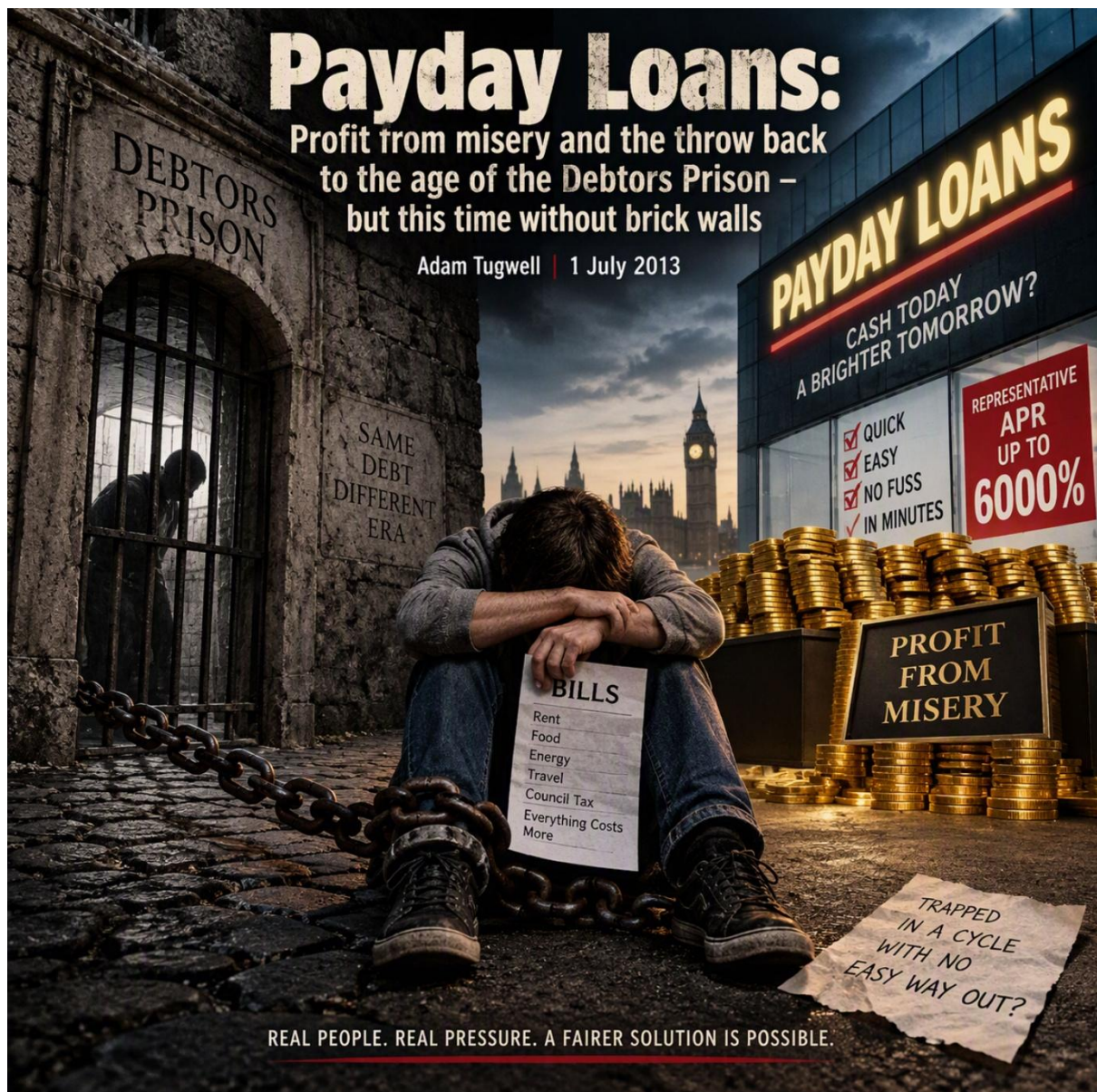


Payday Loans: Profit from misery and the throw back to the age of the Debtors Prison – but this time without brick walls

Adam Tugwell | 1 July 2013



Desperation, the emotion it brings and the knee-jerk response to any opportunities that might even just temporarily stop the cause of that pain, can lead those of us experiencing it to do what others may consider to be some pretty illogical things.

The prospect of escape at any level can certainly lead to the failure to consider detail that any one of us would normally think about. And when events feel like they have brought our lives to the edge of a precipice and no other answers are coming, would we really care anyway?

The point is being tragically missed in Government that disposable income is falling fast for everyone who is unable to obtain anything beyond standard 'cost of living' pay rises; that 'standing still' or 'treading water' financially has become all but impossible for a great many people, and that this downward slide is hitting those with the smallest incomes hardest of all.

In some cases, cutting back on luxury items simply isn't enough to counter the escalation of monthly, weekly and even daily costs which must be met just to survive. Prices on items like fuel for travel, car parking, travel tickets, basic food, clothing, utilities and communication escalate with what feels like jaw-dropping regularity and very few of us other than those charging the fees actually believe that such inflation is genuinely sustainable.

Even those with comparatively good household incomes have cut back and whilst some would argue that reducing the regularity of nights out, buying new clothes or downgrading the annual holiday will hardly make a difference, many of these same people are now using savings or high street credit cards to balance their household books in the hope that things will soon change. But for some of those with less, hope of that kind simply isn't an option.

Living hand to mouth is a phrase that many will consider an anachronism and borne of a different era. But for many on the lowest incomes, the reality that money is gone as soon as it comes into their hands is very real indeed, so the prospect of 'a couple of hundred quid to keep things tied over til the end of the month' coming at you from the TV screen can for many seem a very easy, perhaps timely and almost certainly an attractive way out. But a quick yes followed by the receipt of cash within minutes can easily overshadow the realities of what may be sold as a '[Payday Loan](#)'.

With interest charged at a rate of let's say 1000% calculated as an [APR](#) against a loan for a year (per annum or P.A.) of for example £100, the charge without any repayment over one calendar month would be a fee of £83.33. And when you take a quick visit to the internet and see that '[Representative APR](#)' or interest rates go up to nearly 6000%, you can see how easy it is to make a difficult situation one which will quickly become completely horrific.

With perhaps as many as one million UK households using Payday Loans each month, you would hope that the Coalition would be doing much more to address the financial issues which everyday people are facing generally. At the very least it would be more than reasonable to expect them to take real action to address what some would argue

as being a sanitised form of loan sharking by casting a legislative net across this very dark and murky pool.

But with a Government which has gravely missed the point that real savings in the long term requires the pain of real and meaningful reforms in the short, they also appear to have very little idea how passively influential they are being in guiding ever more people towards the first steps of the negative debt spiral, that in today's economic climate seems all but impossible for many to then escape. Put simply, no action is action all the same and this action is helping nobody but the loan companies themselves.

There is no simple or isolated solution which will solve this growing problem and protect many more people from the virtual enslavement which is experienced through being the victim of what is arguably a legalised form of crime. However, Government could:

- Regulate the Payday Loan 'product' and enforce a ceiling on interest rates to a manageable level. *The fact is that a £25 charge for £100 over a month would still equate to an APR of around 300%. Even at half that if you give generous consideration for what are probably very small administrative costs via the Internet, that still leaves a profit of £125 on every £1000 lent every month or £1500 over the course of a year. Pretty good money even then!*
- Take greater control of the credit assessment processes run by the finance industry which have disqualified many Payday Loan users from gaining mainstream credit and effectively pushed them into the hands of the unscrupulous.
- Push for mainstream lenders to begin offering the Payday Loan 'product'. *If necessary develop a method to provide a level of guarantee through direct access to the users source of income and Legislate accordingly.*
- Create a Government owned 'Peoples Bank', run as a not-for-profit on commercial lines, which has an appropriate level of altruism in its approach to support those who really need it, whether they are domestic users or even small businesses who need the financial leg-up that nobody else seems willing to provide.

There are many more ways that Politicians could help the people in need who Elected them to Office if they really wanted to try.

The biggest step they could take would be to acknowledge that the power of any Government extends way beyond the services that it pays for and then act, knowing that this influence should and must be used to its fullest when the behaviour of any person, group or business is having a negative or detrimental effect on any part of our wider community for no other purpose than making unreasonable levels of profit.

The reality is however that increasing numbers of Taxpayers are now paying for a system which is failing to support them when they need it most, and then paying way beyond the odds for an alternative form of support which isn't actually supporting any one of them at all.

Without the Coalition even talking about the need for Britain's lowest wage earners and genuinely-benefit-dependent to be able to maintain a basic standard of living between payments, it is not only finance companies who should be branded for irresponsible practice.

Failing to deal with just this one of so many different problems facing this Country is simply storing up more trouble for yet another day and in all likelihood another Government. And whilst the absence of an overall majority may suit Politicians who don't have the heart to do their job, everyone else is still suffering.

If you have found and read this blog because you are experiencing financial hardship in any way and are looking for help, please know that there are real people out here who care; who want to help; and that some of them might even be Politicians!

There are some really helpful Charities and Debt Advice Organisations who will do everything that they can to support and guide you through the issues you are facing, or possibly help you to find even more people who can.

A couple worth trying are the [Citizens Advice Bureau](#) who may have an office you can visit near your home and the [Step Change Debt Charity](#) (Formally the Consumer Credit Counselling Service or CCCS) who can also be called on 0800 138 1111.

If things already feel like they have gone too far to try and make sense of, there are also [the Samaritans](#). Contact any of these Organisations and you will speak to real people who are genuinely there to try to help and are not there to judge you in any way.

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