



Tackling Payday Lenders and Gambling in Scottish Town Centres and Neighbourhoods

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- There were some concerns with the advertising of payday loans within Local Authorities predominately how they were being advertised.
- SCOTSS through it's 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.
- Carried out in February and March 2014.
- **Findings**
- 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

- As of 1st April 2014 responsibility for regulation of Consumer Credit advertising passed to the Financial Conduct Authority.
- The FCA has made it clear that the effective regulation of payday lenders is one of its top priorities.
- The findings from this project will be fed back to the FCA especially highlighting non-compliances.
- Ensuring that the provision of credit in Scottish Communities is carried out fairly remains a priority for Trading Standards.

- FCA Proposals
- 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.

- Any Questions?

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