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In whose interest? The dynamics of debt in poor households

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Abstract

This article examines the dynamics of credit and debt in low income households, drawing on an action research project with 24 households in the Teesside area of North East England. Despite crippling interest rates, high cost credit sources (e.g. doorstep lending, catalogue, rent-to-own and payday loan companies) are increasingly used by households that are excluded from mainstream financial services. The article discusses the range of credit sources used, reasons for reliance on high cost credit and the exploitative practices of loan companies. It explores possible actions at household level through financial mentoring; the potential for developing alternative low cost sources of credit; and campaigns for regulation of loan companies.

Key words: household debt, high cost credit, low income households, poverty

Introduction

As the effects of the recession in the UK worsen – with rising food and energy costs coupled with reductions in welfare benefits – the extent and severity of financial exclusion is increasing, along with high ratios of (often unmanageable) debt. A number of studies document the nature of credit and debt in low income households and attitudes towards debt (for example, Dearden et al, 2010; Jones, 2010; Mathers and Sharma, 2011; Policis, 2008). However, the research project on which this paper is based has several distinctive features. It is an action research project working with a small number of households over time involving: collection of data on household finances; one-to-one financial mentoring for households; and community campaigns on emerging issues. In this paper we will focus on the findings from 24 initial in-depth household interviews, which provide quantitative and qualitative details of the range of debts, sources of credit and financial choices made by participants.

This two-year project (2011-13), funded by the Northern Rock Foundation, is a partnership between Thrive (a community organisation in Teesside), Church Action on Poverty (CAP) and Durham University's Centre for Social Justice and Community Action. The project grew out of previous household level research on sustainable livelihoods undertaken by Thrive, CAP, Oxfam UK and Durham University, which identified debt as a key issue for poor households on Teesside (Orr et al., 2006; Friends Provident Foundation, 2010). It builds on Thrive's previous collaborative working and campaigning in partnership with University staff and students (Beacon NE, 2011a) and is based on a set of principles for community-university collaborative working that prioritise participatory research and social justice outcomes (see Beacon NE, 2011b; Centre for Social Justice and Community Action, Durham University and National Coordinating Centre for Public Engagement, 2012). This paper was written mid-way through the project in 2012. Further details of the project can be found at: www.durham.ac.uk/beacon/socialjustice/researchprojects/debt_on_teesside

Financial exclusion and credit use

Financial exclusion can be described as 'a state where individuals cannot access the financial products and services that they need' (Transact, 2009:2). Poverty and low income are key factors in financial exclusion, with particular groups such as lone parents, the unemployed and those in social housing most likely to be financially excluded (Devlin, 2005; Ellison et al, 2011). A central aspect of financial exclusion is the inability to access mainstream credit. However, limited access to credit does not mean that credit is not needed or used. Many poorer households in the UK require credit to enable them to get by on a low income and therefore turn to alternative lenders, generally high-cost credit sources. The high-cost credit sector has grown considerably in recent years, with payday loans and home credit companies continuing to expand, even during the financial crisis (OFT, 2010; Mathers and Sharma, 2011:10). For example, the net income of Wonga, the leading payday lender in Britain, rose 269 per cent to £45.8m during 2011 (Scuffham, 2012). Recent analysis of credit use in low income households showed that 69 per cent of low-income households (10.55 million individuals) are credit users (Ellison et al, 2011: 6).

For households without access to mainstream banking services, credit cards and lower-cost loans are unavailable. Unemployment or a poor credit history mean that purchasing goods from high street shops that offer interest-free or lower cost loans is also out of reach. Key services used by low income consumers, therefore, are those in the alternative credit market: home credit (doorstep lenders) catalogues and rent-to- own companies such as BrightHouse, PerfectHome and Buy As You View. These services are used because employment is not a requirement for accessing credit, credit checks are less rigorous and payments are usually staged in moderate amounts paid over an extended period of time. For example, doorstep loans can be paid over 14-52 weeks and payments for rent-to-own goods over 156 weeks.

However these services are expensive forms of credit. A Provident Financial (doorstep) loan of £100 paid at £10 a week over the minimum repayment time of 14 weeks amounts to a repayment of £140 in total, at an APR [1]of 1068.50% (www.providentfinancial.com). A two-seater sofa from BrightHouse, a high street rent-to-own store, offered at the (overinflated) cash price of £865.84, paid at the weekly rate of £9.99 (including service cover) over 156 weeks adds up to a total of £1,558.44 (www.brighthouse.co.uk). Payday loans, the fastest growing addition to the alternative credit market, have APRs which start at 444% and can escalate to 16,500%. Although theoretically designed for short-term use of up to 30 days, extensions mean that extremely high interest payments can last for many months. Repayments for loans and rent-to-own items put a strain on low income households with less to spend on daily living and more being spent on debt repayments. A recent report by the Department for Business, Innovation and Skills (2010, cited in Mathers and Sharma, 2011:14) found that one in five households with low incomes (less than £13,500 per year) and debts reported spending more than 30 per cent of their income on servicing debts. Around 41 per cent of these low income indebted households reported having debts equivalent to 60 per cent or more of their income. As Thiel (2009: 29) notes, the irony in being reliant on the alternative market because of financial exclusion means that 'those who can least afford it pay the highest price for credit'.

The research project

The *Debt on Teesside: Pathways to Financial Inclusion* project works with low income households experiencing debt in areas of Stockton and Middlesbrough, in North East England. The two-year project started in July 2011, with the majority of households being recruited between Autumn 2011 and Spring 2012. Middlesbrough, and the Teesside area generally, perform badly against economic and social indicators, with the majority of wards in Middlesbrough falling within the 10% most deprived nationally (Department for Communities and Local Government, 2011) and some wards experiencing more than 50% child poverty. Teesside has been shown to have some of the highest need for financial inclusion interventions (Experian, 2009).

Households were recruited by targeting specific areas, identified through ward level data as experiencing multiple deprivation[2]. Widespread leafleting in these areas was followed up by door-knocking, inviting participation. Recruitment through door-knocking was time-consuming but has resulted in gaining access to many people living in extreme poverty, who were not receiving help from advice or support agencies. Criteria for eligibility were: low household income (below 60% of median income), self-reported problematic debt caused by use of credit, and willingness to participate in the project. We did not set a figure for levels of debt (this often did not become clear until the first interview took place), but essentially we were seeking people who had several sources of credit, were finding loan repayments difficult and wished to participate in the financial mentoring scheme.

One aim of the project is to examine whether on-going support in money matters can help indebted low income households in managing finances, especially in relation to high-cost credit. A mentoring scheme has been established to offer intensive, long-term, one-to-one support. The scheme matches households with trained volunteer mentors, who meet monthly in participants' homes and maintain contact by phone and text messages between meetings. The role of the mentor is to look at the priorities identified by the household, signpost services and organisations and support positive change - if possible away from high-cost credit towards more financially sustainable options. The research was designed to investigate what factors shape and/or constrain financial choices made by participants and examine the impact of mentoring on behaviour, attitudinal change and choices around money management. The involvement of mentors in supporting and guiding participants is a distinctive feature of the research project, which will be evaluated when the project ends.

Before the mentoring process begins, the researcher or project worker undertakes a structured, audio-recorded interview with households participating in the project. This is based on a detailed questionnaire, comprising questions relating to demographic characteristics of households, income, financial services used, savings, credit sources and debts. At subsequent visits mentors record significant changes. The discussion below is based largely on the initial household interviews.

Overview of households

Twenty-four households were recruited to take part in the project. Each one was designed to be a case study, allowing us to examine the dynamics of life events, money management and debt issues in detail over a substantial period of time. For each household there is a key contact, who forms the main link with the research project and provides information about the household as a whole. At initial interviews, the majority of key contacts were below 34 years of age; just over half the households were lone parent families, of which two were headed by males and two by widows (see Tables 1 and 2). No key contacts reported being in paid work, but two had a partner in full-time paid work. Income for all other households was from benefits or a combination of benefits and tax credits. Seven key contacts were on sickness benefits and two were carers; five identified as full-time parents.

Table 1: Age of key contact

Age of key contact	*No.*
18-24	6
25-34	9
35-44	5
45-59	4

Table 2: Type of households

Type of household	*No.*
Lone parent	13
Couple with children	6
Couple no children	1
Single person household	4

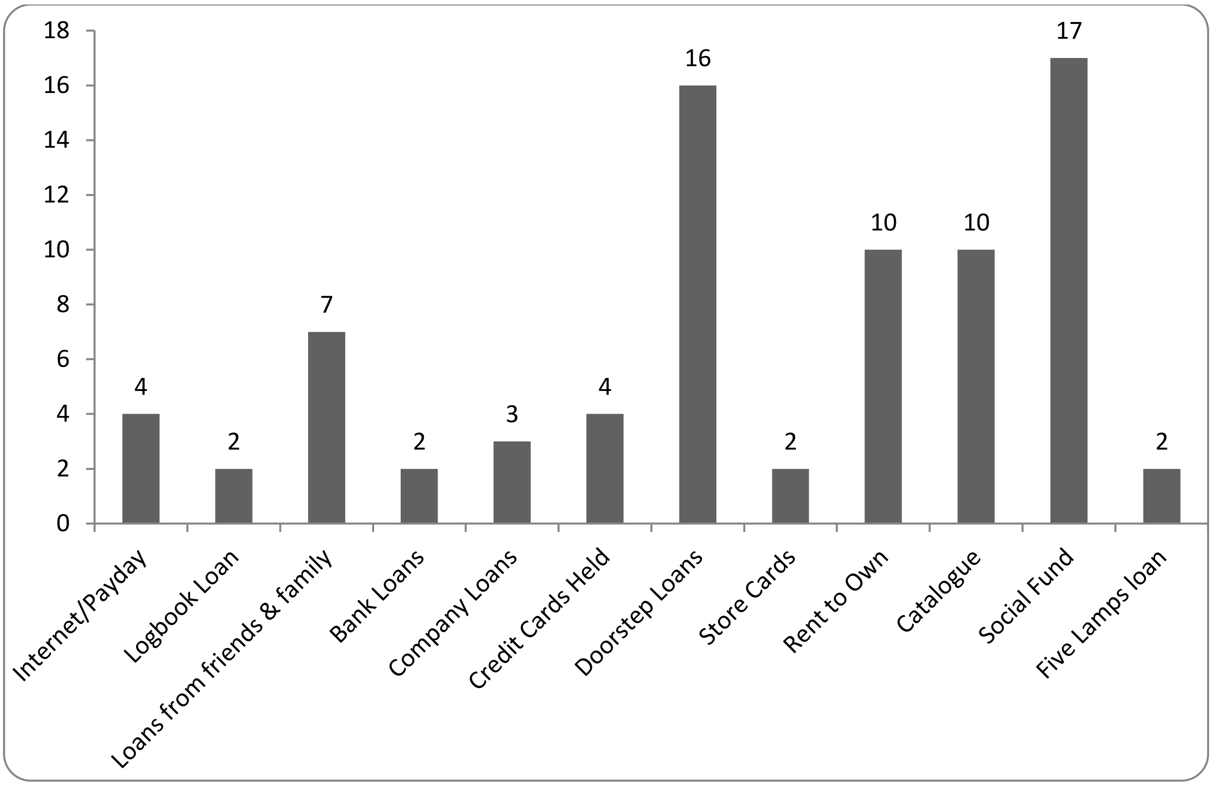
All households were experiencing income poverty (below 60% of median income) and many reported additional problems in terms of disability and ill health as well as debts. A third of households had rent arrears and three households had council tax arrears - priority debts that can lead to eviction. Amounts of total stated household debt ranged from £340 to more than £15,000. However, most people underestimated their debts, in some cases by several thousand pounds. Only one household had savings (reported as £4).

As this description suggests, the households in this study were extremely vulnerable financially. According to recent research (Mathers and Sharma, 2011) the risk of financial vulnerability is greatest in lone parent families, households with no savings, unemployed households, households with incomes below £13,500 and households in rented accommodation. Female lone parents are the most financially vulnerable of all households (Financial Inclusion Centre, 2011: 29). Some of the households participating in our research fall into nearly every category of high risk factors for financial vulnerability and all are included in at least three.

Credit sources

Households utilize an assortment of credit sources as a strategy for maximizing credit use: doorstep lenders, catalogues, company loans, rent-to-own sources, borrowing from the Social Fund and from family. Across a range of 12 credit sources (see Figure 1) all households reported currently using at least two at the time of the initial interview. Thirteen households were using four or more sources concurrently, of which one household was using nine sources. Within these credit sources, households often had a number of loans or arrangements - for example, three rent-to-own purchases, four doorstep loans and a catalogue.

Figure 1: Credit sources used by 24 households at time of initial interview



Credit sources from mainstream banking and credit facilities were fewer than those from alternative high cost credit sources, reflecting a lack of access to, or reluctance to use, mainstream sources. Two households had a bank loan and four had credit card debts (although three of these households no longer held a credit card), whereas ten households had catalogues and ten had credit arrangements with rent-to-own companies. Sixteen households had doorstep loans (such as Provident, Shopacheck and Naylors among others). Doorstep loans are sometimes a one off amount from one loan, although of the 16 households that had doorstep loans, 11 had more than one loan and one participant had 25 concurrent doorstep loans from seven different companies[3]. Doorstep loans ranged from less than £50 to 'well over £1000', eight were for less than £500 in total, six were between £500-£1000 and one participant did not know the amount owed. As other research has found (Jones, 2010), people like the quick availability of cash with this type of loan, which offers weekly repayments that are flexible regarding a missed payment. The home credit agents are generally known to and trusted by households. For example, one lone parent said that her agent 'sorted things' for her and knew not to give her loans requiring repayments of more than £30 a week. Another participant's agent was a friend of her father. It seemed that these emotional links, as well as financial need, tied people into a cycle of on-going loan arrangements.

The Social Fund was a resource used by more than two thirds of participants - 17 households had a current loan with the Social Fund and all except one had had a Social Fund loan at some point. However, the Social Fund was not seen as a 'debt' by participants because no interest is charged and repayments are taken directly from benefits. Similarly borrowing from friends and family was rarely seen as a 'debt' and borrowing within families was often a mutual arrangement with around a third of households borrowing from family on a regular basis. However, the actual amount of financial and material help from family was much higher, with grandparents buying milk and nappies on a regular basis or giving some money, which was not expected to be repaid.

Payday loans were used by four households, only one of which had a member in employment. Although apparently designed for very short term use (up to 30 days) the households in the project had extended their loans or had a number of loans, the interest on which became quickly unsustainable, as demonstrated by one participant's account:

> We tried Wonga and I got accepted and we paid them off. Previously they helped us out, fifty quid. We paid it back, which was £87.50 - which at the time we didn't miss because it worked out when I paid it. We paid all the bills and I thought 'right we've got no worries' and because you've paid it off, you go there again [...] There's about £1,200 of payday loans that we owe in total. If they were gone we wouldn't be where we are now [...] It feels I'm working for nothing.
>
> (Household 10, couple, one child)

When asked what the initial loan was for, this participant replied that the household 'needed food and nappies and stuff', mainly for the child. This fits with the findings of a survey for the magazine *Which*? conducted in April 2012 that found that more than 60 per cent of people who took out payday loans were using the money for household bills or buying essentials like food, nappies and petrol (Clarke, 2012).

Most participating households are being pursued for their debts. For example, 20 households reported that they had been threatened with legal action in the past 12 months; 13 had received letters from bailiffs and eight felt that they were being harassed by creditors. Two households had been evicted because of unpaid debts.

Financial choices

Research on credit use in low income households shows that it is used to 'smooth' income and expenditure flows (Ellison et al, 2011; Dearden et al, 2010). This can be linked to certain events in the year, such as at the start or end of school holidays or a change in income relating to life events such as the birth of a child, unemployment or changes in benefit entitlement. The underlying reason for credit use, however, is a lack of savings that can be used before turning to credit. The UK is said to have a problem with 'under saving' (Berry and Serra, 2012) - one that is especially severe in low income households. Two-thirds (68 per cent) of low-income households have no savings, rising to three-quarters (78 per cent) of those in the lowest income quintile (Ellison et al, 2011:6). Low levels of savings are a very important indicator of financial risk: 29% of households with no savings have debt-to-income ratios of more than 60% compared to 11% of households with more than £10,000 of savings (Financial Inclusion Centre, 2011: 29). In our project, as noted previously, with the exception of one household reporting £4 savings, no households had any savings, leaving no financial cushion for occasions such as birthdays, or if household goods need replacing. Without savings households must either go without or turn to high-cost credit sources.

As other studies have also found (Dearden et al, 2010; Jones, 2010) participants in the project were generally aware of the much higher cost of purchasing goods weekly but required credit to meet daily living costs. Many stated that they would buy goods outright if they could afford to, demonstrating that the credit 'choices' they made were ones made in restricted circumstances. People were using credit sources not necessarily because they wanted to, but because they lacked alternatives:

> I know you're paying a lot more [*at PerfectHome*]. You could probably get two wardrobes and a new double bed for that, with mattress, for about a thousand pounds. I know you're paying over the odds but I don't have the money to go and buy it. If I had the money I'd go to Argos or B & Q or whatever and say "I want that, I want that, I want that" and not worry about it ...
>
> (Household 10, couple, one child)

> Sometimes you've got no choice [*to borrow money*] but then you're in debt and that's bad.
>
> (Household 17, lone parent, three children)

> [*My*] family didn't have anything to be able to help so I ended up with Shopacheck.
>
> (Household 4, couple, three children)

From the initial interviews it became clear that many people were juggling limited incomes and debt repayments on a weekly and sometimes a daily basis and were often overwhelmed:

> It's just when I pay off other debts, I can't seem to get one aside. I often miss one or something like that to pay the electric. So it's just basically I have to miss one out to pay another one and then next time I have to miss another one out to pay another one, because I can't pay them all off.
>
> (Household 18, single woman)

However, although anxiety-provoking, juggling arrears on household bills, including rent, was often viewed as an active way of managing a limited budget:

> The reason why we got behind on the council tax is that we were too concentrating on the rent. We skint ourselves one month to pay the rent arrears off, which got us behind on the council tax. So that's the reason we are one month behind [*with*] the council tax. We know obviously [*if*] you don't pay the council tax, you go to court, to prison for - we know that - but it was more important to have a roof over our heads. So we'll pay the rent arrears and next month we'll pay the council tax.
>
> (Household 10, couple, one child)

> By the time I'd finished with Greenwoods it was a hundred odd pound a fortnight payment. So by the time I got the gas and electric, and it [*the water rates*] didn't get paid.
>
> (Household 12, lone parent, one child still at home)

> We're still paying it [*PerfectHome*] now but it's like, we have to go easy on the gas and the electric and stuff because if we don't pay it they come and take the stuff, and we need the children's beds so [*we have*] got no choice but to pay it.
>
> (Household 21, couple, three children)

Although deferring household bills in this way allowed participants to organise their limited finances strategically, it was a risky strategy. Nearly all households owed money for water rates, viewed as low priority because of the widespread awareness that water would not be cut off. However the water rate payments still accumulated, leading to a 'skeleton' debt (a debt waiting in the cupboard).

Despite having a limited framework of credit opportunities, financial choices were made by participants, who generally opted to borrow money or purchase goods rather than to go without. But care should be taken with the use of the term 'choice' in relation to spending decisions, as a limited income leads to limited options. What may appear a 'choice', is actually a result of straitened circumstances and therefore more a Hobson's choice (taking what is offered or nothing at all) than genuine choice.

'We're all in the same boat'

It could be argued that the 'choice' of going without may well be preferable, given the alternative of high cost credit and consequent long-term debts. Indeed some participants did go without, but this often entailed cutting back on essentials to pay debts rather than foregoing accessing credit in the first place. Although the reasons why people took on credit are multiple, one explanation may be the normalisation of debt by participants. Previous debt research shows that people are more likely to take on debt when they know others around them are also in debt (Livingstone and Lunt, 1992). Analysis of our questionnaire data shows that there is perception among participants that using credit and having debts are typical experiences. Twenty-one of the 24 participants agreed or strongly agreed with the statement that 'having credit is part of today's lifestyle' and all but one participant agreed or strongly agreed that 'most people run up too much debt'. The responses also indicate that getting by on a low income and having debt as part of this is normalised at a local level, with many participants believing that most people's experience is similar to their own. Debt is not only normalised in terms of its acceptability but also its inevitability. This echoes findings in other research, as Goode (2010:106) notes: 'participants perceived borrowing, even "overstretching" yourself, as the norm rather than the exception. "Everyone" was seen to be in debt these days'. In part a perception of similarity of experience is due to the very locally-based lives led by most of our participants, which offers them a realistic but narrow representation of how people might be managing financially.

Unfortunately the belief that most people have debts - indeed, even more debt than themselves - may prevent people accessing debt advice or reducing credit use.

The financial choices made by the participating households are linked to the familiar. Doorstep lending is a known quantity; many participants have other family members and neighbours using the same doorstep lender. People know their way around particular credit sources, such as the Social Fund and catalogues, because many people they know have experience of using them. In this way there is a 'comfort zone of lending' in which particular credit sources and ways of maximising income are familiar, normalised and therefore unthreatening. Although there are several credit unions and a local organisation (Five Lamps) that offer loans for individuals on a low income, only two participants reported using these lower cost alternatives. To some extent this is due not only to the familiarity and easy administration of doorstep lending, but also in part because of the unfamiliarity of the alternatives, such as credit unions. Furthermore, current alternative credit options do not suit the needs of many low income households. Savings in local credit unions have to be accrued for 13 consecutive weeks before a loan (up to twice the amount of savings) can be considered. For households that often need money quickly and find saving consistently difficult because income is unpredictable, such an arrangement is unfeasible. An additional barrier to accessing loans from the Five Lamps organisation is the necessity of a bank account and a credit check, insurmountable barriers to some households in the project.

Among the households participating in our research, it appears that money and debt advice is not sought until people are at crisis point, such as an imminent court appearance or eviction. Worries about debt are generally accepted and lived with. This seems to be a typical response. Recent research found that only a small minority of people who are concerned about their debts are likely to seek advice (Association of Business Recovery Professionals (R3), 2012). One beneficial feature of the *Debt on Teesside* action research project is that many people are being helped to access advice before they get to crisis point.

Concluding comments

The household interviews paint a picture of people living largely on benefits, who are sucked into a spiral of high interest credit in order to purchase necessities (food, heating) and/or items regarded as 'normal' in twenty-first UK society (TVs, mobile phones, children's games). When credit repayments are taken into account many households, already defined as living in poverty, are surviving on incomes well below this line. In this way the actual extent of poverty and its relationship to debt is underestimated. The impact of welfare reforms will both reduce income for these households and the availability of no interest credit (through changes to the Social Fund).

This action research project aims to explore how to tackle these issues at a number of levels – households, loan companies and other service providers, and societal. On the basis of the research to date, there are several avenues for further action, of which we identify three below.

1. Support for money management at the level of individual households through mentoring

Whilst the impact of the mentoring project has not yet been assessed, and there have already been challenges in retaining households in the project, there are some cases of changed circumstances and practices. For example, the position of one lone parent with three children (two with disabilities) has radically improved. After receiving help with debt advice, organised with her mentor, her income has increased by £200 a week (repayments have dramatically reduced) and she reported being pleased that she had not taken out further loans. A third of participants have attended appointments with specialised debt workers to arrange adjustments in repayments, in turn increasing their income. One participant has become debt free and declared herself as having 'no more worries, no one knocking at the door for you'. This work is challenging and requires intensive commitment from both households and mentors. However, although improvements may occur for some, it remains the case that structural barriers to getting by on a low income remain. As Orton's (2010: 6) longitudinal research shows, after three years of following low income households, all of whom had received debt advice, half of participants borrowed money between years two and three and after three years there were still no interviewees who had savings.

2. Alternative low interest credit

The UK has one of the largest credit markets in the EU (Consumer Focus, 2011) but is unusual among some of its European neighbours in having no limits on what can be charged for credit. This means that high street rent-to-own stores common in England, such as BrightHouse, are banned from operating in many countries. In the USA interest rate caps on consumer credit are in place, with 15 states outlawing pay day loans altogether. By comparison the UK can be seen as a haven for sub-prime lending. Attempts have been made to tackle the debt trap caused by using high-cost credit in the UK by introducing low-interest credit alternatives. Credit unions are the most common form of alternative lenders, but are still a minor player compared with mainstream financial institutions. In 2011, 405 credit unions operated across England, Scotland and Wales with a membership of 983,000 people (Association of British Credit Unions Limited, 2012). At present awareness of credit unions is low in Britain (Signoretta, 2011) and social lending by credit unions is used by just two per cent of low income individuals (Ellison et al, 2011: 12). So the impact of strategies for financial inclusion through credit unions is limited. The Department for Work and Pensions is keen to promote credit unions as a form of affordable credit for people with low incomes (see DWP, 2012) and will invest £38 million in the expansion of credit unions over the period 2012-15 (www.dwp.gov.uk/other-specialists/credit-union-expansion). However investment is conditional upon credit union modernisation, the details of which are as yet unknown.

Alternatives, such as a community banking partnerships and not-for-profit loan funds, have been proposed as potential solutions in tackling financial exclusion in disadvantaged communities (Dayson, 2004). The idea of a community banking partnership (CBP) is based on providing a 'one stop shop' service, combining existing financial provision by credit unions, money advice and mainstream financial institutions. Although the first CBP project in Birmingham was unsuccessful, seven pathfinders are in operation and are reported to have made good progress in developing an integrated approach (NACUW, 2008) that tackles financial inclusion and offers affordable credit. However, the implementation of the scheme in Leeds, however, was not put into practice and although credit unions in the city expanded from two to ten by 2010, there was a growth in financial exclusion in the four years after the initial research (Dayson and Vik, 2011: VI).

Strategies to increase savings among low income groups, thus avoiding the use of credit, have also been explored. The previous Labour government's asset-based welfare had a behavioural feature in terms of shaping thinking around savings, as seen in the Saving Gateway scheme, a matching scheme in which the government would add 50 pence for each £1 saved. Although the pilot schemes were deemed a success for all but the hardest-to-reach (Harvey et al., 2007), the Saving Gateway was never introduced and was subsequently discarded by the current coalition government.

3. Campaigning on specific practices

Many of the high-cost credit companies operate practices that are deliberately designed to exploit the vulnerability of households, are irresponsible in encouraging high levels of indebtedness and fail to distinguish between long term existing customers and new customers. Based on earlier research in partnership with Durham University, Thrive ran a campaign to highlight the practices of a particular rent-to-own company, Buy As You View, resulting in some changes in policy and practice. Subsequently, in partnership with Church Action on Poverty, the Society for Responsible Credit and various other organisations, Thrive has been instrumental in convening a roundtable to work towards a code of practice for responsible lending and has made some headway with three rent-to-own companies (Brighthouse, PerfectHome and Buy As You View). Seven key commitments have been incorporated within their customer charters: to ensure that goods are competitively priced; to use mystery shopping exercises to evaluate how prices are explained to their customers; to provide customers with a range of payment options; to limit default charges to no more than the actual cost incurred to the company; to put in place policies and procedures to help people in financial difficulty and to refer customers in arrears to free, independent, debt advice agencies; to develop clear policies for future complaints handling, and to provide clear annual statements of account (Gibbons, 2012). This will benefit up to an estimated 325,000 customers in the UK.

The next stage of the Debt on Teesside project will be to mount campaigns on doorstep lending, affordability of loans and data-sharing between lenders. The aim is to raise further awareness amongst politicians and policymakers, including working for tighter regulation and a cap on the total cost of credit. Such campaigns can result in changes, as the recent work towards a code of practice suggests, but without wholehearted political commitment to tackling inequality and social justice, the issues of high levels of debt in poor households will remain.

Financial exclusion is an important dimension of social exclusion and represents a fundamental source of inequality. Differential access to fair credit is central to this inequality. What is clear from our research is that the increase of easily-available high-cost credit is not in the long-term interests of low income customers, but their access to lower cost alternatives is limited. While pressure may be put on high-cost credit companies to alter their practices, it is unlikely that voluntary changes from within the sector will significantly change the situation for financially excluded customers. Without legislation to limit the total cost of credit, low income customers will continue to be exploited by the high-cost credit industry that is making a profit from poverty.

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Notes

[1] The APR is annual rate that is charged for borrowing expressed as a single percentage number that represents the actual yearly cost of funds over the term of a loan. This includes any fees or additional costs associated with the transaction.

[2] The wards in which the households are located are: Hardwick, Newtown, Norton South (Stockton); Hemlington, North Ormsby & Brambles Farm, Pallister, Thorntree (Middlesbrough); and Mandale & Victoria (Thornaby).

[3] This person was able to get 25 doorstep loans, as the doorstep lenders do not do systematic credit checks or consider affordability of loans. She was struggling to repay just some of them (prioritising those 'that would get on my case the most') and was given intensive support by the project.

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