

**RESTRICTING ACCESS TO PAY DAY LENDING COMPANIES
ON COUNCIL WEBSITES**

**REPORT OF DIRECTOR OF COMMUNITIES, HOUSING &
CUSTOMER SERVICES**

AGENDA ITEM: 10

**PORTFOLIO: SAFETY, ENGAGEMENT AND DEMOCRACY (COUNCILLOR
DAN DE'ATH)**

Reason for this Report

1. The report seeks authority to undertake changes to Council policy to limit the visibility of websites identified as “pay day lenders”, and signpost those seeking to access that facility to appropriate support.

Background

2. The Council’s Corporate Plan 2015-17 identifies clear priorities for the organisation. One of these priorities is “supporting people in vulnerable situations”. In October 2014, the Cabinet also agreed a renewed set of Co-operative Values, focusing on fairness, openness and working together.
3. In view of this, the Council is taking forward a number of activities focused on creating a fairer Cardiff. This includes taking forward best practice identified by the members of the Co-operative Councils Innovation Network, which the Council formally agreed to join in April 2014. Promoting more sustainable alternatives to pay day lenders is also an approach adopted by a number of other areas, including members of the UK Core Cities Group and some Welsh Local Authorities. This report focuses on how the City of Cardiff Council can support vulnerable people seeking high interest short term loans from companies deemed “pay day lenders”.

Issues

4. A Credit Working Group was established to develop proposals and make recommendations about how City of Cardiff Council can act to improve access to credit for low income households. The terms of reference for the group were set out as follows:

- To investigate the issues which prevent low income households from accessing credit and the reasons for the proliferation of high interest lenders and loan sharks.
 - To investigate ways that access to the services of ethical lenders such as the Credit Union can be promoted and extended.
 - To understand and highlight the wider issues around banking and in particular the availability and promotion of basic bank accounts and budgeting accounts such as the credit union jam jar account.
5. The pressures caused by a difficult economic climate and the challenges associated with welfare reform has meant that access to affordable credit remains a prominent issue. It is recognised that people in the lowest income groups and those in vulnerable situations are likely to have low levels of savings. Unexpected expenditure or essential costs are therefore likely to be funded by credit. The situation for low income groups will often be compounded by the cost of accessing credit being made more expensive due to their financial situation and credit history.
 6. This has led to a reliance on short term high interest lenders, or “pay day loan companies”. However, the report of the Credit Working Group in March 2014 noted that the use of pay day loans do not address some of the underlying issues and often exacerbate any financial difficulties. The evidence suggests that the services they offer are not necessarily in the best long term interests of their customers. It should be made clear, however, that pay day loan companies do not act illegally.
 7. Research undertaken as part of the Credit Working Group found that pay day lenders are used by around 6% of low income families – with 70% of those taking pay day loans being from a low income background. Last year, the Financial Conduct Authority (FCA) announced a cap on the amount of interest charged by pay day lenders. A total cost cap of 100% has ensured that the total recoverable by way of the amount borrowed together with any fees and interest charged in relation to that loan cannot exceed 200% of the amount borrowed. However, the cost of loans can still be significant. This demonstrates that addressing the issue of high interest loans is a nationally recognised matter, and that whilst the FCA have acted, the Cabinet believe that the Council can provide further action in this area to support local people in vulnerable situations.
 8. The Cardiff Credit Working Group made a series of recommendations in its report about how the Council could act to improve access to credit for low income households. The Council and its partners have responded to a number of the recommendations made by the Group, and this report outlines how the Council will respond to the Working Group recommendation that the Council “*restrict access to websites that offer high interest loans.*”

Supporting those in need

9. The Council's co-operative values place an emphasis on fairness, and it is a corporate priority to support people in vulnerable situations. Partners in Cardiff already offer a range of important services to help those in need of advice and support. These include:
 - The **Illegal Money Lending Unit Wales** tackles the practice of illegal money lending, provides support to victims on managing their debts, and also undertakes preventative training in schools. It provides training for front-line professionals on identifying those at risk of illegal money lending and the support that is available.
 - The **Money Advice Team** based at Marland House provides advice on budgeting, how to deal with debt and negotiates with creditors on client's behalf. It also helps maximise income by identifying entitlement to various benefits, provides support on fuel poverty and advice on how to deal with any difficulties resulting from welfare reform. In serious cases it can refer clients to debt specialists.
 - **Community Hubs** offer a range of services, including from partners organisations such as the Citizens Advice Bureau, which can help support low income families and those who may be struggling with debt. This includes Benefits and Housing advice teams, amongst others, who can ensure that those in needs are receiving the support they are entitled to. Specific sessions are also held by partners on how to manage finances and in many Hubs there is a presence from the Cardiff and Vale Credit Union.
10. The Cabinet wish to makes best use of this support to assist staff and service users to make informed choices about pay day lending services. It is therefore suggested that upon trying to access a high interest short term lending website via an internet facility administered by the Council, the user will be taken to a 'coaching' page providing a signposting service to appropriate advice and support. This would promote appropriate advice and support which is available, and could help identify alternative options to high interest loans. In this way the Council would not seek to interfere with a market facility or restrict people's ability to access what they may deem to be an appropriate option for them. The aim is to support people make more informed choices and help people access support that they may not be aware of.
11. Any attempt to access pay day lending websites from a Council computer or via a Council web-server will consequently be met by a holding page advising the user of the alternatives available. Should the user want to proceed and access the pay-day lending site, the "Coaching Page" will allow them to do so. Whist this report focuses on the issue of access to high interest lenders, it forms part of the Council's overall commitment to protecting vulnerable people and promoting fairness across the city.

Implementation

12. The Council has the ability to provide a “Coaching Page” on all Council administered web pages. This will include access to the internet at Council buildings such as County Hall and Wilcox House, and in community buildings such as libraries and community centres. It can also include schools, though each school has discretion to administer its own policy. Where it is within the Council’s gift to do so, the Council will use its powers to provide support and advice to those seeking to access pay day lending services through the internet via a coaching page. It should be noted, however, that it is outside the Council’s gift to restrict access via public Wi-Fi internet connections.
13. The Cabinet will therefore act to provide advice and support upon access to pay day lending websites via a “Coaching Page”, which will signpost people to the support available. This will include promoting the support available at local Community Hubs, the Illegal Money Lending Unit and the Money Advice team and through recognised partner organisations such as the Money Advice Service and Cardiff and Vale Credit Union.
14. To develop and maintain a list of websites that will be prefaced with a “Coaching Page” the Council will work with partner organisations, including other Welsh local authorities, members of the Co-operative Council Innovation Network and the UK Core Cities Group to identify those deemed as high interest short term lenders. As there is no definitive or exhaustive list, this work will be undertaken on an appropriate and regular basis. The work with partners has so far led to a list of 308 pay day lending sites and will be reviewed periodically. It will also be compared with the findings of other partners, and updated on an appropriate and regular basis.
15. Other local authorities with which the Council has engaged to develop the approach include Carmarthenshire County Council, Newport City Council, Gwynedd Council and Rhondda Cynon Taf County Borough Council. Work has also been undertaken with partners in Glasgow and Leeds, who are members of the Core Cities group.

Reason for Recommendations

16. To enable the Council to establish a ‘coaching page’ for those trying to access pay day lending websites on Council computers and servers, restricting access and highlighting the available support.

Financial Implications

17. The cost of this development will be met from within existing resources.

Legal Implications

18. The intention is not to prevent access to so called pay-day loan facilities but to use any proposed access to sites operated by those providing

such facilities to highlight the availability of additional support which is already being provided.

19. This will only be implemented in respect of internet access being provided through the Council's facilities and does not exceed a proportionate and reasonable approach in pursuing its corporate objectives, in this case being that of supporting vulnerable people.
20. The proposals are not contrary to s17 Local Government Act 1988 (exclusion of non-commercial considerations).
21. Whilst the impecunious situation of those who might find themselves wishing to rely upon such loans is not a protected characteristic, some protected characteristics can also be associated with increased financial challenge or vulnerability. It is therefore considered that the proposal will promote equality of opportunity and good relations on the basis of protected characteristics.

RECOMMENDATION

The Cabinet is recommended to agree changes to ICT policy to restrict access to "pay day lenders" by redirect those attempting to access those websites to a Coaching Page.

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Director

27 March 2015