
**Manchester City Council
Report for Resolution**

Report to: Economy Scrutiny Committee – 12 December 2012

Subject: Helping Residents Access Affordable Credit

Report of: Interim Head of Regeneration

Summary

To look at the role of credit unions and banks in providing affordable credit, access to financial advice and signposting and support for people to avoid using high interest loans. To consider whether Manchester City Council can introduce ways of reducing the number of high street premises offering high interest “pay day” loans.

This report provides an overview of how Banks and Credit Unions, together with the public, private & voluntary sectors, can play a key role in supporting residents to access more affordable credit, as an alternative to high interest Pay Day loans.

Recommendations

That the Committee is recommended to:

1. Consider and comment on the access to finance issues raised in this report;
 2. Support the ongoing development of credit unions and other initiatives that enable residents access affordable credit, complementary to mainstream high street bank provision;
 3. Welcome the Office for Fair Trade investigation into the pay day loan system
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Wards Affected:

All

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Manchester Community Strategy

Manchester Family Poverty Strategy

Office of Fair Trading Pay Day Loan Review (2012)

DWP Credit Union Expansion Project (Feasibility Report)

1.0 Context:

- 1.1 The vision for the City is of a world class city where its residents fully benefit from the economic growth opportunities. The scale and level of jobs projected from the key employment growth areas in the City are set out in Access to Economic Benefits paper considered elsewhere on the agenda. That paper sets out the growing requirements for high level skills and references the need for Manchester residents to have a clear credit history if they are to access the growing number of jobs in the financial and professional services sector. Debt is a major issue for residents who are furthest from the labour market /heavy users of public services. Therefore, preventing people from going into debt as a result of very high interest rates and providing alternatives to affordable credit for those who cannot easily access the services of mainstream banks, are key priorities.

Financial Inclusion Approach:

- 1.2 In 2007, the City Council worked with the Community Finance Solutions at the University of Salford, to identify key actions that needed to be considered and embedded in to other strategies such as Strategic Regeneration Frameworks (SRFs), the Work and Skills Plan and Family Poverty Strategy, to promote the financial inclusion agenda. Overall, the main deliverables related to increasing the disposable income of residents through better financial knowledge, awareness and choice, promoting Credit Unions and dealing with illegal lending.
- 1.3 Once completed, the City Council was successful in securing “Champions Funding” from the Department of Work and Pensions to deliver the Government’s National Financial Inclusion Plan at a local level (2009/2011). The funding focused on bringing together key partners on a SRF level such as Registered Providers, CAB, MAES and Credit Unions, plus others (Financial Inclusion Partnerships) to:
- ensure residents were equipped with skills to prevent escalating debts;
 - knew where to receive help,
 - ensure access to more affordable credit;
 - take action against illegal money lenders;
 - support Credit Union expansion;
 - connect residents to learning/employment support agencies.
- 1.4 The legacy of this approach is that strong partnership arrangements remain in place at an SRF level, with good engagement and leadership from Registered Providers and Neighbourhood Regeneration Teams. Section 6 provides more detail on how the City Council and its partners, are continuing to progress this agenda.

Current Socio & Economic Context:

- 1.5 Manchester currently has a Working Age population of 361,000, of which 64,210 residents are in receipt of welfare benefits (18%) with the highest

claimant rates for the City in North and East Manchester. The following table indicates the average income levels (median) for different areas. The figures are important as they determine the products/costs of credit that can be accessed. For 2012, the figures highlight that Harpurhey has overtaken Longsight as the ward with the lowest income level in the City (i.e. 50% of its residents have incomes less than £17,361). The City Centre has the highest income level with a 56% gap between the average income levels between Harpurhey and the City Centre. The figures also show that Manchester's average lags behind both the sub-regional (-9%) and national figures (-18%). Overall, income levels are lowest in North, East, and Central Manchester and Wythenshawe.

Area	Average £ (Median) 2010	Average £ (Median) 2011	Average £ (Median) 2012
Ward with lowest Income	(Longsight) 17,457	(Longsight) 17,661	(Harpurhey) 17,361
Ward with highest Income- City Centre	(City Centre) 42,099	(City Centre) 43,044	(City Centre) 39,149
Manchester average	23,244	23,657	23,445
Greater Manchester	24,461	26,936	25,833
Great Britain	28,452	28,989	28,420

Paycheck 2010-2012

- 1.6 Scrutiny has previously received a report on the City's Family Poverty Strategy. It highlighted that 40% of children in Manchester (or just fewer than 40,000 children in 20,000 families are growing up in relative poverty), which is 50% higher than the national average. Of Manchester children growing up in poverty, 80% of them live in households where no adult works. However, there are areas of the City where "in-work" poverty is prevalent (Cheetham, Longsight, Rusholme and Whalley Range), which can be linked to larger families- 4+ children/lower incomes.
- 1.7 The Complex Family approach (Community Budgets), where the new delivery model and progress will be presented through a separate paper, is also key to the financial inclusion agenda. There is a need for more residents to become economically independent, and to date, debt is one of many presenting issues that the Tier 1 interventions are faced with.
- 1.8 Feedback from Registered Providers, the City Council Contact Centre, Repossession Support Service (Adult Services), Citizens Advice Bureau and the Manchester Credit Union, indicates that the numbers of residents who are in debt (both in/out of work) has, and is continuing to significantly increase (Appendix 1 outlines two case studies):
 - Between 2011/2012, the Community Legal Advice Service (CLAS)/CAB has experienced large increases in the number of enquiries linked to debt and housing issues, and related to the increased and easy availability of

high interest credit such as Pay Day loans. In April 2011, they dealt with 1,200 debt enquiries and cases per month to about 2,000 per month in May 2012. Waiting times for debt appointments have also increased despite increasing the level of face to face debt advice and introducing a telephone debt service;

- Linked to the above, debt is also segmented in to “Priority”- rent/mortgage/council tax arrears and fuel, and “Non-Priority”- credit cards, unsecured loans and catalogue for example. Currently, the service is dealing with average debt levels per client of £3,500/total of £13.5m (Priority) and £8,934/total of £35m (Non-Priority);
- The Repossession Support Service reports that more and more residents are mentioning Pay Day Loans/Doorstep Lenders as the reason they can’t keep up with Mortgage & Rent payments, which is then putting them at risk of losing their homes;
- Manchester Credit Union is experiencing increasing numbers of Members who have taken out Pay Day loans from more than one company (as they are using one to pay off another one). Out of the 8,000 loans issued in 2011/12, 2,700 (1 in 3) were to pay off pay day loans;
- National and local evidence suggests that young people (18+) are more likely to apply for Pay Day loans; and
- The England Illegal Money Lending Team continues to receive complaints and investigates incidents of illegal lending (loan sharks) in the City. There have been prosecutions in Manchester and some investigations remain ongoing.

- 1.9 From a public service perspective, there is a knock-on impact of increasing debt levels, on health in particular- stress, anxiety, and the prescribing anti-depressants, family breakdown (Children’s/Adult Services may need to intervene) and becoming homeless. Overall, this is not helping to reduce dependency on public services.

Availability of Financial Products

- 1.10 The financial market is vast and delivered through a number of providers who are either regulated by the Financial Services Authority (FSA) or come under the umbrella of the Consumer Credit Licence, which is overseen by the Office of Fair Trading (apart from Illegal Money Lenders). Appendix 2 highlights the range of products available for residents from Basic Bank/Current Accounts to loans from various lenders such as Banks, Credit Unions, Pay Day lenders and Pawnbrokers. The table indicates the complexity in terms of the offer, the scale of interest rates, as well as the target markets for the different types of financial institution.
- 1.11 Since 2009 in Manchester, there has been a noticeable increase in the number of outlets offering high interest credit products such as Pay Day Loans and Pawnbrokers (71 citywide applications relating to an A2 use have been received and of these 57 consents were approved, 3 are pending a decision and 11 were either withdrawn/refused). A2 covers a variety of business types including banks, building societies, financial and professional services, estate agents, pawnbrokers, betting offices etc. These high interest offers are mainly

located in District Centres/retail areas and on key arterial routes, and their high street visibility is supported by intense/emotive marketing campaigns in the local/national media (TV/Radio). In addition instant online access /approvals with money in your account within 15 minutes (Wonga.com) means they are attracting more and more users.

- 1.12 Appendix 3 provides a comparison of various loan amounts from the Manchester Credit Union, Wonga.com and Banks. It is clear to see how competitive each offer is depending on the repayment time frame. For example, by spreading repayments with the Manchester Credit Union over a longer period than say Wonga, £300 to £400 less interest is payable. It also means that the borrowers cashflow is under less pressure, as the full amount does not need to be repaid in a very short period.
- 1.13 Prior to and during the period of significant growth of high interest products, the mainstream banking sector has been through a turbulent time, with spiralling debts, banking collapse and mergers, national bailouts. Consequently they are much more prudent approach in lending to new and existing customers. The Credit Union movement in the City has become much stronger with an increased product range, more visibility in District Centres/retail areas and more and more members signing up each week, which provides a key platform to deliver the City's financial inclusion agenda.

2.0 Pay Day Loans:

- 2.1 It is clear to see from Appendix 2 that from all the products available, those offered through Pay Day Loan Companies, charge the most extortionate interest rates (over 4,000% in cases), with offers through Pawnbrokers and Cash Generators sometimes not too far behind. The true rates/costs through illegal money lenders such as "loan sharks" are unknown. The Pay Day Loan market has grown significantly over the past few years (240 operators nationwide) and mostly target people on lower incomes and/or those refused credit by mainstream lenders. Instead of a loan filling a genuine one-off gap in finances, they are increasingly being taken on as a debt solution instead of a short-term fix.
- 2.2 Prompted by concerns that some Pay Day lenders are taking advantage of people in financial difficulty, from February this year, the Office of Fair Trading (OfT) is in the process of undertaking a formal review to investigate the levels of compliance with the Consumer Credit Act and the extent to which businesses in the sector are meeting standards set out in the OfT's Irresponsible Lending Guidance. For the review, the 50 major lenders nationwide have been interviewed and in Manchester, this was carried out by the City Council's Trading Standards Team. The final report, which will inform the OfT's ongoing strategy to drive up standards across the sector, will be published early 2013.
- 2.3 On November 20th 2012, the OfT published an interim report outlining the following concerns: Adequacy of checks made by some lenders on whether loans will be affordable for borrowers; Proportion of loans that are not repaid

on time; Frequency with which some lenders roll over or refinance loans; Lack of forbearance shown by some lenders when borrowers get into financial difficulty; and Debt collection practices.

- 2.3 The OFT has also published revised Debt Collection Guidance, focusing on Continuous Payment Authority (CPA), a mechanism commonly used by payday lenders to collect repayment. It makes clear that the OFT expects lenders to have regard to a borrower's financial position and concerns relate to: using CPA without the informed consent of the borrower or in ways that have not been agreed; failing to explain adequately how CPA works and how it can be cancelled; not taking steps to establish the reasons for the payment failure and whether the borrower may be in financial difficulties; trying to take payment where there is reason to believe that there are insufficient funds in the account; and continuing to use CPA for an unreasonable period after a scheduled payment was due.

3.0 Banking Sector & Post Office:

- 3.1 The mainstream Banking sector has a well established high street presence in Manchester. On average there are between one and three banks based in District Centres. However, in most cases these are outnumbered by Pay Day Loans, Pawnbrokers and Cash Generators style outlets. The banks' target customer base are those residents who are more profitable (good credit history and monthly income in excess of £1,000) where the Bank can cross-sell its product range i.e. loans, credit cards, ISAs, pensions and mortgages. To complement the branch format banks operate through a number of more accessible customer contact points such as web and telephone.
- 3.2 In addition to standard Current Accounts, Banks also offer Basic Bank Accounts (BBA), which on the whole, remain under-publicised as they are not profitable to service. BBAs are aimed at less well off residents and those who have experienced bankruptcy/poor credit score or no credit history. The accounts allow wages, welfare benefits and tax credits to be paid in, ATM withdrawals and some offer standing orders and direct debits but they do not offer an overdraft facility. Some Registered Providers in the City have fed back that their tenants have a BBA, but in reality the use of them may be minimal.
- 3.4 From a Post Office perspective, there has been a reduction in the number of outlets over the past 5 years, but they continue to remain a well known brand, based in District Centres and in the heart of some communities. They offer a range of products such as savings, loans, credit cards, mortgages and ISAs, as well as a similar product to the Basic Bank Account- Post Office Card Account, which can only be used to receive/withdraw welfare benefits (no other functionality).

4.0 Credit Union Sector

- 4.1 The Credit Union movement has grown significantly at both a national and Manchester level. A Credit Union is an ethical Industrial & Provident Society, which is owned by its Members and reinvests profits into operation of the

business. (The trade association- ABCUL- Association of British Credit Unions Ltd, is based in Manchester). Credit Union products can be accessed by people living and/or working within a Common Bond, whether in receipt of welfare benefits, or working with a low or high income.

4.2 The Department of Work and Pensions (DWP) is a supporter of the movement and wishes to stimulate further Credit Union growth, as it helps deliver the national Financial Inclusion Plan. DWP has previously invested millions of pounds in the DWP Credit Growth Fund to help more vulnerable residents who may have credit history issues, access more affordable credit. Manchester was a recipient of this fund and loan repayments continue to be recycled into further loans. DWP is now working with Experian and Credit Unions to progress the “Credit Union Expansion Project”, which is aiming at sustainability over a period of 7-10 years.

4.3 Experian's research highlighted that a market exists amongst people on lower incomes, in particular for locally provided banking, savings deposit and loan services, from trusted providers such as Credit Unions. Credit Unions are viewed as a way forward and a potential solution but won't be able to service the market without significant structural change. The project will provide infrastructure funding for 2012/15 for a consortium of Credit Unions on a regional/national level in order to:

- Introduce IT support systems/platforms to provide online banking, “Jam Jar” accounts, and automated savings and credit products that people want;
- Automate loan decision-making to improve speed of decisions, further reduce operating costs (up to 40%), and reduce the cost of bad debt;
- Deliver a national image building campaign to maximise customer awareness of the services on offer (while dealing with outdated perceptions);
- Develop even closer relationships with Registered Providers and the private sector, to increase membership and generate additional income (need more working and higher income members); and
- Work with the Post Office to increase accessibility and membership.

Manchester Credit Union has submitted an Expression of Interest (EOI) to the fund.

Credit Unions in Manchester:

4.4 There are a number of Credit Unions operating in Manchester with large Common Bonds (area coverage), offering a range of more affordable products from current accounts, savings and loan accounts, pre-paid cards, electrical goods via the Co-operative Group, and in some cases, ISA's. They are:

- **Manchester CU:** Was previously known as East Manchester CU, but extended its Common Bond in 2007 to cover the whole City of Manchester, and as now extended even further in to Tameside, Trafford, Rochdale and the High Peak. The Credit Union is aimed at anyone who lives or works in these

areas. In Manchester, there are branches and collection points in Wythenshawe, Beswick, Miles Platting, Newton Heath, Moss Side, Gorton, Monsall, Cheetham, Charlestown/Higher Blackley, and within the City Council Customer Contact Centre at First Street (also in discussion over being a partner in the public service zone in the Town Hall extension and payroll deductions are in place for the Council). Currently has 10,000 members.

- **South Manchester CU:** Aimed at people who live or work in parts of Ardwick, Burnage, Chorlton, Chorlton Park, Didsbury East/West, Fallowfield, Hulme, Levenshulme, Moss Side, Old Moat, Rusholme, Whalley Range and Withington. The Credit Union has recently moved in to more visible retail premises on Fog Lane in Didsbury and have a number of collection points in Community Centres and Churches throughout this area.
- **Voyager CU:** Aimed at employees (and family members) of the passenger transport industry in England and Wales (also includes Manchester Airport);
- **No 1 Copper Pot CU:** Originally formed by officers from Greater Manchester Police, it now covers all forces across England and Wales, and aimed at employees and their families;
- **Co-operative Friendly CU:** Aimed at employee and their families within the Co-operative Group (Bank and Retail) across Great Britain.

5.0 How Banks and Credit Unions can support residents to avoid using high interest loans:

- 5.1 This has never been more relevant. More and more people are getting in to debt for a variety of reasons such as living beyond their means each month, taking advantage of interest free (time limited) Credit Cards, but then transferring the balance to another interest free card, cost of living increases in terms of food/fuel, taking out Pay Day loans on a rolling basis (not for a short-term fix), and losing jobs. In the future for example, there will be further pressures linked to Welfare Reform and Council Tax, which will impact on residents' disposable income. Basically, Banks and Credit Unions can help residents in the following ways:

Credit Unions
<p>Target Audience: People living and/or working within a Common Bond, whether in receipt of welfare benefits, or working on a low/high income</p> <ul style="list-style-type: none"> • Can offer a Current Account service to any member who is in/out of work; • Can help members develop a credit history to access further affordable credit products within the Credit Union or banking sector; • Encourages all Members to save to instil a "financial management" ethos; • Can offer small loans from £10/20+ to address any emergencies, plus larger loans (£7,000+ and will match any lower rates of Banks)- affordability is the priority; • Can offer flexible repayment periods for loans with no tie-in periods/early repayment fees, and can renegotiate repayment fees to help any cashflow issues at a particular time (this is not about Credit Unions being irresponsible with its cash); • Can help Members purchase discounted electrical goods via a loan, through Co-op Electrical; and • Can help Members pay fuel bills by Direct Debit in order to access cheaper tariffs

(address fuel poverty).
Banks
Target Audience: The target customer base (generally) are those residents who are more profitable (good credit history and monthly income in excess of £1,000)
<ul style="list-style-type: none"> • Can offer Basic Bank Account to help residents with a poor credit history, improve their credit score, and make the transition to a standard Current Account; • Can offer overdraft facilities/buffer to deal with any unexpected payments, which could lead to expensive penalty charges; • Can offer loans (generally above £1,000) at more affordable rates- affordable is the priority; • At the appropriate time and based on an individuals credit history, can offer new and existing customers a wider product range such as credit cards and mortgages; and • Can help Members pay fuel bills by Direct Debit in order to access cheaper tariffs (address fuel poverty).

6.0 Preventative & Support Approach:

6.1 The overall preventative approach is to increase the income levels of residents through the wide range of employment and skills support that is available. However, in the here and now, and in addition to the Office of Fair Trading review of the Pay Day Loans market, and the Department of Work & Pensions focus on stimulating Credit Union growth, there are a number of support services or activities underway/planned in Manchester. These relate to both a preventative approach to debt, as well help for when a resident is already in financial difficulty. The overall aim is to help residents become more financially competent and aware of more affordable financial products. The City Council and its partners can play a key role in raising awareness of the offer, and examples relate to:

- **Helping Hands (Manchester City Council):** This campaign was developed in response to the economic downturn, and there have been a number of editions (printed/web), which have provided information on welfare rights, debt, employment and skills etc. A new look City Council web site will go live in January 2013 and work is now underway on collating a list of support agencies and link them in to the My Area pages where residents/frontline staff can enter a postcode and find their nearer service offering the relevant support. The City Council Customer Contact Centre also plays a key role in signposting residents to the relevant support;
- **Financial Literacy (MAES and The Manchester College):** MAES deliver free “Spend and Save” programmes in schools and other community venues. Sessions include pros/cons of borrowing, pay-day loans, how credit scores are calculated and what APR and other small print means, and accessing information online for debt support etc. The College also provide support on money management and debt;
- **Mind Your Money Project:** City South Housing Trust, on behalf of a consortium of Registered Providers, has secured Big Lottery “Improving Financial Confidence” funding for 3 years from January 2013. Social

- housing tenants throughout the City who are 18+ and have either started work/been unemployed in the last 12 months, will be supported to understand budgeting, credit and savings, and where to go for help;
- **Money Mentors:** City South deliver this project on a commissioned basis, and provide more intensive face to face to support for residents with debt and money management issues, as well as awareness raising for frontline staff. The City Council has commissioned Money Mentor support for the troubled families roll out in Wythenshawe, Gorton & Longsight, and North Manchester;
 - **Community Legal Advice Service (CLAS):** A partnership jointly funded by the Legal Services Commission (LSC) and the City Council comprising of CAB and other partners. There are 6 Centres across the City (North Manchester, City Centre, Longsight, Moss Side, Withington and Wythenshawe), with a range of outreach venues. The offer relates to debt, housing and welfare benefits plus much more. Work is now underway on CLAS as the LSC funding element for legal aid, will be removed from April 2013;
 - **Financial Inclusion Partnerships** such as the one that operates in Wythenshawe which brings together partner agencies to provide financial support, advice and guidance for Wythenshawe residents. It has been responsible for a number of awareness raising days, which resulted in growth of new Credit Union members and increased appointments with debt advisors.
 - **England Illegal Lending Team (links with MCC Trading Standards):** Work remains underway investigating illegal money lenders, and between December 5th-12th, there are a range of awareness activities being delivered in Newton Heath (in schools, shopping areas).

7.0 District Centres/Retail Areas- Financial Service Outlets:

- 7.1 Financial service outlets are mainly located in District Centres/retail areas and on key arterial routes to take advantage of high footfall/traffic. Across the City, continuing to enhance the economic performance and provide a wider range of retail, leisure and commercial offers at these centres, are key priorities for the City Council. To deliver this and to keep up with demographic change, the City has led the development of District Centre Plans to provide 10-15 year multi-agency investment frameworks (e.g. Wythenshawe Town Centre, Chorlton, Levenshulme and North City (Harpurhey)). These are delivered by working with the landlord, if privately owned, and maximising the appropriate use of any City Council land assets to attract an appropriate offer. However, the market usually dictates location.
- 7.2 Usually planning applications relating to Financial Services are acceptable in principle in District Centres/retail areas as they serve the community, and fall within the A2 use class. Within this, there is no provision to differentiate between the more desirable affordable products to those that charge extortionate rates. With all planning applications, key considerations can include the length of time a unit may have been vacant, impact of residential

amenity and the potential to undermine the function of any centre, the latter however, is much more difficult to demonstrate.

8.0 Opportunities/Next Steps for Consideration:

- The City Council to provide a strong leadership role to address the “Financial Inclusion” agenda with other public, private and voluntary sector partners, and continue the work to connect more of the City’s residents to higher income jobs;
- Develop a more strategic relationship with the Banking sector, Post Office network and all Credit Unions/ABCUL in the City, to raise the profile of and demystify the more affordable product offer and ideas for greater collaboration Continue to progress discussions regarding Manchester Credit Union location as part of the wider public service offer from the Town Hall extension;
- Linked to the work on welfare reform and complex family/community budget agendas, gather and monitor intelligence on a Citywide/SRF area basis of debt issues, demand for advice services as a result, increase/decrease of high interest product outlets etc, to identify trends and ongoing responses, as well as helping to reduce dependency on public services given the knock-on impacts of debt;
- Deliver a co-ordinated approach to ensure residents are more financially competent, have the knowledge to make informed decisions, and know where to access advice;
- Through the Community Legal Advice Service (CLAS), assess the impact of the removal of the funding element for legal aid from April 2013, by the Legal Services Commission;
- Await the outcomes of the Office of Fair Trading (OfT) review of the Pay Day loan sector and what the implications should be for Manchester;
- Await the outcomes of the Department of Work & Pensions (DWP) Credit Union Expansion Project (consortium decisions- February 2013), and Manchester Credit Union’s expression of interest to be involved. Either way, there is a need to stimulate the growth/membership base of the Credit Union movement throughout the City; and
- Continue to work with the England Illegal Lending Team (including MCC Trading Standards) on dealing with “Loan Shark” activity in the City;

9.0 Conclusion:

- 9.1 This report has indicated how complex the financial services market is and how income levels inform the accessibility of different financial products, both affordable and unaffordable. A number of key opportunities have been identified with Credit Unions and Banks, which could go some way to delivering “Financial Inclusion” and reducing the demand for high interest credit. The City Council welcomes the OfT investigation of the Pay Day Loan sector, as well as the impetus that the DWP Credit Union Expansion Project (if approved) could give to increasing the penetration of Credit Unions in priority neighbourhoods and within the business community. Overall, the more money that is being spent on high interest charges, the less money that is being spent in the Manchester economy.

Appendix 1 Case Studies

1. Customer secured £400 from a Pay Day loan company, but only got £385, as he had to pay £15 to obtain the payment the same day. Three weeks later, he needs to pay £518 back. The customer is unable to make the payment and therefore, borrows over £500 from another Pay Day loan company. After 3 weeks, with interest, the customer now needs to pay back over £700 for his initial £400 loan.

2. A different client borrowed £400 from a Pay Day loan company. On his pay day the following month, the whole amount was taken back directly from his bank account and again in the following month to cover the interest. This resulted in missed mortgage payments for 2 months and a warrant was issued. An application was made to the court to suspend the warrant so his home was not repossessed, adding £40 court fee and another £200 in costs to the mortgage. Overall, borrowing £400, resulted in a cost of almost £600 within 3/4 months.

Appendix 2- Financial Products

Competitor	Known Brands	Product Range	Interest & Fees	Target Market	Location/Accessibility	Unique Selling Points
Credit Unions	Manchester Credit Union	Current Accounts, Savings and Loans,	26.8% - 8.5% APR on loans, £1 - £7,000+	Manchester, Tameside, Trafford, Rochdale and the High Peak	Branch based, some Internet	Owned by Members, ethical, not for profit, Community based. Lower cost alternative to pay day loans, loan sharks & hire purchase. Lower rates from any other provider on loans of £7,000+ they will match.
	South Manchester Credit Union	Standard loan, Handiloon, Rainy Day loan, Fully secured loan	26.8% - 14% APR on loans, 12.6% - 6% APR on Secured loan	Customer specific around the South Manchester wards only	Branch based, Internet	Owned by its Members. Ethical. Only available to specific South Manchester wards. Has collection points in a wide range of community facilities
	Voyager Alliance Credit Union	Current Accounts, Savings and Loans,	26.8% - 9.9% APR on loans, min £100 - max £20,000 depending on the balance in the membership account	Specific to those in the transport industry	Branch based, Internet	Owned by its Members. Ethical. Must be a member and work in the transport industry (wider family can become members). Offers larger loans
	Number One Police Credit Union	Loans, Savings and member Mortgages	10.9% APR on loans, £1 - £25,000	Police Service/family	Internet & Telephone based applications	Owned by its Members. Ethical. Exclusively provides benefits to the police

						family. Offers larger loans
	The Co-operative Credit Union	Savings and Loans	From 26.8% - 6.2% APR on loans.	Co-operative Employees, their families and retirees of the Co-operative Group.	Branch based, Internet	Owned by its Members. Ethical. Solely for Co-operative Employees, their families and retirees of the Co-operative Group.
High Street Banks	RBS, Barclays, HSBC, Santander, Lloyds TSB	Current Accounts	From 'free' to £25 per month. Overdraft charges from £5 - £35 per transaction, from £0.50 - £5 per day standing charge.	Increasingly moving towards more affluent customers - those with monthly income of £1,000 or more, and a good credit history	Branch based - nationwide. Large branch networks. Internet, Telephone & Mobile Banking	First port of call for most customers. Easily accessible. Largest range of products available.
		Basic Bank Accounts	Most banks offer this. Aimed at people with poor or no credit history. Basic offer includes cash card for withdrawals, no credit facility.			

		Personal Loans - min £1000 over 12 months	From 18.9% - 24.9% APR representative for smaller loans. APR can be as low as 6.9% representative, depending for larger loans.			Banks are well known and trusted providers
		Credit Cards	17.9% - 37.9% APR typical			Cards are varied and versatile. Can be used for different purpose e.g. consolidating debt at low cost, collecting reward points etc. Some offer interest free periods.
High Street Building Society	Nationwide, Yorkshire, Manchester Building Society	Current Accounts, Savings and Loans, Mortgages	Loan interest varies range from 6.3% to 24.9%, Typically 11% APR on a £1,000 loan over 12 months	Same as banks above	Branch based, Internet	Well known sources, like Banks.
Internet Bank	ING Direct, Sainsbury's, Tesco	Savings and Loans	15.9% APR on a min £3000 loan over 12 months	Whole Market	Internet & Telephone based applications	Can be often cheaper rates on loans that banks may be offering
Post Office	Post Office	Post Office Card Account (POCA)		For people who don't have a bank account receiving Pensions, Benefits and Tax	Branch based - nationwide. Internet	Based in the heart of communities . Well known brand.

				Credits		
Pay Day Loan e.g. Wonga, Quick Quid, Pay Day UK. (There are approximately 240 nationally)	Wonga	Personal loans - from £1 - £1000 over 1 - 68 days	4,214% APR representative and compound interest at 1% per day - this rate is applied to the loan amount and transmission fee for the period of the loan. However loans are only available for 68 days so APR is calculated from compound interest rate of 360% over a year	Whole of market. People on low incomes. People refused by mainstream lenders.	Internet & Telephone based applications	Money available quickly (within 15 minutes). Simple and easy application process. Can give credit where banks won't.
	Quick Quid	Personal loans - from £50 - £1500 over 30 - 60 days	1,734% APR representative. The annual rate of interest is 326%.	Whole of market. People on low incomes. People refused by mainstream lenders.	Internet & Telephone based applications	Simple and easy application process. Can give credit where banks won't.
	Cash Generator	Personal loans - £50 - £1000, buy-back, pawnbroking	2,115% APR representative. Interest rate of 348% per annum (fixed). Loan fee is	Whole of market. People on low incomes. People refused by mainstream lenders.	Branch based - local and community based, Internet	Simple and easy application process. Can give credit where banks won't.

			fixed at a rate of £29 per £100 borrowed.			
Pawnbrokers	Albemarle Bond	Short term loans, £50 - £1000 over 7 - 31 days	2,499% APR representative.	People on low incomes. People refused by mainstream lenders.	Branch based - local and community based. Internet & Telephone based applications	Simple and easy application process. Can give credit where banks won't.
		Speed loans, £300 - £1000 over 12 - 18 months	281.5% APR representative.	People on low incomes. People refused by mainstream lenders.	Branch based - local and community based. Internet & Telephone based applications	Community based. Simple and easy application process. Can give credit where banks won't.
Community Development Finance Institution (CDFI)	Salford Moneyline - now called Moneyline Greater Manchester	Personal loans - small amounts	Up to 45% APR	People on low incomes. People refused by mainstream lenders.	Branch based - local and community based	Lower cost alternative to pay day loans, loan sharks & hire purchase.
Hire Purchase Companies	Bright House, Perfect Homes	Electrical products & home furnishings via personal finance	29.9% APR representative. Potential add on fees including Service Cover, Damage Liability Cover etc. Repayment periods fixed over 3 years.	Whole of market. People on low incomes.	Branch based - mostly in high streets & town centres. Internet & telephone orders.	Varied range of high quality products. No deposit needed. Quick access to goods.

Log Book Loan Companies	Auto Money	Personal Loans - Secured against vehicle. Loans from £100 - £5000.	493.9% APR representative.	People on low incomes. People refused by mainstream lenders.	Branch based - Locally & Nationally	Money available quickly. Simple and easy application process. Can give credit where banks won't.
Loan Sharks		Personal Loans	No limit on interest charged	People on low incomes. People refused by mainstream lenders. Desperate & vulnerable people.	Community based - often recommended by a friend	Don't make decision based on credit history or affordability, which is also a negative.

APR: Pay Day loans in particular: Wonga charges the equivalent of just under 1% interest per day and that rate is applied to the loan amount and transmission fee for the period of the short term loan - usually between one and 31 days. The annual rate of interest is 360%. However, a much larger Representative APR must be displayed by Law. This means that where a loan is not taken out for a year, the interest rate must be compounded the same number of times the actual loan period would fit into a year (annualised measure) is distorting over short periods of time.

Appendix 3- Loan Amount Comparison

	MCU	Wonga	Banks
Amount borrowed	£100	£100	N/A
Repayment period	12 weeks	5 Days	
Weekly repayment amount	£9	n/a	
<u>Total interest/Fees charged</u>	<u>£2.90</u>	<u>£10.70</u>	
Amount borrowed	£500	£400	N/A
Repayment period	37 weeks	10 Days	
Weekly repayment amount	£15	n/a	
<u>Total interest/Fees charged</u>	<u>£44.18</u>	<u>£45.49</u>	
Amount borrowed	£1,000	*	£1,000
Repayment period	12 months		12 Months
Interest Rate	26.80%		18.9%- 24.9%
<u>Total interest charged</u>	<u>£127.06</u>		<u>£96.92-</u> <u>£125.72</u>
Amount borrowed	£2,000		£2,000
Repayment period	12 Months		12 Months
Interest Rate	19.56%		19.90%
<u>Total interest charged</u>	<u>£200.31</u>		<u>£203.60</u>
Amount borrowed	£5,000**		£5,000
Repayment period	24 Months		24 Months
Interest Rate	12.68%		15.20%
<u>Total interest charged</u>	<u>£648.81</u>		<u>£964.00</u>

* Got to be an existing Customer for this level.

**MCU can match any offer from a Bank on larger loans