 had skipped meals
- 1:10 had accessed a foodbank
- Just under a third had gone without electricity and heating
- Just under a third had taken out further loans
- More than a quarter had sold their possessions

CAS and other debt charities agree the current issues

- Rollovers
- Affordability
- Continuous payment authority problems
- Data Protection
- New rules introduced by FCA 1 April
- Market players reducing in number

Participant discussion themes

- *Consider regulation and how to ensure that through the Financial Health Service we can ensure that debt charities can act on behalf of clients without hindrance. E.g. Data protection law*
- *Importance of all agencies working together including local advertising of alternatives*
- *Consideration of appropriate mechanisms to engage with regulatory bodies.*
- *Explore alternative options for quick access lending for example those credit unions who are interested, CDFI models or Scottish Welfare Fund, Wage advance system, Social landlord lending scheme.*

Young People's Perspective

Alison Hardie, Young Scot

Young Scot aims to provide all young people living in Scotland aged 11 - 26 with a mixture of information, ideas and access to opportunities to help them make the most of their lives. They operate a range of programmes co-produced with young people.

Financial capability is a key element of Young Scot's Extra package of services for young people aged 16+, and in developing financial support for young people, Young Scot sought to establish;

- What are the needs of young people post-school when it comes to financial capability?
- and
- How can Young Scot Extra best support young people to be more financially capable?

Money Advice Service research showed that

- Young people less inclined to keep track of spending
- More inclined to save regularly
- More open to talking about money
- Parents influential in shaping financial behavior of children
- Young people are likely to imitate parents' financial behaviors
- Young people aged 17+ less comfortable with their finances than young teenage years

As part of Young Scot Extra, financial capability services have been developed in conjunction with a range of partners to ensure that young people have an increased ability to make informed decisions based on good knowledge and understanding of the expert services, information and support available. Working with young people and in partnership with Scotwest Credit Union, they have created the **Young Scot Extra Savings Account** to use with Young Scot card, the first Scottish-wide online Credit Union service for young people.

Rachael McCully and John Sloan, South Lanarkshire Youth Council Money for Life Challenge

The South Lanarkshire Youth Council recently won the Scottish heat of the Lloyds Banking Group Money for Life Challenge and represented Scotland in the UK Grand Final on 15th May 2014. VIPS (Valuable Information Penny Savers) is a youth led initiative to develop the financial capability of young people in South Lanarkshire.

A team of 4 young people developed the project with 5 key themes to develop a series of workshops to run in centres in South Lanarkshire.

- Money management
- Vulnerable youths
- Debt
- Loans
- Advice and support

Their aim was to ensure that young people had information to give them a better understanding of financial issues and improve their financial skills.

Participant discussion themes

- School is the ideal place for financial education to begin – how can a lifelong learning approach be extended to various age groups.
- Importance of peer education through support and explore youth led initiatives e.g. South Lanarkshire.
- As parents shape financial behaviour, ensure that parents have access to quality support and education.

Improving Outcomes in Money Advice

Sandra Sankey, Improvement Service

The Improvement service commissioned Improving Outcomes in Money Advice action research project in partnership with the Money Advice Service. The overall focus was improving outcomes in money advice across Scotland's local authorities. Research report *Money advice services across Scotland's local authorities* including detailed recommendations was published August 2013. The report was written following consultation with 32 local authorities and key partners and stakeholders.

The research findings were

- **Access:** Need to improve access and reach for specific target groups; some scope for channel shift towards more telephone and online advice, but not suitable for all clients
- **Visibility:** Need to improve visibility for Council money advice services
- **Demand:** Most services operate demand-led and are expecting further increases in demand; distinction between demand and unmet need
- **Referrals:** Need to strengthen referral process between money advice and other partners at local and national level
- **Targeting:** Most areas have small projects around targeted support, relatively few consistent and sustainable approaches
- **Quality/ National Standards:** A few Local Authorities currently accredited for money advice under the SNSIAP; many are working towards the Standards but require additional support and resources
- **Performance management:** Differences in casework and reporting systems, issues with IT and data sharing; no consistent approach to collecting and reporting on data
- **Outcomes:** Money advice services need support in defining and measuring outcomes; measuring outcomes is currently very limited
- **Financial education:** Considered as key component for early intervention and prevention; need for more consistent approach, current provision is patchy
- **Affordable credit:** Difficulties for people on low income/ benefits to access affordable credit; many issues highlighted around Payday loans
- **Partnership working:** Number of good practice examples of effective partnership working and referral systems offering more 'holistic' approaches; need to ensure strong strategic links for money advice into Community Planning Partnerships

The report made a number of recommendations

- **Performance management:** Differences in casework and reporting systems, issues with IT and data sharing; no consistent approach to collecting and reporting on data
- **Outcomes:** Money advice services need support in defining and measuring outcomes; measuring outcomes is currently very limited
- **Financial education:** Considered as key component for early intervention and prevention; need for more consistent approach, current provision is patchy

- **Affordable credit:** Difficulties for people on low income/ benefits to access affordable credit; many issues highlighted around Payday loans
- **Partnership working:** Number of good practice examples of effective partnership working and referral systems offering more 'holistic' approaches; need to ensure strong strategic links for money advice into Community Planning Partnerships.

COSLA Loan Shark Campaign

Laura Jamieson, COSLA

The Scottish Illegal Money Lending Unit is part of the Trading Standards Scotland team within COSLA.

Loan sharks are unlicensed money lenders who charge extremely high interest rates and add other 'charges' to loans whenever they want. Their victims will often lose control of the situation entirely. Loan sharks may start out as a 'friend' helping out but their attitude will soon change if the loan is not repaid in time and under their exacting conditions. Loan sharks often use threats, intimidation and violence to get more money often taking personal ID, like a bank card or passport or benefit card as 'security'. Whole communities can be affected if borrowers are forced to turn to crime to pay back out of control loans. COSLA commissioned the Stop the Loan Shark campaign to begin to try to tackle the problem affecting the most vulnerable in their communities.

The Campaign evaluation found that interviewees,

- whilst stating they had never used a loan shark for borrowing, they have used payday lending companies;
- would be unlikely to report a loan shark via the telephone or internet as they were terrified it could be traced back to them;
- are keen to hear about the alternatives to borrowing from the likes of payday lending companies more widely and want to know more about safer borrowing options;
- Expanding on above, they were not aware that you could borrow money from a credit union;
- They were worried that their children may be lured into borrowing from a loan shark.

Davie

I borrowed money from the local illegal lender a couple of years ago. It was only about £30 at first just because I was a bit short. Once I'd started borrowing though it was too easy to go back when I was short. He charged £3 per £10 per week so the debt could very quickly go up. It got to the point where I owed several hundred pounds and the guy was getting quite threatening. He's quite little I'm not really that scared of what he could do to me but he hangs around with this nutter who's a cage fighter and I know that they've messed some people up before. The lender he took a hammer to someone's hand once he'll also threaten your family and I've got a wee boy. Anyway the lender said I could do a cannabis cultivation for him and that would help pay off the debt but I got caught by the Police, I ended up in prison and the lender said I now owed him for the plants and equipment as well as the money I'd borrowed. When I was in prison the lender went round to my house and took my post office card off my partner so he could take more money out of my account. When I came out of prison he still kept chasing me for money and now I've had to move out the area to get away from him.

Feedback from interviewees

- *“Because the banks are not lending anymore you have to use PDL companies and then that goes on your credit record.”*
- *“More and more folk are going to PDL despite the fact the interest is horrendous but what else can you do if you need the money?”*
- *“I’m a member of the Credit Union but I didn’t know you could borrow off it.”*

Participant discussion themes

- *Development of a collective understanding and sharing information on the full picture of why people are borrowing in the first place, including identification of links between addiction, health issues and tackling poverty*
- *Explore how advice more easily accessed and work on programmes to reduce stigma.*
- *Consider co-ordinated approaches using local authorities and health services – integrated social care?*
- *Consideration of alternative lenders for quick loans, if the number of Payday loans and individual can have are capped by FCA regulation, where do people go to solve their immediate need?*

Prevention is the key

Sharon MacPherson, Scotcash

Scotcash is a Community Development Financial Institution (CDFI) which opened its doors to Glasgow citizens in January 2007. CDFI's help deprived communities by offering affordable loans and support to people who face barriers to accessing credit elsewhere. They operate as a one-stop-shop offering an alternative to high cost doorstep lending whilst at the same time looking to increase the financial capability of those furthest away from mainstream financial services. The aim is to help tackle financial and social exclusion in Glasgow by targeting and working with people living in poverty to increase their access to: affordable credit, basic bank accounts, credit union savings accounts, discounted household goods packages, high quality financial advice

Financial exclusion is a real issue for many in Scotland. Generally there is a lack of access to finance, credit and financial services and is often linked to other social issues and vulnerable people – pay a “poverty premium” The work of Scotcash is embedded in Glasgow’s Financial Inclusion Strategy and focuses on a preventative approach, interrupting the cycle of debt and payday loans, integrated services providing resilience and sustainability.

Rhona McGrath, Renfrewshire Council

Welfare reform and the introduction of Universal credit, credit crunch, the reduction availability of credit and the associated increase of the use of non-standard lending. All these factors led to concern in local authorities about the growing impact upon a wide range of citizen groups as well as the new and growing demands on Council and partner services. Renfrewshire Council, alongside other local authorities identified this as a key risk which required addressing.

Key issues were

- All Universal Credit recipients must have a transactional account for Universal Credit.....and internet access!. Many individuals do not have basic literacy skills to be able to do so.
- Around 1 in 5 social housing tenants, are unbanked
- 29,000 basic accounts in Renfrewshire with 33,000 returned item charges!
- An estimated 2500 people in Renfrewshire are unbanked

- People will wait for a trigger event to get an appropriate account – we need to be ready for the late rush!

Following research they considered the options for providing alternatives to high cost credit

The council or **Credit Unions** or **CDFI** e.g. Moneyline, Scotcash

In seeking solutions, accepted wisdom needs to be challenged, particularly in relation to cost versus price, recognising market segmentation and the need to research and understand customer behaviour. Sustainability needs to be recognised as an integral part of any solution particularly when pricing for what are considered to be higher risk customers.

Options appraisals need to take account of volumes of applications - a critical mass is required, and there needs to be effort and resources focused on marketing more ethical products. Aim is to make it a simple straightforward application and decision making process - helps keep costs down and provides an alternative to easy access higher cost providers

For people without a working transactional bank account, solutions that respond to customer behaviour, minimise transaction costs and provide support through existing trusted partners will have most impact. With Credit Union development seen is a key element in tackling the rise in high cost lending Renfrewshire Council has committed up to £0.5 million of resources to support credit unions in Renfrewshire to provide access to more economical banking services and more ethical and financial products and has also supported a local Housing association credit union partnership to access Big Lottery Support and Connect funding to develop budgeting accounts

Participant discussion themes

- *Vulnerable people tend to pay more for basic services, e.g. electricity. How can their needs be addressed and make it easier for them to open bank accounts and access affordable credit*
- *How can alternative models such as CDFI model be scaled and promoted, including exploring social enterprise models as a solution*
- *Promote programmes which encourage financial capability, e.g. Glasgow Financial Model for S1 pupils.*

Financial education in Scotland

Claire Orr, AIB

Accountant in Bankruptcy (AiB - an Agency of SG which is accountable to Fergus Ewing MSP, Minister for Energy Enterprise and Tourism) is has responsibility for policy on debt, including payday lending, and insolvency. Issues relating to consumer credit and associated regulation are currently reserved to the UK Government. The Bankruptcy and Debt Advice (Scotland) Act 2014, due to be commenced in April 2015, modernises and strengthens debt relief legislation and provides the framework for a Financial Health Service for Scotland.

AiB is leading work to develop the Financial Health Service concept which encompasses policy on debt advice, debt management and debt relief and focuses on improving the financial capability of people across Scotland. The service is being developed in response to the changed environment in which we have seen significant growth in consumer credit and payday lending.

The Financial Health Service aims to:

- Provide rehabilitation for individuals and organisations in relation to their financial pressures
- Develop and deliver a range of debt solutions for people in Scotland

- Ensure those in debt are provided with appropriate advice from approved money advisers and aware of the range of options available to them
- Provide an education role – seeking to impact on the culture and behaviors of individuals and prevent repeated financial issues
- Promote of ethical lenders such as Credit Unions

So far progress has been made in a range of areas:

- Changes to Debt Arrangement Scheme in support of people with debt including high-interest debts
- Bankruptcy and Debt Advice (Scotland) Act which provides for compulsory advice before entering debt relief and financial education for most vulnerable. A learning module has been created and is currently being piloted by people in the bankruptcy process
- '12 days of debtmas' and 'Hand with Debt' campaigns which highlighted the dangers of payday lending and promoted ethical lenders as alternatives
- AiB's website to be re-branded as Financial Health Service from autumn 2014, providing a one stop shop

Jim Lally, Education Scotland

Financial education in the Scottish curriculum is recognised as an element of every child's broad general education. The most up-to-date approach to financial education in the Scottish curriculum was outlined in a plan to improve financial education in Scottish schools in 2010. This recognises the inter-disciplinary nature of financial education and the contribution that can come from several subjects. The key curricular areas however have been identified as numeracy/mathematics and social studies where there are key explicit outcomes and experiences for financial education.

In addition to this the importance of financial education is recognised through the examination system, particularly in 'Lifeskills Mathematics' at National level 3, 4 and 5. Financial skills are developed through other subjects such as Business Management, Accounting and Finance, Economics and Home Economics. Personal Development Awards can also be used to recognise learning in this area of the curriculum. Links are made to developing skills for life, learning and work and in particular to health and well-being, literacy and numeracy.

In order to support teachers take forward financial education a number of high quality resources for learning and teaching have been developed and are available on the Education Scotland website.

In summary young people are given opportunities to develop financial skills from early years to the end of secondary education.

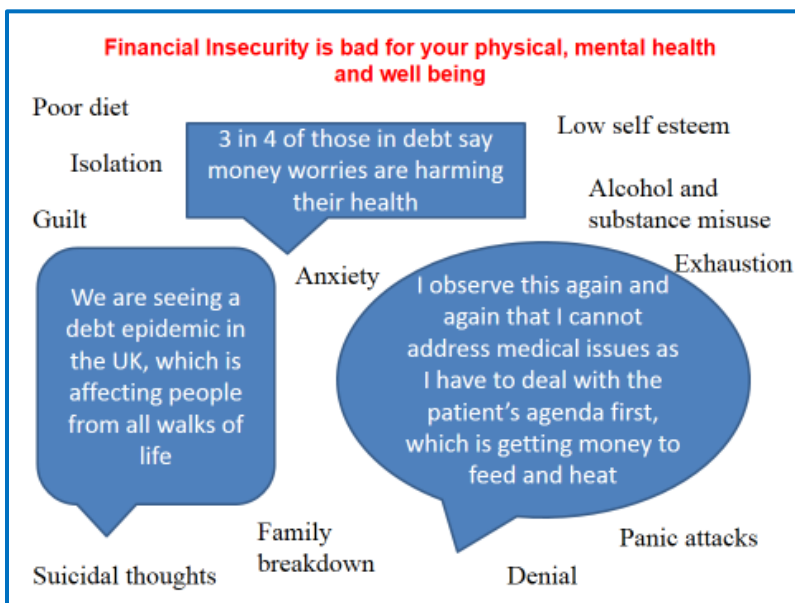
Participant discussion themes

- *How can current Financial education programmes be extended and strengthened*
- *What partners including housing associations be used to promote prevention plans*
- *Advertising can have a huge influence on the effect of financial education, how can we ensure that local prevention programmes have and impact e.g. Invest in on line advertising for alternative products*
- *SG should raise the concern with Advertising Standards Agency, following up CAB and Church of Scotland calls for post watershed advertising and also more control of on line advertising.*

Impact of public health

Alison Dowling, Blantyre and South Lanarkshire Credit Union

Janice Scouler, NHS Lanarkshire



This diagram shows the range of ways in which financial insecurity and poverty impacts on health and wellbeing. Mental and emotional health and wellbeing particularly affected people both in and out of work, from all walks of life. The biggest impact is on most vulnerable and it fuels a growing health inequality. The quotes are from Citizens Advice Bureaux survey carried out in England and Wales in September 2012. Over 1,700 completed survey online. 75% said that debt worries were having an impact on their mental health; while 54% said their physical health was affected.

The quote from GPs who are "at the deep end" demonstrates the impact on most vulnerable and its effect on the delivery of health care. Many individuals are caught in poverty trap, where they have to pay a premium to access heat, food, etc.

In both North and South Lanarkshire development of joint action plans that have been used to inform work within health. There is wide recognition of potential impact of financial insecurity on service users, staff and wider community, particularly impact of Welfare Reform. Structures have been quickly developed to develop and deliver partnership approach to mitigating impact on service users and organisations. The aim to ensure that as an organisation NHS Lanarkshire is aware of changes, potential impact on health and health services and what we can do to inform and support.

There have been a number of partnership approaches to develop information and push it to the right areas of services through training, Assessment, Communication, Resources

A key strategy has been joint resourcing and co-location of support services within health centres. A successful application to Big Lottery meant NHS Lanarkshire were able to create **Lanarkshire Health and Welfare Advice Hubs** which

- Enable the Co-location of financial inclusion, money advice and credit union staff within health centres.
- Remove barriers for most vulnerable

- Increased awareness and training for health care staff
- Reduce pressure on health services

The health board works with a range of partners including Blantyre and South Lanarkshire Credit Union who have developed the Freedom2 loan.


Mitigating the impact of payday & doorstep lending

Blantyre & South Lanarkshire Credit Union 'Freedom2 Loan'

- An affordable 'instant loan'. Ethical lending.
- Partnership-based alternative to payday loans.
- Loans to date from Nov 2010 – March 2014 **£1,005,083.65**

F2 loans Vs Provident loans	Average loan value	Total repayments over 52 weeks	Interest paid
BSL Credit Union 26.8% APR	£250	£281.66	£31.66
Provident 272.2% APR	£250	£455.00	£205.00

	Total interest paid on average loan
BSL Credit Union	£127,283.79
Provident	£824,168.59
Total interest saving to South Lanarkshire population	£696,884.80



Total current credit union savings
£159,245

Working together health and the credit union are able to make a difference as this case study shows

Mr Jones* was in severe pain with his back, for which he was in receipt of incapacity benefit. He requested a Freedom Loan for the purpose of a new bed as he believed that his current bed was aggravating his condition. The Freedom Loan worker recommended that he seek advice re Community Care grants as he may be eligible for a new bed through a grant. Mr Jones was referred to South Lanarkshire Council Money Matters to discuss, however Mr Jones could not wait for a decision on the Community Care Grant as the pain was so severe. A Freedom Loan was granted and a new bed purchased. Mr Jones had a repayment of £18.00 per fortnight, however paid £20 each week to accumulate savings and is now eligible to borrow at the standard loan rate should he need to borrow again. He was very happy with the service, commenting *“I’m so glad that someone listened and was able to help me”*. He sent a Thank You card to the Freedom Loan worker.

Participant discussion themes

- *Local authorities and health boards working together*
- *How can we allocate small amounts of preventative spend to the right organisations and ensure positive outcomes.*

- *Explore how we can bring together various data sets to more accurately assess the impact and measure successful outcomes*

Regulation to solve the problem

Councillor Norman McLeod, Glasgow City Council

The SNP Councillor for Pollokshields in Glasgow, Councillor Norman MacLeod, advocated that a ‘two pronged’ approach was required to tackle the problem of an excessive number of Licensed Betting Offices and of Payday Loan Shops.

Firstly - planning regulations should be adjusted so as to permit local planning authorities the more easily to ‘guard’ against ‘clustering’ of these sorts of premises. One key solution would be to remove Licensed Betting Offices from the general planning Class 2 and place them in a category of their own, making them “sui generis” (A Latin phrase meaning of its own kind or unique. Collins English Dictionary); and that the same should be done with Payday Loan Shops, i.e. they should be a category all on their own. In his view having both of these uses as two individual classes on their own would mean that planning authorities prospectively would be able the more easily effectively to manage their presence in their local areas. He believed that to make these changes would be within the competence of Scottish Ministers.

Secondly – material adjustment of or amendment to the Gambling Act 2005 was both necessary and desirable. At present such would require to be effected by the Westminster Parliament; or by the Scottish Parliament if ‘competence’ or responsibility in these matters were to be devolved to it. He was of the view that the underlying ethos of previous legislation - which he believed to have been to allow the existing demand for gambling lawfully to be met – but not to encourage an expansion or increase in demand – should again form the basis of what the law provided for. In particular he favoured returning to local Licensing Boards the power and the duty to consider whether or not the demand for gambling in any particular area already was being satisfied; and therefore allowing them to be able to take into account over-provision (as they can do at the moment in relation to issuing licenses for public houses etc.). He believed that such a power would help Licensing Boards to prevent ‘clustering’ of Licensed Betting Offices.

In concluding his remarks Councillor MacLeod suggested that the High Stakes Fixed Odds Betting Terminals regarding which there had been much recent publicity were a very ‘Hard’ and potentially dangerous form of Gambling the availability of which should be limited to Casinos and not be permitted in Licensed Betting Offices or anywhere else ‘on the high street’.

Tony McAulay, Society of Chief Officers of Trading Standards in Scotland (SCOTSS)

There were some concerns in relation to the advertising of payday loans within Local Authorities. SCOTSS through its Scottish Fair Trading Group commissioned a short term project on the advertising of payday loans.

The Regulations: The Consumer Credit (Advertisements) Regulations 2010 are very detailed and prescriptive, recognising that there is scope for consumers to be potentially confused and misled by advertising. Potentially entering into a credit agreement which may not be appropriate for their needs.

A systematic survey was carried out on all the main payday lenders active in Scotland between February and March 2014. The findings were

- Average interest rate was 3302%
- 51% of adverts contained clear incentives which cause some concern e.g. *“we can help people with bad credit”, “ Get cash in minutes”* and *“ We can help if you have been refused credit elsewhere”*
- Many loan companies seem to have moved away from using the term payday loans to more euphemistically *“short term loan”*
- Some High Street lenders signpost potential clients to other forms of credit provided by linked businesses e.g. pawnbroking or home collected credit.

Although compliance was high:

- 28% of advertisements didn't have a correct indication of APR.
- 23% of advertisements failed to comply with information requirements for a representative example.
- 15% failed to give full information omissions such as name, address or brokers fees

The findings from this project will be fed back to the FCA especially highlighting non-compliances.

The new proposals from FCA are

- Mandatory affordability check on borrowers.
- limiting the number of loan roll-overs to two.
- Restricting (to two) the number of times a continuous payment authority (CPA) can be used.
- Tighter restrictions on what payday lenders can say in adverts, while the FCA will be able to ban any that are misleading.

Participant discussion themes

- *Explore whether a mutually supportive scheme be put in place for planning, licensing and trading standards be put together which supports national outcomes and objectives*
- *How could planning law be refined to enable social policies to have a role and influence development of Town centre action plans, which would give more flexibility for local authorities to respond to local need and policy, for example, can we use local bye laws and Article 4 direction in Scotland?*
- *Betting shops and payday lenders should be sui generis*
- *Focus a truth in lending transparency in the provision of lending*
- *Intelligence sharing between Las and FCA*

Developing local approaches

Nahid Hanif, West Lothian Council

West Lothian Council are well known for their community hub approach embedded in their Community Planning approaches. Community hubs are important local community centres delivering a variety of activities and services in neighbourhoods. Hubs provide the focus for local community activity and bring residents together to improve the quality of life in their areas. The Bathgate Partnership Centre includes Adult Basic Education, Advice Shop, Community Centre, Council Office Accommodation, Customer Information Service, Housing, Library, Registrars Office, Landscaped Garden & Orchard, Meeting Spaces for Community Groups

One of West Lothian's key strategies to tackling the problem of debt and financial instability is through a programme to tackle digital exclusion as it can lead to financial and social exclusion. West Lothian Council aims to ensure that people can access, use and participate using ICT. Changes to the Welfare system has meant a lot more being pushed online in terms of

- Job Search
- Applying for and managing benefits online
- Online training/ access to bank accounts

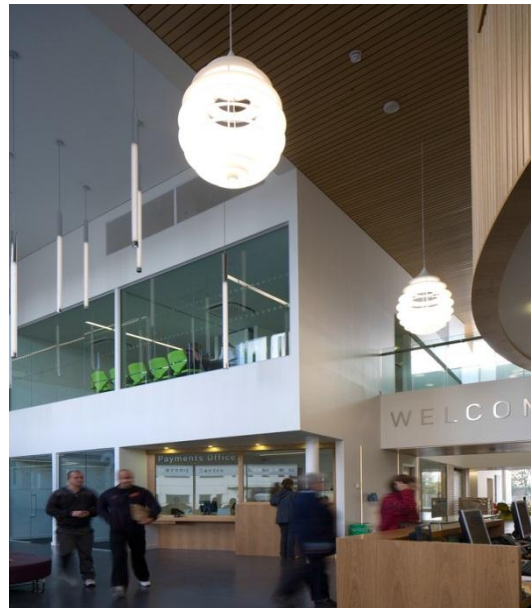
Within Bathgate Partnership Centre offers a range of programmes through

- Work Clubs
- Access to Employment
- Community Learning and Development
- Volunteer IT Buddies

These channels can be used to support and point to advice centres and the Financial Health Service.

Participant discussion themes

- Lots of good practices in local authorities, how can SG encourage wider adoption of programmes that work and we can verify through evidence, e.g. West Lothian Community Hubs
- What guidance can be developed through the town centre action plan



New approaches and responding to cumulative impacts? Shannon Hanrahan, Outcomes Group

The Gambling Act 2005 is underpinned by three key Objectives:

- Preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime.
- Ensuring that gambling is conducted in a fair and open way, and;
- Protecting children and other vulnerable persons from being harmed or exploited by gambling.

The impacts of gambling can be seen as

Economic	Social	Health	Cultural
Benefits Benefits to users (consumer surplus) Ancillary economic benefits from casino/gambling development National and local government benefits (e.g. taxation) Costs Problem gambling Increases in criminal activity Degradation of the environment Displacement (movements from one form of gambling to another)	Benefits Acceptance, social networking Crime reduction Costs Crime 'In-house' crime, crime committed to acquire funds to gamble or pay debts, crime as a by-product of gambling (e.g. family violence) Housing Loss of home, need re-housing Other debt related Family relationships Child maltreatment, domestic violence Work Loss of time and job	Benefits Recreation Costs Stress disorders Addictive Disorders Suicidality Some evidence of physical health problems	Benefits Increase in social networks Increasing leisure opportunities Costs Reducing social capital

Overall percentage of problem gamblers in Scottish adult population is 0.7% (30,500 – 32,000). On the face of it, this is fairly conservative, However:

- 3% low risk and 1% moderate risk of becoming problem gamblers (175,300 considered vulnerable)
- The greater the engagement with a product, the more likely to be harmed. 13.3% of multiple interest gamblers (engaged in 8 or more activities) were problem gamblers.
- Losses: Gambling on FOBTs cost problem gamblers around quarter of a billion pounds per year. This is compared with other forms of gambling which cost around £50-70 million pounds (Dispatches, 2012).
- International research demonstrates that approximately 30 – 50% of total gambling turnover comes from at-risk or problem gamblers.

Vulnerable Groups are

- Men – 11.6 times more likely to be a problem gambler compared to women;
- Deprived communities – those living in the most deprived quartile are 7 times more likely to be a problem gambler than those living the least deprived quartile;
- People experiencing poor mental health - 5.6 times more likely to be problem gamblers than those who indicate positive psychological wellbeing;
- People displaying signs of possible alcohol dependence – 7.1 times more likely to be a problem gambler compared with low risk or abstinent drinkers.

A premises license under the Gambling Act 2005 (153) the Licensing Authority shall aim to permit gambling so far as the authority think it:

- In accordance with a relevant code of practice;
- In accordance with any relevant guidance issued by the Gambling Commission;
- Reasonably consistent with the licensing objectives and;
- In accordance with the licensing authority policy issued under the Act.

Increased local concern across the UK is mainly over betting shops and however in Scotland there is increased concern with their proximity to payday lending:

- Proliferation of betting shops since the Gambling Act 2005 came into force;
- Clustering of betting shops in the most deprived areas, and the impact on the vulnerable;
- Anti-social behaviour in and around betting shops;
- Longer term sustainability of the high street;
- FOBTs – “crack cocaine of gambling”.

Betting shops are classified as ‘financial and professional services’ (use class 2). For example, a premises that houses a bank or estate agent can be converted into a bookmakers without having to seek consent. Current planning system doesn’t allow for Local Authorities to control the number or location of betting shops. Calls to have betting shops put into own use class. This may allow Local Authorities to develop and implement policies that assess the impact of betting shops on communities and the surrounding built environment.

As it currently stands there are things that local authorities can do

- Greater public health engagement in the licensing process;
- Monitoring and better understanding local needs and commissioning interventions to prevent and minimise gambling-related harm e.g. needs assessment and integrated health and social impact assessments;
- Promoting the availability and uptake of basic problem gambling screening/identification, brief intervention and sign-posting training to local services;
- Using local authority owned property to support positive public health outcomes;
- Primary research to better understand overall socio-economic and health impacts of gambling within local authority areas.

Ian Leete, Local Government Association

The LGA, which represents more than 370 councils in England and Wales, launched their rewiring licensing campaign in February 2014. Licensing reform is a key plank of the LGA’s Open for Business vision for local regulation. They are engaged with stakeholders including ACS, FSB, ALMR, as well as councils. In licensing terms there is Myriad legislation, some of which is outdated. Inconsistent principles and processes leads to unnecessary bureaucracy. However there is Concern among councils and residents at lack of powers to address issues such as clustering of betting shops, alongside a desire by some authorities to license specific activities, eg sunbed use

The LGA rationale for reform has two clear, but quite different objectives.

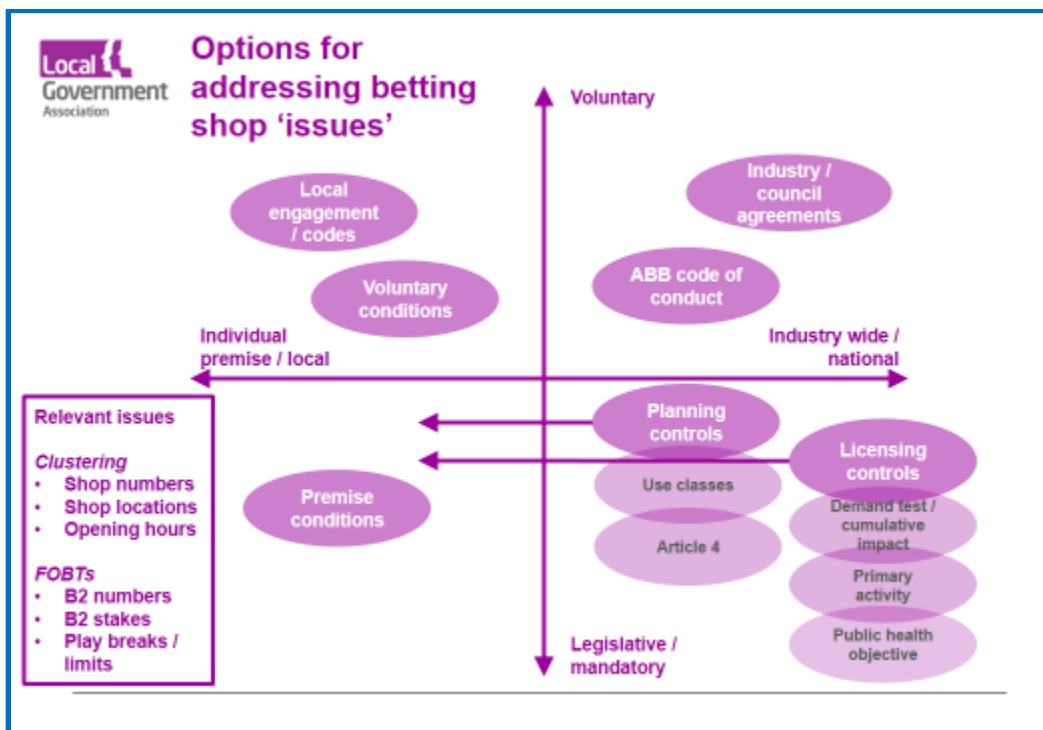
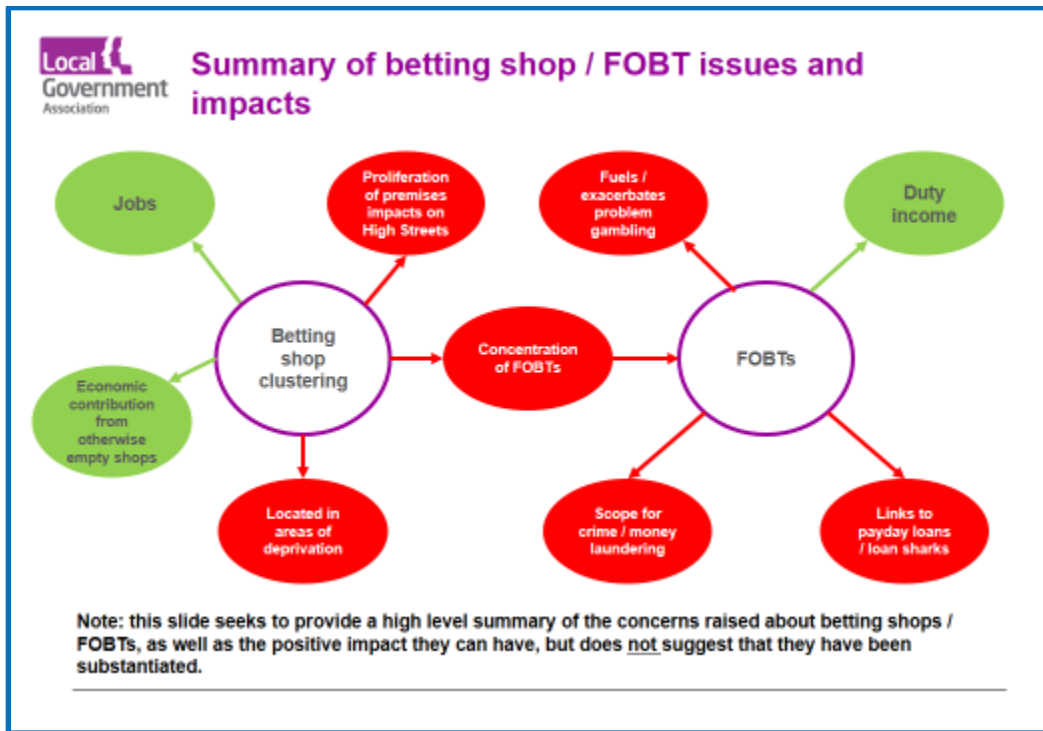
1. Reducing unnecessary bureaucracy in licensing, and
2. Ensuring that councils and communities have the right powers to make evidence based decisions that are appropriate for their communities

These objectives pose some interesting philosophical questions -

What does licensing exist to do?

What is an individual's responsibility versus the state's responsibility?

How do you future proof licensing?



To take forward councils' concerns on gambling, the LGA has set up and chaired the first of a series of meetings of a Betting Commission in London with BetFred, William Hill, Coral, Ladbrokes and Paddy Power all signed up to take part. It is the first time the 'Big Five' betting firms and councils have agreed to sit down together to discuss concerns about the number of betting shops spreading across our high streets and the risks from problem gambling being exacerbated by high-stake FOBTs. Alongside the LGA and representative councils, the Commission includes representatives from the Department for Communities and Local Government, the Department for Culture, Media and Sport, the NatCen for Social Research and the Association of British Bookmakers (ABB). The first meeting explored a range of options – both statutory and informal – that could be introduced to tackle the issues identified in the slide below.

Participant discussion themes

- *Lobby for a new 'public health' objective and primary activity test to be added to the Gambling Act 2005 and Licensing Act 2003 to allow health to be taken into account when reaching licensing decisions in a bid to tackle issues that would include problem gambling and FOBTs.*
- *Explore ways in which cumulative impact can be taken forward as effective planning tool in Scottish planning policy, including the evidence base required to support planning decisions rejecting applications and effectively enables councils to deal with over provision.*
- *Explore whether a mutually supportive scheme be put in place for planning, licensing and trading standards be put together which supports national outcomes and objectives*
- *How can we use government policy with is a "material consideration" in planning and specify social impacts more clearly within that?*

Current Regulation and Measures

Rob Burkitt, The Gambling Commission

There is a distinction between proliferation and clustering; only small increase in number of betting shops, but a lot of clustering; currently some larger corporations are looking to offload a few shops ; need to focus more on what is happening in the shops; less likely that there will be a massive expansion of betting shops.

Gambling and planning: in England and Wales there have been planning issues around these shops however the Gambling Act not designed to be used by local authorities to tackle planning issues. Once a premise license is granted there is a great deal of scope for LAs to regulate the activities within the premises. However one needs to remember that the Act places a duty on both the Commission and LAs to permit gambling so long as it is consistent with the licensing objectives.

Gambling Commission and Local Authorities financed through operator fees paying for activities such as issuing the licenses but also inspecting the premises and making sure that action is being taken against illegal gambling. It is important to recognise that there are still unregulated environments/ illegal activity where the protections afforded by the Act such as excluding young people are not in place.

Local authorities do have powers under the Gambling Act, which consist of four elements

- Codes of practice (social responsibility obligations; obligation on betting shops to protect vulnerable people eg self-exclusion etc. and if local authorities feel these aren't being adhered to they can intervene. They can also inspect premises to ensure that the codes are working)
- Conditions: Local authorities have the power to impose conditions on the premises license; one local authority in England conducted test purchasing on premises in their area, two of them twice failed to prevent underage access, as a result they imposed a condition on the premises

concerned obliging the operator to employ a third party company to do test purchasing for a year to make sure the company improved. The results had to be reported to the LA on a regular basis.

- Statement of gambling policy: can be changed by local authorities to suit local circumstances; Local voluntary code: if the local authority feels that there are risks in a specific area, in England and Wales there are schemes to bring the operators together, and asking them to participate as condition of their license; sharing practice, making sure self-exclusion works effectively; this can be used to address problems under current legislation
- Aim to permit is not unqualified; e.g. in an area with serious crime issues and the local authority feels it is inappropriate for gambling shops to be situated there; dislike is not sufficient; but English authorities are learning that where they want to object it has to be evidence-led. Local authorities can ask for more information if they feel the application for a premise license is not good enough; probing deeper (e.g. copy of business plan, layout of the shop, is it near homelessness hostels, are the staff aware of issues around gambling and homelessness, what are the staffing levels after 6pm etc.)

Next steps:

- Different use classes to be introduced (England and Wales)
- PM announcement around gambling (content not yet clear – if any relevance to Scotland; but emphasis will be giving greater responsibility at local level)
- Industry codes: various codes have been introduced (social responsibility codes), however they need to be evaluated thoroughly to determine whether these are working
- Gambling Commission: consultation starting in July around codes of practice, license conditions (major parts of local authority tool kit), this will be a major opportunity for local authorities to get involved in the consultation and give their feedback

Nadgedge Genetay, Financial Conduct Authority

The Financial Conduct Authority assumed new powers on 1 April. It will regulate the whole of consumer credit markets, but payday has been and will remain a priority area. The FCA will have more powers and resources than the OFT. It will include asking all firms to apply to be authorised over the next 2 years. Firms will have to meet strict conditions for authorisation. The FCA will also make sure that firms meet standards on an on-going basis through its supervision and enforcement.

Unrestricted

2. Better regulation: making sure firms meet our standards

Proactive	Event-driven (reactive)	Issues and products
<ul style="list-style-type: none"> Contact with all firms – frequency depends on risk. Judgement based. 	<ul style="list-style-type: none"> Identify issues ourselves or through stakeholders. Firms have to tell us when problems arise. 	<ul style="list-style-type: none"> 'Thematic work'. Can lead to new rules, guidance or advice for consumers. Public outcomes.

Examples of sanctions we can impose:

- 'Variation of permission'.
- Fines.
- Order consumer redress.
- Fine or ban regulated individuals.


Financial Conduct Authority

In addition, FCA will implement the following

Unrestricted

3. Improving standards in payday lending: reduce unaffordable lending

Affordability assessments <ul style="list-style-type: none">• Our rules require all firms to assess affordability.• This assessment will need to take into account other financial commitments.• We will look at firms' affordability assessments.	Real-time data-sharing <ul style="list-style-type: none">• Data-sharing in the UK is through Credit Reference Agencies (CRAs).• Recently CRAs Callcredit and Experian announced products that will update credit information daily or more than daily.• We continue to talk to the industry and CRAs. If we are best placed to act, we will.
Limiting use of CPAs <ul style="list-style-type: none">• Lenders use 'Continuous Payment Authority' (CPA) to repeatedly access bank accounts.• New rule means lenders can only use CPA twice before contacting the customer.• We've banned use of CPA to take part payment.	Limiting use of rollovers <ul style="list-style-type: none">• Rolling over loans means lenders don't need to be concerned about whether the customer can pay back the whole loan.• We are capping the number of rollovers at two.• Loans should not be rolled over if a firm knows it isn't in a customer's interests.

13 Financial Conduct Authority 

FCA will also review of the way payday lenders treat customers when they experience difficulties repaying their loan. They have requested information from a number of firms across the market. They will be inspected by FCA who will gather a range of evidence including reviews of case files so we can trace what happens to customers. Results will be published in 2015.

A review and consultation on a cap on the total cost of credit will also take place with the following schedule

- Spring 2014: research and analysis
- July 2014: consultation
- November 2014: publish rules
- January 2015: implement cap

Participant discussion themes

- *How can we use the existing tools developed by FCA and Gambling Commission more effectively*
- *Ensure that local authorities and potentially Scottish Government has Statements of gambling policies*
- *Consideration of appropriate mechanisms to engage with regulatory bodies.*

7 LOOKING TO THE FUTURE

The event took place on 23rd April 2014 in Trades Hall, Glasgow. 120 delegates from a range of stakeholders and interests participated. Representatives from local authorities, money advice services, welfare organisations, payday lenders, bookmakers and credit unions and the private sector were involved in discussions. The core purpose of the event was to consider how town centres can be revitalised by addressing the clustering of payday lending and betting shops. This summit report is being shared widely with attendees and those with an interest who were unable to attend.

There was lively debate and wide ranging discussion on possible solutions. Consensus amongst those attending was that working together on a shared objective was the way forward and a recognition of the amount of work and different approaches already being taken by local authorities and in communities should be more widely promoted. For example South Lanarkshire Youth Council Valuable Information Penny Savers (VIPs) and The Future Savers initiative is “Glasgow's starter for ten”.

The need to build on actions already taken and continue to develop a coherent strategy amongst stakeholders was discussed. The need to improve and better understand the evidence base and improve the sharing of best practice was identified. A number of common themes emerged from the presentations and discussions on the day. These related to

Regulation: Scotland does not have the powers in relation to the regulation of payday lenders and limited ones for gambling; concern at the practices of some payday lenders; need to develop stronger relationships with the regulatory bodies in the Financial Conduct Authority and Gambling Commission.

Town Centres: concern about both the number and clustering of payday lenders and betting shops in town centres

Alternative Lenders: need to extend, promote and support alternative lenders

Financial Capability: continuing to improve financial capability through information and education is key to preventing future problems, wider links to welfare reforms and health concerns.

In response to the summit, an action plan is being developed. The plan will build on existing commitments to the Town Centre Action Plan and the Financial Health Service. The action plan will focus on:

Intervention

Areas where Scottish Government or jointly with other partners can take action to change the landscape, for example, using planning law or different approaches to business rates or consideration of appropriate interventions which promote alternative lenders.

Prevention

Continuing to develop and implement prevention and early intervention programmes is key to tackling this issue across a range of age groups. The Financial Health Service, to be launched later this year, will bring together access to a wide range of advice and education services. Money Advice Services, Credit Unions and other sources of advice and education will be promoted to ensure information and support is easily accessible for all.

Regulation

The Scottish Government has already made clear that if it had responsibility for consumer credit a multi-pronged approach would be taken to regulate of payday lending, including a cap on the cost of credit. The Scottish Government will continue to argue push for more devolved powers for Scotland in relation to consumer finance and gambling either through UK Parliament or memorandums of understanding with regulatory bodies. We will continue to influence policy of the UK Government, for example in relation to advertising by payday lenders.

We will also explore whether a 'public health' objective and primary activity test should be added to the Gambling Act 2005 to improve the ability of those making licensing decisions to address issues such as problem gambling and Fixed Odds Betting Terminals (FOBTs).

Support

Consider the need for further research to establish an improved evidence base in respect of problem gambling in Scotland.

Explore with regulatory bodies any training programmes which can be delivered by FCA or Gambling Commission in Scotland

Working together across portfolios, local authorities and key agencies, integrated approaches will be important to success, as will the creation of strong relationships in Scotland with the regulatory bodies for consumer credit and gambling. Scottish Government will ensure the summit report is circulated widely and that action and delivery plan is developed and launched in due course.

8 EMERGING PRACTICE

The summit heard of a ranging of emerging local actions to tackle the problems targeted by the summit. Some are at early stages, others more mature and some may need to be adapted to suit circumstance s in Scotland. The Improvement Service [Knowledge Hub](#) has a range of information and discussion on practice.

We heard of the Future Savers initiative is "Glasgow's starter for ten" programme whereby the council deposited £10 into an account for each first year pupil, ensuring that every young person in the city has access to a dependable, responsible option for savings and money advice. It will also mean that, as adults, they will always have a better alternative to payday loans if they decide they need to borrow.

We also hear that other local authorities, like Glasgow, have a policy developed under their Financial Inclusion Strategy not to rent to Payday lenders through council property, in addition some local authorities do not permit advertising of gambling or Payday lenders on council premises, including public and staff computers. Others suggested that local authorities should allow and positively engage in local advertising of alternatives or Debt Advise outside payday lending and betting shops. Edinburgh City Council have taken this approach

A number of local authorities and others, like Renfrewshire Council, Glasgow City Council and Young Scot are working more closely with credit unions and alternative lenders e.g. Glasgow will offer every credit union in the city a rent subsidy to open accessible, high street premises and become more visible in their community. Young Scot has just launched a national youth credit union with Scotwest.

It was suggested by some that where local authorities or public bodies have control over pension funding do not make direct investments in payday lenders. This would form part of their whole council approach to develop and implement robust financial Inclusion strategies.

Local authorities should ensure they are maximising their powers under current gambling regulation the powers currently available. There is some debate around the feasibility of actions in relation to the Licensing Officer system in Scotland, however consideration could be given to

- a. Develop and implement Codes of practice (social responsibility laws; obligation on betting shops to protect vulnerable people, self-exclusion etc. and if local authorities feel these aren't being kept they can intervene)
- b. Conditions: Local authorities have the power to impose conditions on the licenses; one local authority in England did some test purchasing to check they were complying with regulation and the code of practice. Statement of gambling policy: can be changed by local authorities to suit local circumstances;
- c. Local voluntary code: if the local authority feels that there are risks in a specific area, in England and Wales there are schemes to bring the operators together, and asking them to participate as condition of their license; sharing practice, making sure self-exclusion works effectively; this can be used to address problems under current legislation
- d. Although the aim of legislation is to "permit" legal gambling, is not unqualified; e.g. in an area with serious crime issues and the local authority feels it is inappropriate for gambling shops to be situated there; dislike is not sufficient; but English authorities are learning that where they want to object it has to be evidence-led.
- e. Local authorities can ask for more information if they feel the application for a premise license is not good enough; probing deeper (e.g. copy of business plan, layout of the shop, is it near homelessness hostels, are the staff aware of issues around gambling and homelessness, what are the staffing levels after p.m. etc.)

Westminster Council is cited by the Gambling commission for its good practice.. See Appendix 1

In England, there planning law is different, some local authorities are considering introducing of a public health test within development plans

It was suggested that local authorities' evidence base needs to be rigorous and not based on assertions. Ensure tackling poverty outcomes are embedded and figures stand to legal scrutiny.

Appendix 1

Extract from Gambling Commission Bulletin January 2014

Westminster City Council's good practice examples for betting shops and other gambling premises licences

In response to continuing concern from residents and local businesses, Westminster's Licensing Service advises that it has implemented several practices for betting shops in order to fully assess applications for new premises and for extended hours:

1. Adding conditions to premises licences:

Where necessary, the Licensing Service has added a number of conditions to premises licences. Some of these have been suggested by the operators in an attempt to alleviate concerns and, as such, have not been contested. Examples include:

- (a) No pre-planned single staffing after 8pm and, when this is unavoidable, for the maglock to be in constant use;
- (b) A minimum of two staff members after 10pm;
- (c) Conditions requiring police minimum standards for CCTV and the requirement that a person is available at all times on-site who is fully conversant with the CCTV system;
- (d) A requirement for an incident log to be kept at the premises to record all incidents of crime or disorder, and complaints received, any faults in the CCTV system and any visit by an authority or emergency service;
- (e) CCTV cameras required to be in certain areas of premises (e.g. at the entrance to show full facial coverage on entry and/or exit);
- (f) Notices to be displayed stating there is CCTV in operation at the premises;
- (g) Placing a monitor on the shop floor showing CCTV coverage of the exterior of the premises as a deterrent for anti-social behaviour once outside the premises;
- (h) A requirement for 50% of the shop frontage to be clear of advertising so that staff have a clear view and can monitor the exterior of the premises;
- (i) Requirements for full-height security screens to be installed;
- (j) Maglock systems are employed and access is controlled;
- (k) All notices regarding gambling advice or support information within the vicinity of Chinatown must be translated into both simplified and traditional Chinese.

In late 2011, a proposed premises with significant anti-social behaviour issues in the vicinity of the premises was conditioned so that the premises has to ban customers who drink alcohol outside the premises and display notices to this effect on the exterior of the shop. The premises is also conditioned to hold regular meetings with Police and Community Liaison officers. Although the licence was granted amid strong residential opposition, the operator offered up an unprecedented 24 conditions to attach to the premises licence (although they actually offered more, some were deemed unworkable or unnecessary by the Licensing Sub-Committee), and the operation of the premises seems to have successfully deterred further anti-social behaviour and acts as a precedent for other similar premises in the area.

It is important to add that most of the conditions above have been offered by operators in response to strong concerns from responsible authorities and interested parties. However, where we feel it appropriate, the Licensing Service will prefer not to have to resort to conditions and will agree such measures with the operator through meetings and discussions prior to the sub-committee hearing. For example, security measures such as CCTV placement, maglock use and panic alarms are standard in most betting premises, based on a risk assessment carried out by the operator (and

subsequently assessed by the responsible authorities). Although there are inevitably some circumstances where we feel the operator could do more to ensure the licensing objectives are met, many of the policies and practices the operators already have in place as standard are sufficient to alleviate most concerns.

2. Observations:

Upon receiving any gambling application the Licensing Service will carry out a full assessment of it in line with the Gambling Commission's Codes of Practice and Guidance as well as the Council's own policies. Where an application is received to extend the hours of a betting shop, the Licensing Service will undertake a series of overt observations at the premises (typically between 9 and 12 hours worth over a few weeks). These will be targeted at the busier periods at the premises, as well as the last hour of the operation (ie 9pm till 10pm). During this time, we will monitor the activity within the shop to assess whether the extension of hours is appropriate and whether there are sufficient measures in place to promote the objectives. These observations have provided some real insights into the activity in certain premises and added significant substance to representations made against such applications. Through these observations officers can assess the operation of the premises and if it is run in accordance with the companies own specific policies. On the whole, however, they serve to provide some balance on the issues and can be key to addressing local opinions about the premises.

3. BetWatch:

Westminster established a BetWatch scheme in 2013 and has met representatives from the trade, Police and Neighbourhood Crime Reduction Teams quarterly to discuss issues concerning betting shops in general and sharing ideas about how these can be addressed.

Following a similar scheme established by the London Borough of Harrow, we invited the security managers (or similar) to attend the meetings on the basis that they would be best placed to be aware of the issues and implement actions where necessary. One of the schemes objectives is to implement a "banned from one, banned from all" rule whereby a premises which bans a customer then informs the shops in the local area of the banning which will then be adopted by them. This acts as a strong deterrent for criminal or disorderly behaviour in these betting shops.

The Licensing Service plays an administrative role in the meetings by providing a forum and gathering data from crime and call reports in the area, as well as feeding back issues that have been brought to our attention. The aim is to provide a blame-free environment where issues can be aired freely and addressed reasonably, which in turn allows operators to head off concerns from the Police and residents before they become serious enough to warrant further formal action.

4. Machine placement:

It is Westminster's preferred practice that all gaming machines and SSBT machines are within line of sight of the counter and not, as an alternative, just covered by CCTV. We feel this acts as a further deterrent to those who would damage the machines and allows staff to monitor those customers who become frustrated and can lose their temper. In addition, those under-age attempting to use such machines are less likely to do so if they are in plain view of staff.

5. Operator policy:

Upon receiving an application for a new premises or to vary the hours of an existing premises, it is common practice for the Licensing Service to request the operators' policies on how the shop and staff

will operate. The policies requested can and do cover virtually every operation within the premises and we have found established operators will have a Compliance Manual or similar document which they are happy to provide. Specifically, we will look for policies on the security of staff and procedures they follow during an incident, or what they are trained to look for in customers exhibiting signs of distress (trigger points), as well as procedures on removing cash from gaming machines and general reporting systems. We can then use this knowledge in practice during the observations to ensure that the policies are being adhered to and that there is no disconnect between what should happen on paper and what does happen in reality. Where we have found this to be the case, we have raised the issues with the operator and they have put new policies in place or retrained staff to provide reassurance.

6. Engagement with the operator and making recommendations:

The Licensing Service meets with operators to discuss concerns and alleviate them without the need for conditions or sanctions where possible. As well as the BetWatch scheme, we hold meetings with senior representatives from major operators independently to address the issues within the borough. As part of these discussions, operators share national strategic approaches to addressing the licensing objectives, as well as plans for specific premises in order to be transparent and dispel any suspicion. In turn, we take the opportunity to relay the concerns our residents and other local businesses may have and set out Westminster's approach to betting shops, as well as what we would expect from the trade in the future. Should they then wish to apply for another premises licence or vary an existing one, this enables the operator to provide us with a more thorough application, meaning all parties can properly address the key issues prior to the case being put before a Licensing Sub-Committee.

Appendix 2

Further information

Author	Title	Date	Link
Association of British Bookmakers	Website	2014	http://www.abb.uk.com/
Canadian Consortium for Gambling Research	The Social and Economic impacts of gambling: final report	November 2011	www.gamblingresearch.org/download.php?docid=11322
Caroline Downs and Ryan Woolrych	Gambling and debt: the hidden impacts on family and work life, Community, Work & family 13:3; 311	Aug 2010	http://dx.doi.org/10.1080/13668803.2010.488096
Citizens Advice Scotland	Payday lenders : our report card	December 2013	http://www.cas.org.uk/publications/payday-loans-briefing-december-2013
Citizens Advice Scotland	Payday lenders: business as usual: Case evidence and statistics from the Scottish CAB service	2014	http://www.cas.org.uk/publications/payday-lenders-business-usual
Citizens Advice Scotland	Payday loans: your rights, their responsibilities	2013	http://www.cas.org.uk/publications/payday-loans-your-rights-their-responsibilities
Council of the European Union	Framework for Gambling and Betting	May 2011	
Department for Culture Media and Sport	Gambling Act 2005 Permits: training materials for licensing authorities	May 2007	http://www.scotland.gov.uk/Resource/Doc/923/0050504.pdf
Financial Conduct Authority	Website	2014	http://www.fca.org.uk/
Financial Services Authority	Personal finance education in schools : a UK benchmark study	June 2006	http://www.fsa.gov.uk/pubs/consumer-research/crpr50.pdf
Gambling Commission	Website	2014	http://www.gamblingcommission.gov.uk/
House of Commons	Payday loans : Commons Standard Note	2014	http://www.parliament.uk/briefing-papers/SN06676.pdf
House of Commons Library	Planning Change of use system	2013	http://www.parliament.uk/briefing-papers/SN01301/planning-change-of-use-system

House of Commons, Business, Innovation and Skills Committee	Debt management : Section 3 Payday Loans	Feb 2012	http://www.publications.parliament.uk/pa/cm201012/cmselect/cmbis/1649/1649.pdf
Improvement Service and Money Advice Service	Money Advice Services across Scotland's local authorities	August 2013	http://www.improvementservice.org.uk/library/download-document/3903-money-advice-services-across-scotland-s-local-authorities/
Learning and Teaching Scotland	Maintaining Momentum : a partnership approach to improving financial education in Scottish schools	2010	http://www.educationscotland.gov.uk/publications/m/publication_tcm4639238.asp?strReferringChannel=resources&strReferringPageID=tcm:4-629332-64
Local Government Association	Rewiring public services: rewiring licensing	January 2014	http://www.local.gov.uk/documents/10180/5854661/L14-40+rewiring+open+for+business.+v3.pdf/6b8aa308-94cd-4af5-9b3a-5f2696a9a4b5
Local Government Association	Website	2014	http://www.local.gov.uk
Local Government Association	LGA briefing for Opposition debate : betting shops(Fixed Odds Betting Terminals)	Jan 2014	http://www.local.gov.uk/documents/10180/5533246/080114+LGA+Briefing+-+Betting+Shops+Fix+Odd+Betting+Terminals+FINAL.pdf/f2f02f97-adf9-4056-944a-ce9214536c9b
London Health Inequalities Network	Responding to the cumulative impact of betting shops : a practical discussion guide to London boroughs	June 2013	http://www.licensingresource.co.uk/sites/default/files/LHIN%20CIPS%20for%20betting%20shops%20July%202013.pdf
NatCen	Social research that works for Society: gambling	2014	http://www.natcen.ac.uk/our-research/categories/health-wellbeing/gambling/
National Association of Bookmakers	Website	2014	http://www.nab-bookmakers.co.uk/
National Gambling Impact Study Commission United States	National Gambling Impact Study Commission Final Report	2000?	http://govinfo.library.unt.edu/ngisc/reports/7.pdf
National Pawnbrokers Association	Website	2014	www.thenpa.com
Office of Fair	Website	2014	http://www.oft.gov.uk/

Trading			
Scottish Executive, Enterprise and Lifelong Learning	Research on the social impacts of Gambling	2006	http://www.scotland.gov.uk/Publications/2006/08/17134534/0
Scottish Government	Scottish health Survey 2012	Sept 2013	http://www.scotland.gov.uk/Publications/2013/09/3684
Scottish Government	Scottish Household survey : Scotland's People Annual Report 2012	Aug 2013	http://www.scotland.gov.uk/Publications/2013/08/6973
Scottish Government	Town Centre Action Plan – the Scottish Government response	2014	http://www.scotland.gov.uk/Resource/0043/00437686.pdf
Scottish Parliament	Bankruptcy and Debt Advice (Scotland) Act 2014	2014	http://www.legislation.gov.uk/asp/2014/11/contents/enacted
South Australian Centre for Economic Studies	Social impacts of gambling : a comparative study : final report	April 2009	http://www.gamblingresearch.org/download.php?docid=11322
The Scottish Government	Consumer Protection and representation in an independent Scotland	August 2013	http://www.scotland.gov.uk/Resource/0043/00430128.pdf
University of Glasgow and ScotCen	Understanding gambling: impacts and social networks across the Lifecourse : a briefing paper on gambling behavior	Jul-13	http://www.natcen.ac.uk/our-research/research/understanding-gambling/
Welsh Government	Written Statement Payday loan Companies	Nov 2013	http://wales.gov.uk/about/cabinet/cabinetstatements/2013/paydayloan/?lang=en

Acknowledgments

Scottish Government thanks the contributors and delegates for their contribution to discussion. Views expressed in the summit breakout sessions and mentioned in the report do not necessarily reflect those of the Scottish Government. We are also grateful to the Improvement Service and COSLA for their support in co-ordinating the event.