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Policy Paper

Boom-time for legal loan sharks:
How deregulation, market failure and a crisis in wages has led to the rise of payday lenders

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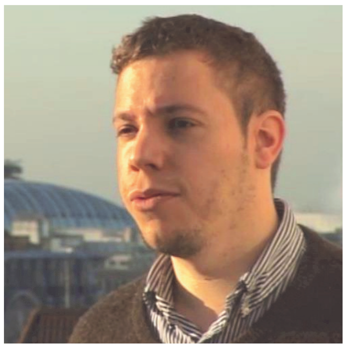
July 2013



Author

Carl Packman is a writer, researcher and blogger. Carl is the author of the book *Loan Sharks: The Rise and Rise of Payday Lending* published in 2012 by Searching Finance. He has written for many publications including the Guardian, New Statesman, Jewish Chronicle and Credit Today Magazine and has been interviewed on payday lending by the BBC, Sky News, LBC and Channel 4.

His next book, on the global growth of the high cost credit market, will be published by Palgrave MacMillan in 2014.

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Executive summary

Payday lending originated in the US, but after being squeezed out by urgent regulation and usury laws, the industry needed to set up shop in a country where markets were entrusted to run themselves, with little regulation from the state, and where prices at which lenders could sell credit were not restricted. The industry found a safe base in the UK.

Over a million people took out payday loans in 2012[1] and the Office Fair Trading have reported that in 2011/12 the total number of payday loans issued was between £7.4 and £8.2 million[2]. The payday lending business was worth little over £100 million in 2004[3], but growth in the industry, squeezes on wages, the rising cost of living, recession and a reduction in mainstream credit sources for low income families (though not limited to them) has driven that figure to be somewhere between £2-4 billion today[4].

Unite carried out a survey of its members[5] to see what experiences they had had with payday loans. In March 2012, 12 per cent of its members who responded and were struggling to stretch their wages out until the end of the month were in hock to a payday lender. Later that year in September 40 per cent of its members who responded were using this type of credit. In March this group of people were taking out an average loan amount of £200, in September it was £335.

The Lost Generation (under 25s) were disproportionately represented. In March 2012 they were the lowest section of members who were unable to manage until the end of the month, while in September 2012 they were the largest group to be borrowing.

The government were given the opportunity to do something considerable on this industry after a Labour peer successfully pushed through an amendment to the Financial Services Act 2012, giving the regulator the power to place a cap on the total price a lender can sell a loan at. Now its official position is that such a cap would do more harm than good.

This paper calls for the government to reconsider its position and set a cap on the cost of credit. It also recommends that the government give the newly created Financial Conduct Authority (FCA) the power to do this in November 2013, not April 2014 which it's currently set to do (though even at this point the FCA may not wish to use its power).

This paper also recommends that the government end self-regulation in the payday lending industry, consider a reasonable rollover limit, restrict the amount of times a person can take out loans in order to service the interest of existing or “live” loans and consider obliging all lenders to put all credit transactions through a credit reference agency. This way the regulators can effectively regulate the amount of loans a person can take out in a year, in order for that borrower to be referred to financial advice services and a credit union if necessary.

Introduction

We can not go very long in this country without either seeing a news piece about payday loans, an advert on public transport or on the television, or see one of their many shops littering our high streets. And yet we have very little information on this industry.

Only very recently have government policy makers in the UK started to take any notice of the industry, and even then the response has been left wanting. But then for this government, and the one that preceded it, to say anything critical about the industry would be to ask compromising questions about the neo-liberal economic model in which they have so much unfounded trust.

That is not something consumers, progressive politicians, campaigners and activists should take lightly. Their task is to rattle the cages of the elites in order that they start to listen to reason on this issue. What movement there has been has shown signs of working. The Office for Fair Trading have started to investigate payday lenders, online and offline, to tackle bad practice in the industry. Self-regulation is not enough and that truism is starting to filter through now. But looking at the depth of the problem highlights a whole host of issues that need to be taken in to consideration.

Payday lending: Where it all began and how it made its presence known

Payday lending as we know it today existed first in the United States. Small dollar lending, as it's known there, is a credit agreement carried out on a short term basis, largely to low income customers who have trouble borrowing money from mainstream lenders, either because of a damaged credit history or through a bank's risk aversion around certain potential customers.

The industry, as it began in the states, was largely priced out by strict usury laws capping the interest rates that lenders could sell loans, making it almost impossible for non-banking institutions to lend. Many institutions were obliged to sell loans at six per cent interest, and given how expensive and risky it was to sell loans to people who were not otherwise catered for by mainstream banks, were forced to set up shop elsewhere or enter other industries.

These laws consequently made it very difficult for cash checking operatives, or 'salary buyers', who would lend money after taking a paycheck as collateral, to have a long term business model. Nevertheless payday lending took a great deal of influence from this model, despite knowing that within the regulatory framework practised by some states in the US, it would be very difficult to break through the market.

That was until the Depository Institutions Deregulation and Monetary Control Act in 1980. According to a report by Mark J. Flannery and Katherine Samolyk, it was this intervention that paved the way to a blossoming payday lending industry in the US[6]. The federal government, reacting hastily to a drastic rise in inflation, effectively eliminated interest rates to the extent where all usury laws could be circumvented. This made it a lot easier for payday lenders to operate, even in areas where usury was banned.

However payday lenders had a major breakthrough two years previous to that, as well. During the case of Marquette National Bank of Minneapolis vs. First of Omaha Service Corp., a Supreme Court ruling stated that anti-usury laws could not enforce against nationally chartered banks in other states. This allowed payday lenders to partner with banks in order to sell what were packaged as bank loans, but in actual fact were extremely expensive loans that bore more resemblance to those of loan sharks rather than mainstream providers. Payday lenders were then able to lend both in states where usury laws were more relaxed and where usury laws were tighter, but effectively overridden.

Subsequent US regulation later on squeezed many payday lenders, even the ones operating through banks, out of the market. Many states set interest rates very low, between 6–36 per cent, while some states banned payday loans altogether. This meant that in the late eighties and early nineties payday lending companies in the US were on the lookout for other host countries, preferably with relaxed regulatory laws and a belief in the market to control itself.

Thatcher's invitation

In 1986 rules to the London Stock Exchange changed, giving rise to the deregulation of the financial markets, on the hope that Britain, and London in particular, would become one of the foremost financial centres of the world. Margaret Thatcher, under whose remit the reforms were made, wanted to change a culture of overregulation and the "old boys network" of largely unproductive financial elites who gave their friends jobs and ensured city companies were filled only with rich males.

However in so doing, Thatcher discouraged sensible regulation of the financial sector which ended in the recent global financial crisis of 2007-2012. As Ken Livingstone wrote in April 2013:

> **"The idea that bankers would rationally allocate resources for all our benefit was always a huge lie. Now [we] are directly paying the price for this failed experiment through the bailout of bank shareholders."** [7]

Though there is some discussion, raised again after the death of Thatcher, about whether her policies were directly to blame for the most recent recession, or whether further deregulation after 1997 by former Labour chancellor Gordon Brown was the icing on the cake, certainly "Big Bang" economics (as the deregulation measures came to be known) came to be understood as one of the cornerstones of Thatcherism, from which the country has never recovered.

The guiding principle of these measures was to allow the market to run itself, via the so called “invisible hand”. Informed by Chicago School thinkers such as Milton Friedman, it was believed that allowing financial organisations to get on with their affairs with little by way of state oversight would set about a trickle-down effect which would prosper not just those at the top, but all in society.

This ridiculous optimism, as we now know, based on either wilful ignorance, genuine stupidity or both, never bore fruit and Britain's poor suffered the most for it.

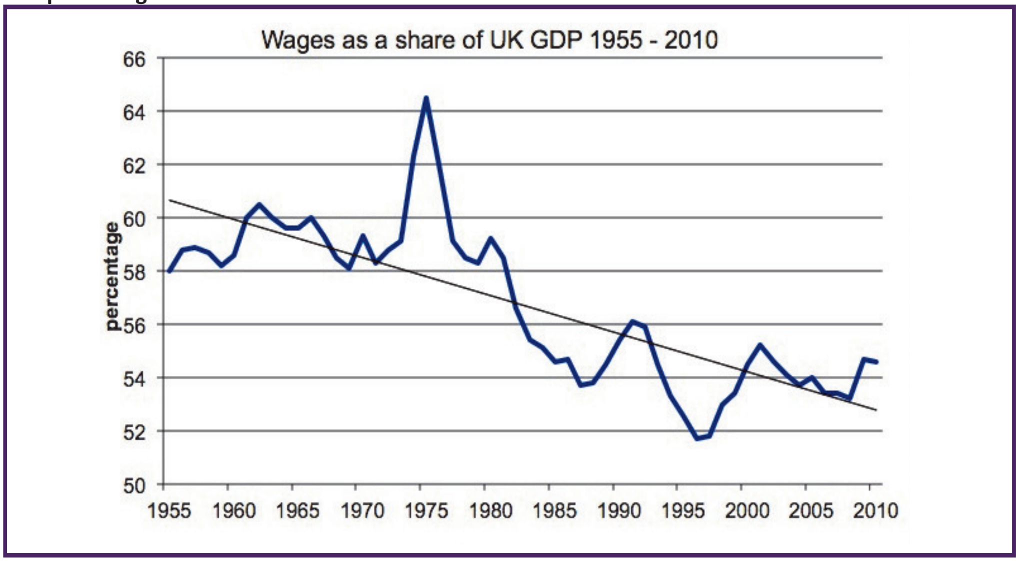
At the same time as this move, the UK was becoming the host that many payday lenders were hoping for after being squeezed out of the US by targeted regulation. The Money Shop, a payday lender owned by US company Dollar Financial Corp, expanded from having one shop in 1992 dealing primarily with cheque cashing, to 273 stores and 64 franchises across the UK in 2009. According to a report by the Centre for Responsible Credit in 2010, five of the seven biggest payday loan companies in the UK are owned or controlled by a US company[8].

These shops were subject to the same amount of regulation as city banks, that is to say not much at all. Their quick growth and presence on the market was testament to the lie that everyone would get rich as a consequence of city prosperity. However it was during the recession of 2007-2012 that financially vulnerable individuals started to really feel the impact of this new type of lender on the high street.

The UK's ignored debt problems

Any prosperity felt in the boom years of 1997 and 2008 was largely the outcome of personal borrowing. It certainly wasn't the outcome of rising wages. As Stewart Lansley has written in his book 'The Cost of Inequality'[9] between 1980 and 2007 real wages in the UK rose by an annual average of 1.6 per cent, while economic capacity grew by 1.9 per cent (see Graph 1). Real incomes in the UK have been near-stagnant since 2005 for many while the share of the wealth of the bottom 50 per cent shrunk from 10 per cent in the 1980s to six per cent in 2002. Indeed recent figures by the Office for National Statistics (ONS) confirm that the real wages of UK workers fell back to levels similar to 2003, showing the extent to which inflation has made any wages increases enjoyed merely symbolic[10] (see Graph 2).

Graph 1: Wages as a share of UK GDP 1955-2010

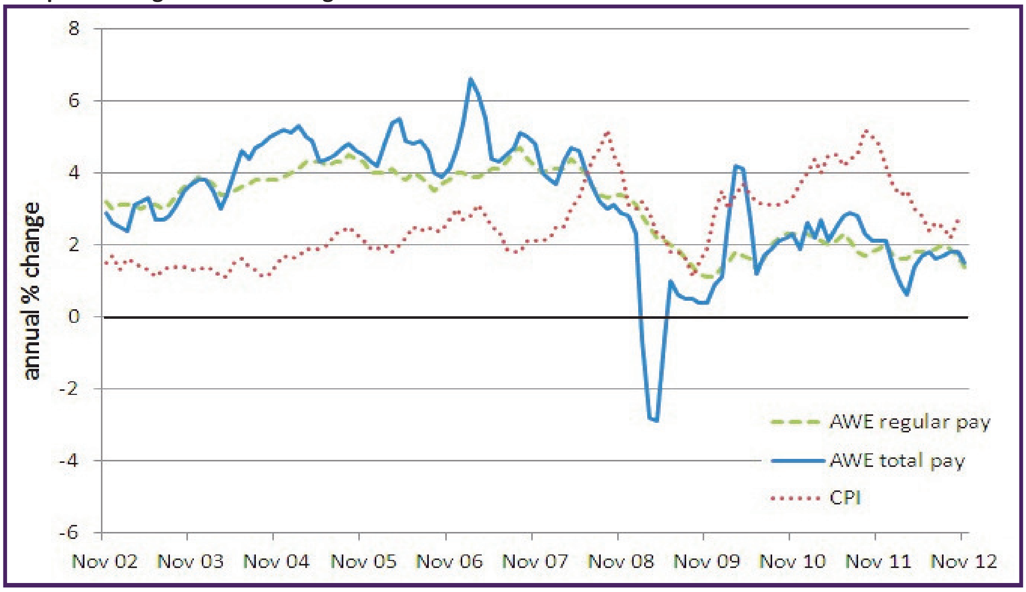


Source: Tax Research UK http://www.taxresearch.org.uk/Blog/2011/12/05/theres-plenty-of-money-its-just-been-put-out-of-reach/

Already an unequal country compared with many others in the West and the rest of the world, the current UK government is now ideologically committed to ensuring that is the case for many years to come; with rising food prices, utility bills and reforms to welfare that sting the most vulnerable.

Research by Skipton Financial Services[11], a financial advice organisation, last year showed that the cost of living had increased to the point where the average family

Graph 2: Changes in real earnings in the UK and London 2002-2012



Source: ONS http://www.ons.gov.uk/ons/rel/regional-trends/regional-economic-analysis/changes-in-real-earnings-in-the-uk-and-london--2002-to-2012/art-changes-in-real-earnings-in-the-uk-and-london--2002-to-2012.html

needed to bring in at least £24,801.51 just to survive, while many families were struggling to keep their heads above water. This was calculated by looking at rent or mortgage costs, bills, food shopping, insurance and travel. Though it didn't factor in luxuries such as takeaways, nights out and family holidays – meaning that these extras are completely out of the reach by a large proportion of families, even if they do have access to credit facilities.

In February 2013 official figures released by the Office for National Statistics (ONS) showed that while the average worker in the private sector saw their wages rise by just 1.4 per cent, and many workers in the public sector saw their wages freeze, food prices have risen by 4.5 per cent[12].

Amid the most severe economic downturn for many decades the average annual total for household utility bills stood at £8,202, up significantly from £5,834 in 2007, according to research by Bacs. The urgent need for positive movement by the government on this issue is all the more pressing when we find out instances like energy company RWE npower, one of the so called "big six", not paying a penny of corporation tax in three years despite making profits of £766 million[13].

Other bills, which could be seen as luxury but are vital in today's society, such as mobile phone bills and membership fees have risen on average from £3,830 to £4,156 in the same period[14].

On top of this, as unemployment, underemployment and the spectre of zero-hour contracts are on the rise (where companies employ staff as standby but offer them only precarious working hours – rising from 11 per cent in 2004 to 23 per cent in 2011[15]) those who are not fortunate enough to have a job have seen their finances ever-more compromised. From the bedroom tax, caps on the amount claimants can receive, and a real term cut after benefits are capped at 1 per cent, measured alongside a rising cost in living, government policy is disproportionately impacting the already very poor.

It is perhaps unsurprising, then, to find that the payday lending firms have benefited from such financial instability and uncertainty. Workers are finding it increasingly more difficult to top up their declining wages with mainstream credit, as may have been the case for some during the so called “boom years”. At the same time the payday lending industry has increased its national worth from £100 million in 2004, to between £2-4 billion today[16].

To highlight its grip on many consumers today, the National Debtline, who previously took 465 calls over the course of the year from people worried about payday loans in 2007, now deal with almost 100 calls a day. Many of these loans are being taken out to purchase food, bills and other essentials, not the outcome of financial imprudence that some would have you believe[17].

But while people are spending more on essentials and seeing their wages substituted for debt, personal debt profiles are rising to severe levels. Outstanding unsecured (consumer credit) lending stood at £158 billion at the end of February 2013 and there is no suggestion that this will decrease any time soon – and this is happening on the Coalition's' watch. Their tax cuts for the richest in society seem all the more offensive in context.

The government who promised to tackle the deficit and public debt are, as a consequence of Osbornomics and illiterate economic policy, doing nothing to combat rising personal debt and reliance on high cost credit from payday lenders.

Why are people using payday lenders?

It is important to understand why more and more people are taking out payday loans. What sort of financial situations are people experiencing that mean payday loans are increasingly the only option available to make ends meet? Throughout 2012 Unite surveyed its own members[18] to paint just such a picture, giving us a general glimpse of what financial conditions are leaving more and more people in hock to payday lenders. The following is an assessment of the data that Unite produced.

Back in March 2012 Unite reported that 82 per cent of its members who responded to the survey were using sources other than their incomes alone to make it through to the end of the month. 38 per cent, it was found, were using family and friends, but as that lifeline becomes more squeezed payday lending firms will become major winners offering their expensive services to those hard-up families.

While 67 per cent of those members using other sources to get by were running out of money by the third week after they were paid, 12 per cent were seeking loans from payday lenders. The average amount of money borrowed was £200. Of this group 40 per cent were using payday loans to pay for mortgage or rent costs and food, while the next group, at 16 per cent, were spending money borrowed on utility bills.

Given the increasing cost of rental housing in London, it is perhaps no surprise to learn that it had the highest amount of people who are borrowing to pay for housing costs (38 per cent) while in Scotland the largest group borrowing are doing so for food (32 per cent).

Unite carried out a similar survey in September 2012, six months after the original one, to see what had changed over that time. They found that now 40 per cent of members were borrowing money from lenders in order to get through to the end of the month. People were then borrowing around £335 per month, up from £200 in March. 66 per cent of those who were taking out payday loans were borrowing again the following week and only 12 per cent of these people were borrowing less the next time.

The Lost Generation (under 25s), who in March 2012 were the lowest section of members who were unable to manage until the end of the month, were then the largest group to be borrowing. This happened to coincide with advertising campaigns by payday lenders to target young people[19]. It is worth highlighting a *Which?* report that noted payday loan companies spent more than £500,000 for advertising on children's TV over the past two years[20].

In December 2012 Unite carried out a further survey. They found that just 20 per cent of members said they would be able to manage the cost of Christmas. 60 per cent of members said they would have to cut down on other costs while a final 20 per cent said they had absolutely no alternative but to borrow. Consistent with the rise in under 25s borrowing, it had been found that those in their 20s are the age group most likely to have to borrow (29 per cent) over the holiday period.

Regionally, Wales had the highest average planned borrowing costs per person, with that figure at a shocking £1055. £824 being the next figure in Northern Ireland, followed by £749 in Leicestershire.

One of the headline findings is that the amount of people who are borrowing from payday lending firms is growing very fast, which explains the fast growth of the industry in general. Young people are particularly vulnerable to financial shocks which is why they represent a significant share of those people most likely to become in hock to lenders. The very fact that people are having to borrow money for essentials, food, bills and housing, suggest an urgent need for government to act quickly on assessing the causes of such dangerous rises in personal debt, and what can be done to regulate the industry itself to make it more responsible.

The Financial Conduct Authority – from progression to regression

So what is being done about this escalating crisis? On 19 December 2012 the Financial Services Act 2012 received Royal Assent, and the Financial Conduct Authority came into force on 1 April 2013. As a successor to the Financial Services Authority (FSA) it regulates firms providing services to consumers - however its specific powers over the payday lending industry come into force on 1 April 2014, taking over from the Office of Fair Trading.

The pessimism surrounding the creation of the Financial Conduct Authority, however, can not be ignored. While Andrew Tyrie, the chairman of the Treasury Select Committee, back in January 2012 viewed the creation of the FCA as an opportunity to improve upon the way in which the Financial Services Authority (FSA) regulated financial products, he did also add "if we are not careful, the FCA will become the poor relation among the new institutions" [21].

During an All Party Parliamentary Group meeting on Personal Debt and Finance in February 2012, David Fisher, the director of consumer credit at the OFT, spoke optimistically about the FCA saying how he hoped the FCA would bring the prospect of greater regulation, as at present there is "a very light-touch regime". After praising the decision to give the remit to the FCA, Susan McPhee, Head of Policy at Citizens Advice Scotland, said "what is vital now is that the FCA has real teeth".

For a little while this looked like a real prospect. In December Lord (Perry) Mitchell on the opposition's BIS team forced through an amendment to the Financial Services Bill (now the Financial Services Act 2012) to allow the FCA the power to cap the cost of credit, which would specifically target the rip-off prices charged by payday lenders.

The amendment ruled that the FCA could:

- Prohibit the charging of certain types of fees which it considers to be unacceptable;

- Prohibit the charging of costs above an amount which it specifies as unacceptable; and
- Prohibit rollover lending, where a debtor arranges separate credit arrangements in order to settle existing ones.

Campaigners and consumer advocates who have been working to improve the regulatory architecture over payday lenders were close to rejoicing. That was until March 2013. In early 2012 the Department for Business, Industry and Skills commissioned the Personal Finance Research Centre at the University of Bristol to research and write a piece of work looking at how operable a cap on the cost of credit would be. Their research, published in early 2013[22], found no evidence to make the case for a cap; subsequently the official government position was that though the FCA had this power to cap theoretically, there were no grounds for the regulator to use it.

The problem with the report was clear to see. In its methodology, the authors of the report admit that:

> **"The available evidence about the impact of price restrictions on the cost that consumers pay for credit relates to interest rate restrictions, however, not the total charge for credit."**

Though it will be remembered that the power given to the FCA was to cap the total cost of credit, not cap interest rates[23]. Given that the research was not based on the operability of a total cost of credit cap, the government should not be so hasty to make its official position so soon.

To be fair to Jo Swinson MP, the Minister for Employment Relations, Consumer and Postal Affairs, she intends to work closely with the FCA and the Competition Commission (the body which the payday lending industry has been referred to now) in the coming months to determine what exactly the power to place a cap on the total cost of credit will mean. However an Occasional Paper published by the FCA itself in April 2013[24], adding further worry that nothing more will be done on the issue, said:

> **"caps on APRs or restrictions on how often [consumers] can borrow might make their financial situation worse".**

What needs to be done

The Office for Fair Trading's investigation into the payday lending industry, where it told 50 payday lenders, who account for 90 per cent of the payday market, that it had 12 weeks to change its business practices or risk losing their consumer credit licenses, was smart in principle. It showed an industry, that often has irresponsible lending written in to its business model, that it intended to get tough.

Despite these warnings already being in the OFT's lending guidance of 2010[25], it reminded lenders that they needed to modify their businesses to make:

- Better decision making on assessing whether the borrower can afford the loan;
- Providing detailed explanations on how payments will be collected;
- Cutting out aggressive debt collection practices; and
- Issuing forbearance measures to help struggling borrowers.

However the 12 weeks started from when payday lenders received their official letters, not from the time of the report (which was in March). When I spoke to the OFT to ask when all letters were going out I was told that they must all be sent by Easter. In March Wonga.com had even published an open letter to say they hadn't received the correspondence yet. Tough words are married with a slow, unenthusiastic response.

Since the changes are largely cosmetic, and the movement slow, it is my opinion that regulation should change hands to the FCA sooner, rather than later. At the moment the FCA will have that remit in April 2014. I suggest that BIS consults with the FCA to take over the regulation at the soonest date possible, before the end of the year, and if possible sooner still. They should do this while simultaneously consulting on how the FCA will operate a cap on the total cost of credit.

Once there is certainty over the regulatory architecture, then the real work can begin. The following conclusions are just a small sample of the interventions that can, and should, be done to the benefit of consumers in the UK.

Recommendations

Relating to regulatory changes

- The government should make the Financial Conduct Authority the main regulatory body over the payday lending industry before November 31 2013;

- This would give the Financial Conduct Authority the power to cap the cost of credit at a rate that is found reasonable from an urgent review of how operable a total cost cap, not an interest rate cap, would be in the UK. It should heretofore consider the report by the Personal Finance Research Centre at the University of Bristol an attitudinal assessment of a total cost of credit cap, not a practical assessment of its strengths and weaknesses;

- The government should end self-regulation on payday lending and carry out a number of measures to strengthen its regulation over them. One measure would be to oblige lenders to refer every credit transaction to a credit reference agency (currently only around 50 per cent of payday loans are done so[26]). Once this process is completed by the government, the following recommendations will become feasible;

- The government should assess, before the FCA's powers begin to take effect, the strengths of initiating a cap on the amount of times a person can roll over on a loan (that is to take out loans to service existing loans), matched with a period of tailored financial advice and a suitable debt repayment programme, inclusive of cooling-off periods, as well as a referral to a local credit union. This will also include individuals taking loans out with one company to service existing credit commitments with another company;

- The government should also determine a limit on the number of times a person can take out a payday loan before they are referred to financial advice - before the FCA's powers begin to take effect. Best practice on this would suggest that the government should consider the limit number to be five.

Relating to other agencies

- Government should change the law regarding the Town and Country Planning Act which allows payday lenders to move into shops that were formerly restaurants without council approval. Since payday lenders do not compete on price but on speed (i.e. who is able to get money into a customer's accounts the quickest), the proliferation of such lenders on the high street only drives their incentive to lend irresponsibly. In short, usual market rules (the price of a loan is driven down) do not apply. Giving local councils and local people more control over their high streets should be high on the government's agenda;

- Banks should, as part of their obligation towards wider society, offer emergency overdrafts for people on low incomes to be used when experiencing financial shocks. In many other countries this is a very uncontroversial practice, but seems to be a common sense approach too far in the UK. The government should also consider something similar to the Community Reinvestment Act which would see banks, if not lending sufficiently in local communities, obliged to sponsor local affordable lenders such as credit unions;

- The government should immediately reinstate and centralise the social fund. The coalition will now give local authorities unspecified money which can be used where the social fund was once ring-fenced. This raises the risk of a postcode lottery and could leave many beneficiaries without it – a win for payday lenders. Government needs to reform the fund so it is fit for purpose, helping families in the face of severe financial shocks. Policy makers should seriously consider making the social fund something that operates through a credit union, which would increase credit union funding and do more to highlight its social importance;

- The government needs to do a lot more to raise wages and the constant battle against the rising cost of living in the UK. It needs to raise the minimum wage, not lower it, while considering the operability of the living wage. It needs to consider this in light of existing research about what constitutes the minimum income necessary for a family to live on. Skipton Financial Services, mentioned in this paper, have done some interesting calculations on this already, but government needs to investigate further for what that means for individuals as well as families;

- The government needs to raise the money received in benefits for those unlucky enough to be out of work. While reducing access to the social fund, and the scrapping of crisis loans for people on benefits, the government have made it more difficult for the very vulnerable to get access to credit from anywhere other than a high cost credit lender such as a payday loans company. This in turn raises personal debt, stops people from saving money and having the ability to withstand financial shocks, and stops people from spending their money in the high street. How can government want consumer -led growth while doing nothing to ensure more people have money in their pockets.

These conclusions are by no means exhaustive. Even if implemented in full they would only scratch the surface of the problems that face workers and consumers. But they are a start. If a government is to have any commitment toward the people who it claims to represent, and not just the bosses at the heart of predatory capitalism, then it would seriously consider the findings and recommendations of this paper.

Notes

[1] See http://www.which.co.uk/news/2012/05/new-which-research-exposes-payday-loan-failings-286258/

[2] **OFT** http://www.oft.gov.uk/shared_oft/Credit/oft1481a.pdf

[3] See **FT** http://www.ft.com/cms/s/0/3cc4eab4-21ab-11e1-a1d8-00144feabdc0.html#axzz2WlGvrpfE

[4] See http://www.dailymail.co.uk/news/article-2094115/Instant-money-loans-Payday-loan-firms-ruining-lives.html and http://www.mirror.co.uk/news/uk-news/suicide-dad-hounded-for-cash-by-payday-1502853

[5] **Unite the Union** Press Release http://archive.unitetheunion.org/news__events/latest_news/unite_warns_wonga_week_a_month.aspx

[6] **Mark J. Flannery and Katherine Samolyk,** "Payday Lending: Do the Costs Justify the Price?" FDIC Center for Financial Research Working Paper, No. 2005/09 (June 2005) http://papers.ssrn.com/sol3/papers.cfm?abstract_id=771624 Accessed April 12, 2013

[7] **Ken Livingstone**, "Throw out the myths about Margaret Thatcher", Guardian, April 12, 2013. http://www.guardian.co.uk/commentisfree/2013/apr/11/throw-out-myths-margaret-thatcher Accessed April 12, 2013.

[8] **Damon Gibbons, Neha Malhotra, and Richard Bulmore**, Payday lending in the UK: a review of the debate and policy options, The Centre for Responsible Credit, 2010.

[9] **Stewart Lansley**, The Cost of Inequality: Three Decades of the Super-Rich and the Economy, UK: Gibson Square Books Ltd., 2011

[10] **Office for National Statistics**, Changes in real earnings in the UK and London, 2002 to 2012, http://www.ons.gov.uk/ons/rel/regional-trends/regional-economic-analysis/changes-in-real-earnings-in-the-uk-and-london--2002-to-2012/art-changes-in-real-earnings-in-the-uk-and-london--2002-to-2012.html Accessed April 12, 2013

[11] **Skipton Financial Services**, "Families Need Almost £25,000 Just to Break Even", http://www.skiptonfs.co.uk/news/view_press_release.php?id=709 Accessed April 12, 2013.

[12] **Experien**, UK consumer prices – February 2013 release, http://www.experian.co.uk/blogs/latest-thinking/2013/02/uk-consumer-prices-february-2013-release/ Accessed April 12, 2013.

[13] **James Bloodworth**, Video: Big six energy company paid no corporation tax in three years to 2011, Left Foot Forward, April 17, 2013 http://www.leftfootforward.org/2013/04/big-six-energy-company-paid-no-corporation-tax/ Accessed April 17, 2013.

[14] **Bacs**, Household bills free for a year, http://www.bacs.co.uk/Bacs/Press/PressReleases/2013/Pages/HouseholdBillsFreeForAYear.aspx Accessed April 12, 2013.

[15] **Phillip Inman**, Big rise in firms hiring staff on zero-hours contracts, Guardian, April 2, 2013 http://www.guardian.co.uk/law/2013/apr/02/rise-staff-zero-hour-contracts Accessed April 12, 2013.

[16] One of the major problems with the light touch regulation of the industry is that the Office for Fair Trading has to rely on media reports to ascertain what the true value of the industry is, which is why estimates are so vague.

[17] When I interviewed Dr Richard Wellings from the Institute for Economic Affairs he told me: "If they [payday loan customers] were prudent people they wouldn't need such a loan in the first place."

[18] **Unite the Union** Press Release http://archive.unitetheunion.org/news__events/latest_news/unite_warns_wonga_week_a_month.aspx

[19] **Wonga**, for example, were pressured into taking down an advert they put up on their website advertising short term loans, at high rates of interest, to students wanting to take a holiday break.

[20] **Which?,** Payday loans advertising on children's TV - January – 2013, www.which.co.uk/news/2013/01/payday-loans-advertising-on-childrens-tv-309136/ Accessed April 20, 2013

[21] **Parliament**: Treasury Committee publishes report into Financial Conduct Authority http://www.parliament.uk/business/committees/committees-a-z/commons-select/treasury-committee/news/financial-conduct-authoritys-objectives-should-be-rewritten-to-include-duty-to-promote-competition-for-benefit-of-consumer-says-treasury-committee-report/

[22] **Personal Finance Research Centre**: The impact on business and consumers of a cap on the total cost of credit https://www.gov.uk/government/publications/the-impact-on-business-and-consumers-of-a-cap-on-the-total-cost-of-credit

[23] The call for a total cost of credit cap (TCC) came from a House of Commons Private Members' Bill in 2010 for the Consumer Credit (Regulation and Advice) Bill, introduced by Stella Creasy. The TCC is different to capping interest rates because it takes into consideration all aspects of credit, such as administrative charges and other fees. In her submission to the BIS Consumer Credit and Personal Insolvency Review, Creasy indicated that late payment fees and auxiliary costs should be included in the maximum charge for credit.

[24] **FCA**: Occasional Paper No.1 - applying behavioural economics at the financial conduct authority http://www.fca.org.uk/your-fca/documents/occasional-papers/occasional-paper-1

[25] **OFT**: Irresponsible lending– OFT guidance for creditors, March 2010 http://www.oft.gov.uk/about-the-oft/legal-powers/legal/cca/irresponsible#.UW7SqDf1YXY.

[26] This was noted by Damon Gibbons at the Centre for Responsible Credit's conference on the high cost credit market, March 2013.

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