

**Ethically responsible
financial services:**

**Evidence beats
assertion**



CofE credit union

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THE CHURCH OF ENGLAND



CHURCH OF ENGLAND





*I used to live payday to payday, now I live
payday to three days till payday.*

Sources: <http://www.expressandstar.com/business/uk-money/2013/11/27/loans-cost-cap-necessary-cameron>
<http://news.sky.com/story/1164167/ed-miliband-takes-on-the-wonga-economy>

“there are some dreadful practices in the payday industry...it is right to intervene when people are getting hurt”



“Payday lenders don't speak for the silent majority. They are responsible for a quiet crisis of thousands of families trapped in unpayable debt. The Wonga economy is one of the worst symbols of this cost of living crisis”



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%.



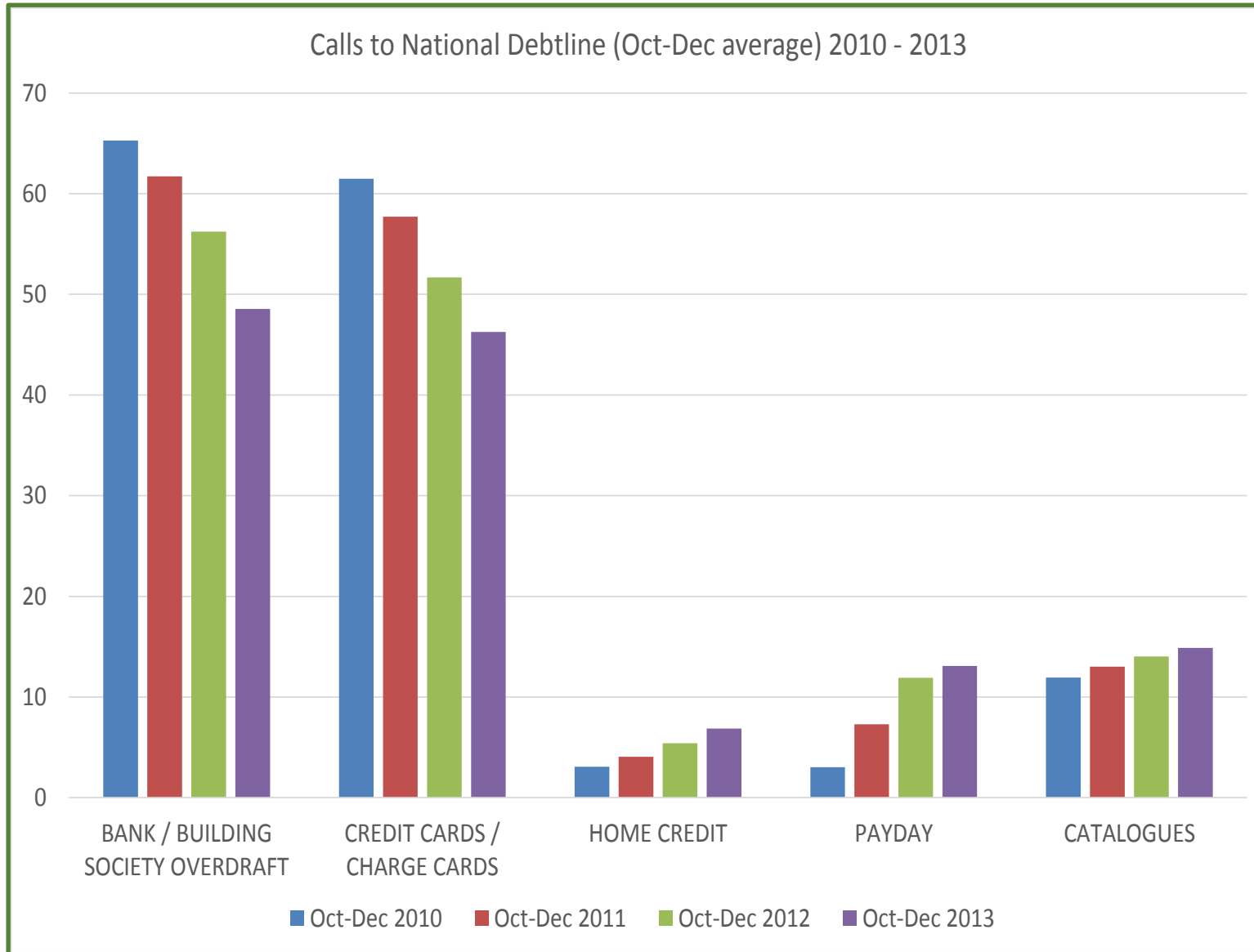


Cash Convertors:
£100 repaying £130
28 days
20,342% APR.

Lloyds Bank:
unauthorised
overdraft
£100 repaying £187
28 days
187,200% APR.

London Mutual CU:
CUOK payday
£100 repaying £103*
42.6% APR
*477% APR

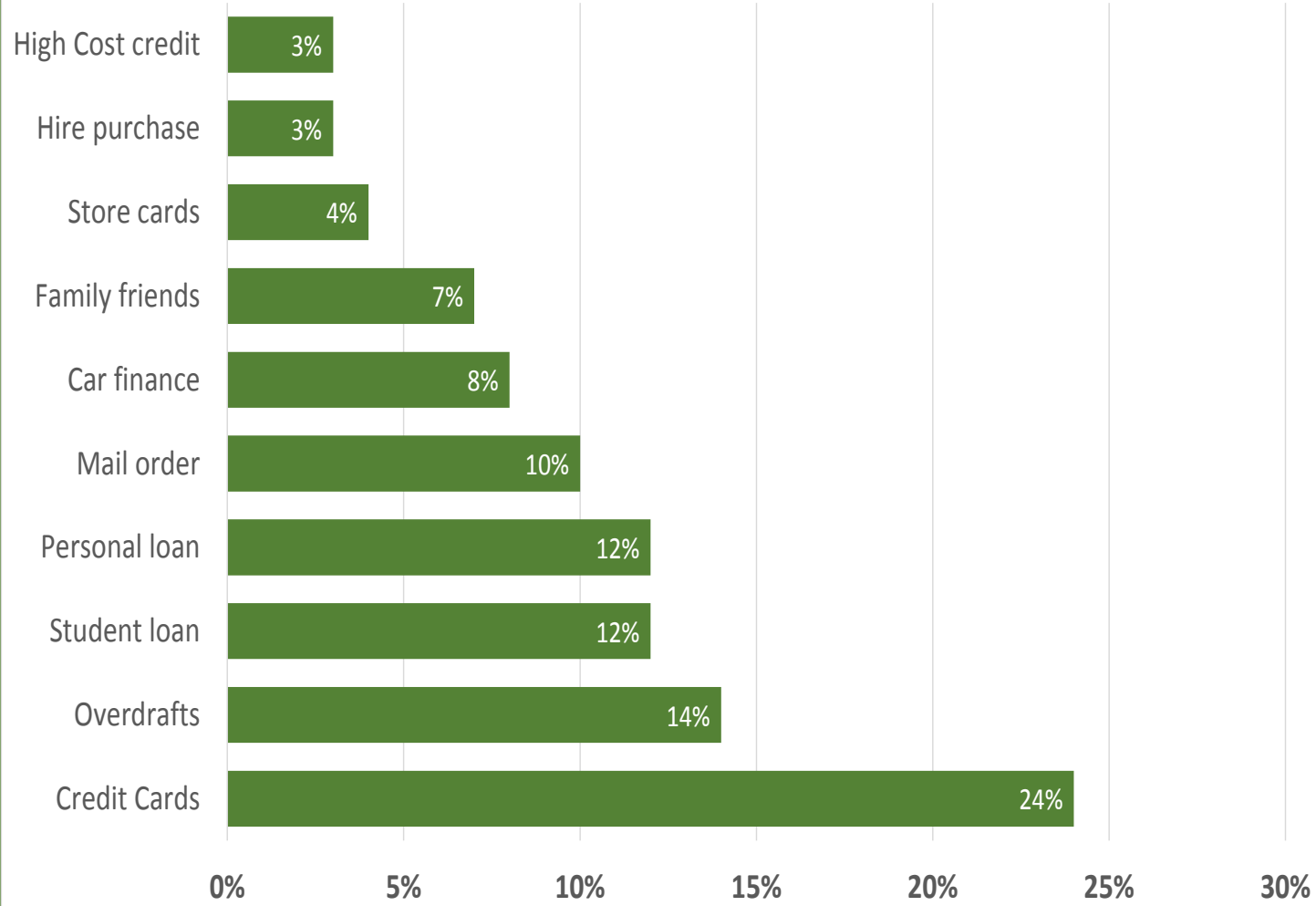
*Same Day transfer of £11 added



- The global financial crisis of and subsequent credit crunch;
- UK recession; the repair of bank balance sheets & a constriction in credit supply;
- Households pay down debt;
- Mis-selling of products;
- Vickers; & Basle II & III;
- UK austerity measures under and unemployment, zero hours, wage and benefit freezes, 30% food & 60% fuel inflation (07-13); and
- Financial Services (Distance Marketing) Regulations (2004)

Percentage of households and their unsecured debt sources

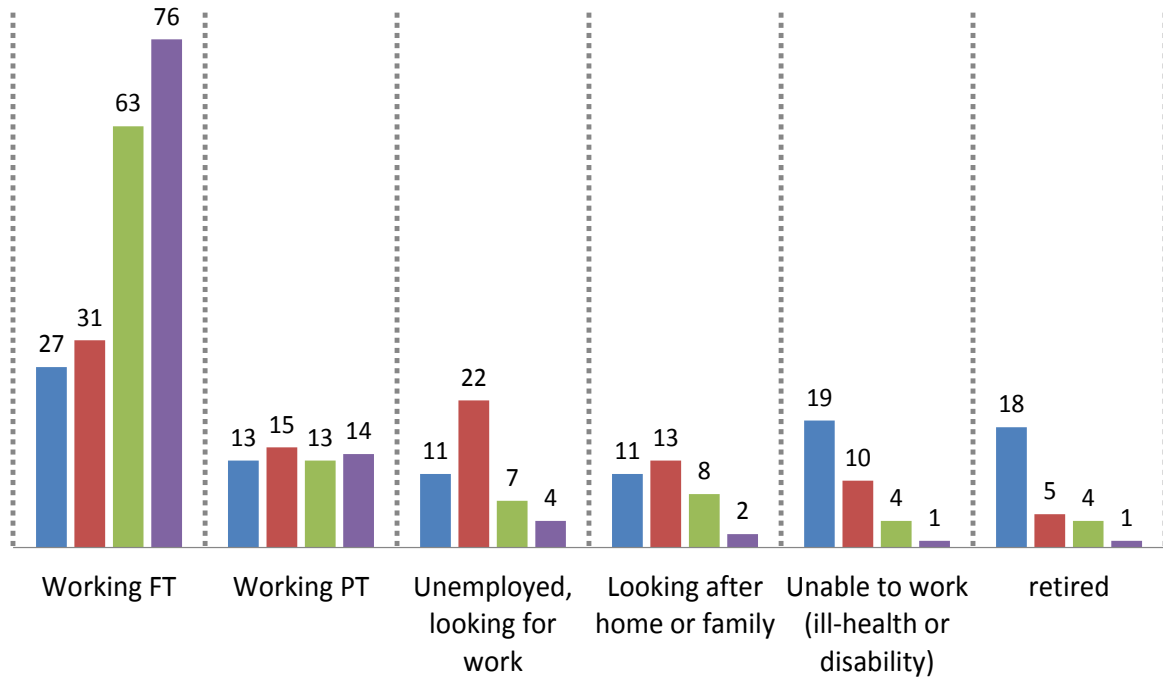
Source: Debt Track (2012)



- **FCA has defined High Cost Short Term Credit as:**
- *‘loans of less than 12 months at an interest rate of over 100% APR’.*
- **New rules including wealth warnings on payday advertising and the collection of detailed sales data.**
- **30% reduction in players & £750m reduction in credit**
- **Cap by 2nd Jan 2015**

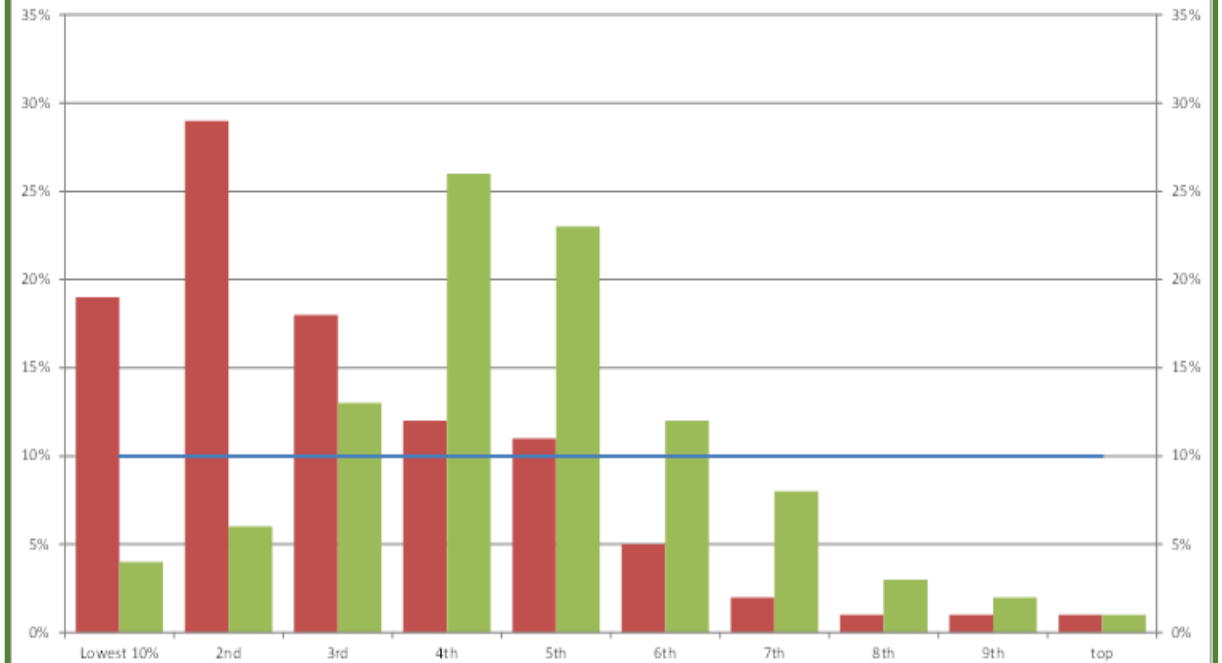
working status % of short term credit users (Source PFRC 2013)

■ home credit ■ pawnbroker ■ payday (retail) ■ payday (online)



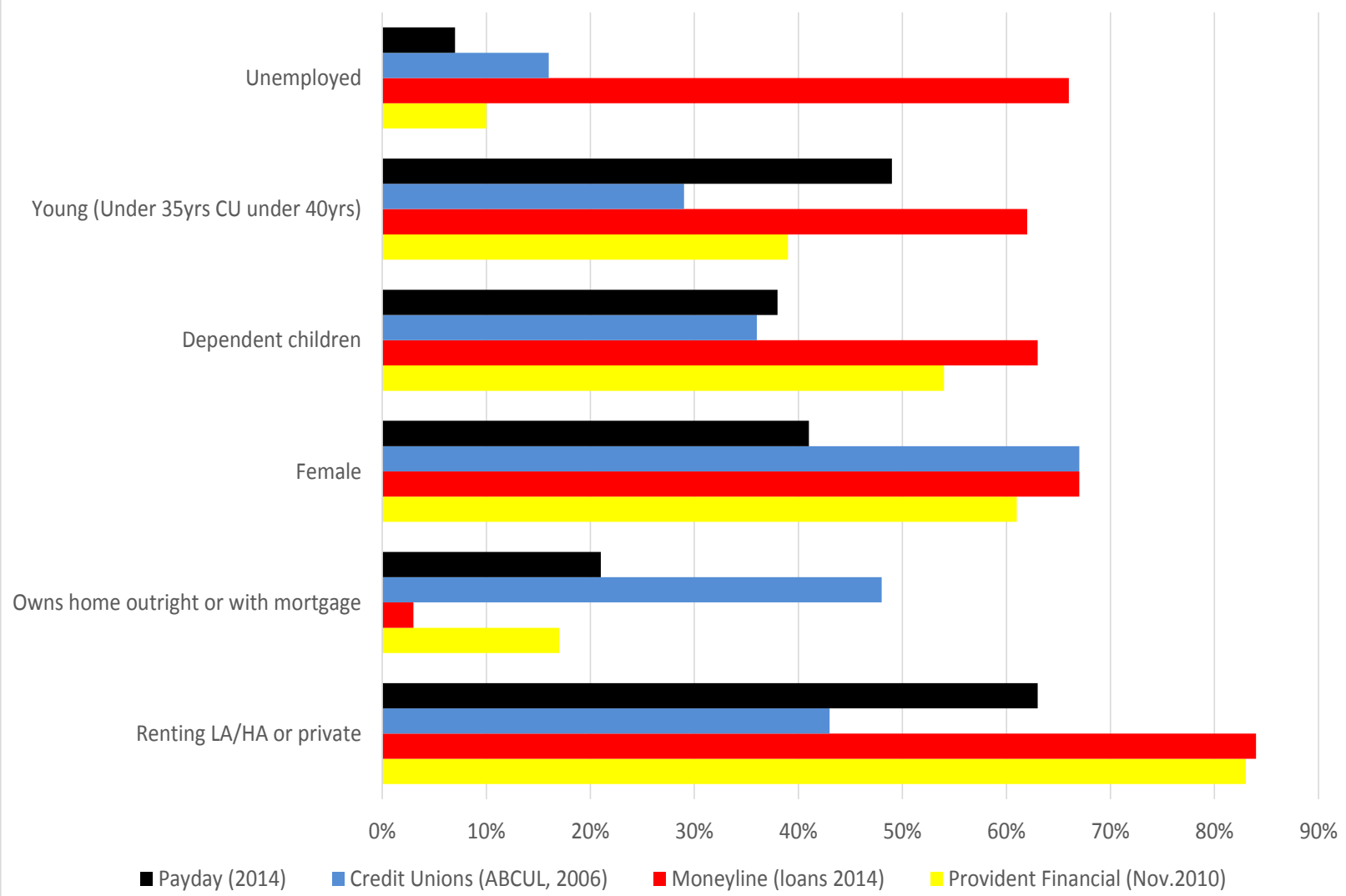
Income deciles of those taking payday loans and home credit loans (Source Policis & Friends Provident quoted in OFT report June 2010)

■ income deciles of those taking payday loans ■ Income deciles those taking home credit — income deciles All UK population



- **52% of all payday borrowers have household income in excess of the UK median of £24K.**
- **“while around a third of payday lending customers have a household income less than £18,000 per year, three in ten have an annual household income of £36,000 or more”.**
- **37% of payday (online) & 60% of payday (retail) customers are defined as vulnerable (77% of home credit & pawnbroking customers are defined as vulnerable (PFRC, 2013)**

Borrowers: Not a homogeneous group



Simplicity

SPEED

cost

Flexibility

SERVICE

How do you provide *sustainable, affordable credit* to the bottom income quartile?



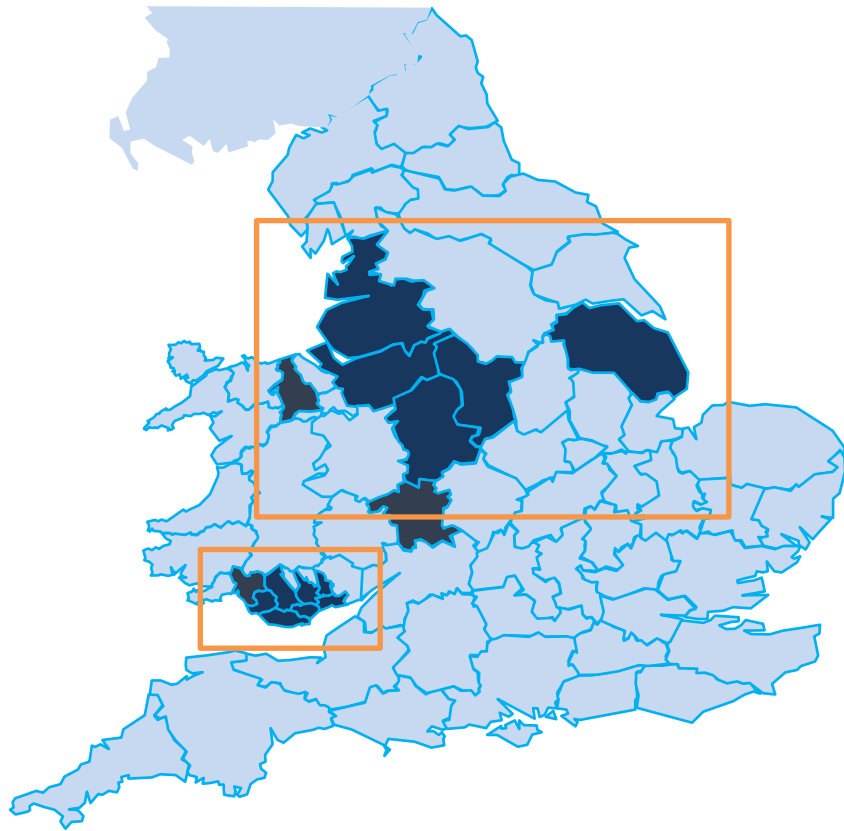
Young, women, with children,
bottom income quartiles, living
in rented accommodation with
poor or thin credit history...

Moneyline
Social : Business

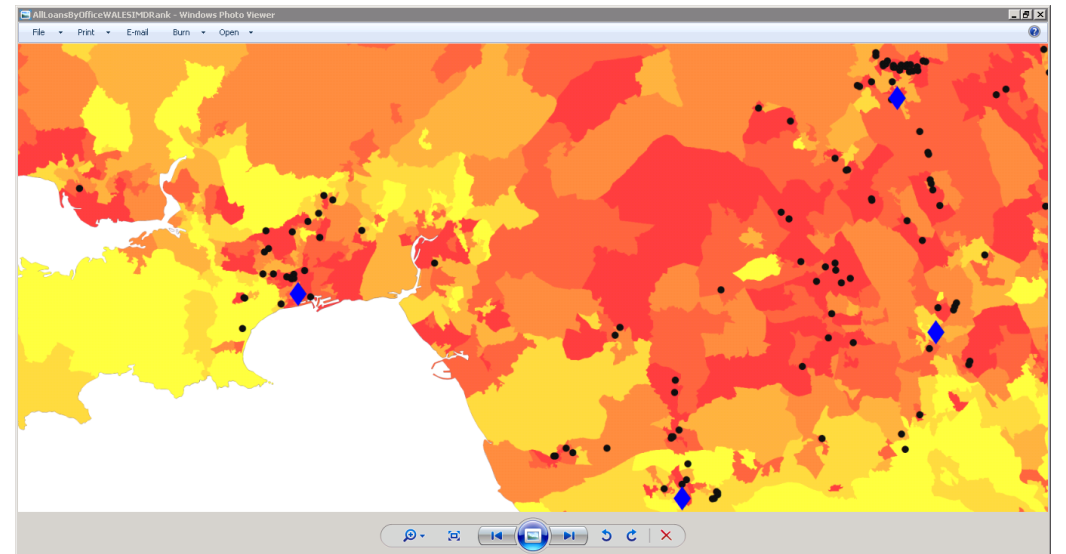
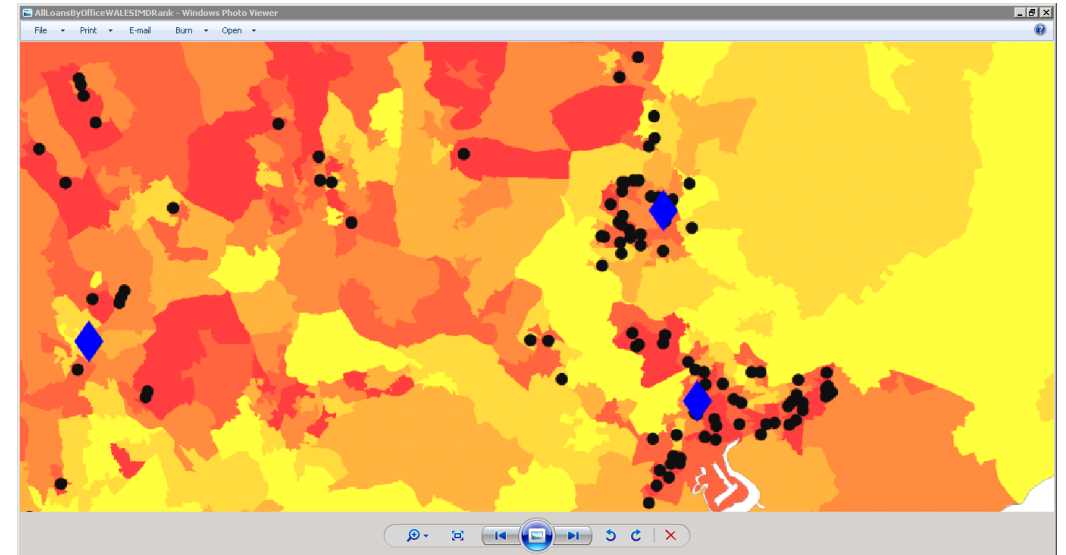
...needing small sums, an
encouragement to save, and a
bit of flexibility.



Moneyline Social : Business



Birkenhead
Birmingham
Blackburn
Burnley
Bury
Grimsby
Hanley
Salford
Scunthorpe
St Helens
Wallasey
Warrington
Wrexham
Bridgend
Cardiff
Cwmbran
Merthyr Tydfil
Newport
Pontypridd
Swansea



Moneyline

Social : Business

- From 2002
- £40 million lent
- 75 thousand loans
- Subsidy 2007/2011

Viable not sustainable



Moneyline

Social : Business

- 20 branches & 80 staff
- Mutual, IPS structure
- Salary ratio 3:1
- Living wage
- Commercial investment
- No subsidy

Viable and sustainable





Moneyline

Social : Business

- Young
 - Women
 - With children
 - Low or no wage
 - Renting
-
- In most disadvantaged (W)IMD
 - 33% in most deprived 5%
 - 55% in most deprived 10%
 - 63% in most deprived 15%
 - 73% in most deprived 20%

Moneyline

Social : Business

- **Cyclical**
- **Seasonal**
- **Planned outlays**
- **Emergencies**

- **90% new customers
borrow less than £300**



Moneyline

Social : Business

- Financial crisis
- Austerity
- Food & fuel rises
- Welfare reform
- Income Inequality
- Limited choices



Moneyline

Social : Business

- Flexible
- Manageable
- No lower limit
- No CPA
- No late fees
- No debt factoring



Moneyline

Social : Business

- Loans
 - Savings
 - Advice
 - Bank accounts
-
- Developing new partnerships around debt advice and food poverty



Moneyline

Social : Business

- **100% + APRs**
- **45% interest**
- **Plus 5% fee**

- **£200 over**
- **52 weeks**
- **Costs £300**
- **£5.57 weekly**

- **Cheaper but not cheap**

Moneyline

Social : Business

- Living wage
- Face to face
- Responsible
- No larger loans
- No safer bets
- No loan or wage subsidy
- Buying loan capital
- No rent relief
- 10% bad debt



Moneyline

Social : Business

- **HCSTC reputation**
- **Misunderstanding of the market**
- **Welfare reform & sanctions**
- **Bad and doubtful debt**
- **No grant or subsidy**
- **Systems & channels**
- **Social impact**
- **Commercial investors want sustainability not viability**



Moneyline

Social : Business

- How many days to lend £40m?
- 4000 or 4



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