Northern Ireland Assembly

Committee for Enterprise, Trade and Investment

OFFICIAL REPORT (Hansard)

Payday Loans: Trading Standards Service

28 June 2012

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Mr Alban Maginness (Chairperson)
Mr Steven Agnew
Mr Phil Flanagan
Mr Paul Frew
Mr Patsy McGlone

Witnesses:

Mr Dennis Cunningham	Trading Standards Service
Mr Jimmy Hughes	Trading Standards Service

The Chairperson: I apologise for the long wait, but you understand that the previous issue was very contentious, and we had a lot of questions. From the Trading Standards Service, we have Mr Dennis Cunningham, who is the head of consumer affairs, and Mr Jimmy Hughes, who is the deputy chief trading standards officer. You are very welcome. Would you like to make a short opening statement, after which we can go directly to questions? Thank you for the information you gave us; it has been very helpful.

Mr Dennis Cunningham (Trading Standards Service): You are more than welcome. We will be very brief, and I will not take up too much of your time with my opening remarks. I think that members will have seen quite clearly from the briefing paper that the issue of payday loans has very much come to the fore over the past few years. Northern Ireland is not immune to that, although the loans tend to operate on a UK-wide basis. I should point out that the loans come under the area of consumer credit, which is financial services and, therefore, a reserved matter. However, the good news from a Northern Ireland perspective is that the Trading Standards Service in Northern Ireland has a joint role with the Office of Fair Trading (OFT) in respect of enforcing certain aspects of the Consumer Credit Act 2006.

The paper that I provided to the Committee covers quite a wide range of issues. I do not propose to go through each of them, but I will address a few of the headline issues, such as the growing concerns of the Office of Fair Trading and the UK Government, and the wider public perspective of issues around the annual percentage rate (APR) and how that is used and attributed to payday loans.

We are listening to our colleagues in OFT on issues such as the rolling loan nature of payday loans. If you do not pay your loan within the agreed time frame or within 30 days, the bill automatically rolls over to the next month. It is an exacerbating system in respect of how interest accrues. As the paper states, under the current arrangements, you could take out a £300 loan over a six-month period, and if you did not completely pay that back each month, you could owe £660 within six months. That sounds horrendous, and in APR terms, it is not a nice figure. On television and in advertisements, you see figures quoted of 2,000%, 3,000% and 5,000%. Those figures, although absolutely true, give the impression that the APR is astronomically different from that applied to other forms of lending. In fact, it is the terms of the loan that cause the APR to be so high.

We have other more fundamental concerns about how these companies deal with people when they start to default and get into diffs. Concerns have been raised about that in surveys by the Office of Fair Trading. There is also a lot of concern about what we call continuous payment authority — how companies, once they have been given permission to take payments out of people's accounts automatically, use that? That all sounds very negative, so perhaps I should balance it slightly by saying that they are not doing anything illegal. As long as they comply with the terms and conditions in the Consumer Credit Act, they are operating perfectly legally. We are very much concerned and involved with consumer protection, and we believe that the fact that those companies are licensed is some comfort, because, ultimately, their licence could be revoked.

The Consumer Credit Act gives some protection in respect of how payday loans are advertised and sold. There is a lot of protection in the Consumer Credit Act for advertising, but I will not go through the details of that. That is why we see "APR" very clearly stated in TV adverts, and so on.

The impact of payday loans on Northern Ireland seems to be slightly behind the UK. They have not featured largely in Consumerline complaints, for example. We are not quite sure why that is, and I will ask Jimmy to chip in on why he thinks that is, but they are starting to raise their head in the Department of Enterprise, Trade and Investment's (DETI) debt advice service in a very small way. We do not have evidence of it, but we have some fear that people may be using payday loans to service other debt, which would be a concern to members as well.

However, in moving forward positively, the OFT and the UK Government as a whole have recognised the concerns around payday loans. They are carrying out a compliance check exercise with payday loan companies to ensure that they are meeting the terms and conditions of the Consumer Credit Act and the guidance that they have issued on irregular lending practices. That is the guidance on how not to do irregular lending. In Northern Ireland, the Trading Standards Service has taken a lead in carrying out a survey of its own. We went round a number of establishments or deliverers to find out whether they are complying here with Consumer Credit Act conditions and good practice guides.

Ultimately, the UK Government intend to revise their policies and issue a report later on in the year about what they intend to do about these loans. There have been changes in practices that should make a difference, but there have been a lot of changes to consumer credit over the years that have not always produced the changes that people want to see from a policy perspective. That will continue to be monitored, and we will monitor it in Northern Ireland. The Trading Standards Service will continue to carry out surveys and exercises and respond to complaints and consumer concerns. We have very close relations with the Office of Fair Trading, and we would feed any conclusion or real concerns into that so that it would inform the wider UK policy debate on the issue.

Again, from a Northern Ireland perspective, we do not have the legislative capacity to do anything different here, and neither would we want to. We would not want to deviate from the established controls and safeguards for consumer protection that exist across the UK. It would be a dangerous thing for us to do. I will leave it there, Chairman.

The Chairperson: Thank you very much, Mr Cunningham, and thank you for your paper, which was very interesting. You have taken recent action in relation to the practices of payday lenders, and that took place in March 2012. There were a number of areas of concern for your good selves. Is that indicative of a growing use of payday loans, or is it indicative of a growing problem in the administration of those loans by the companies and by consumers getting into difficulties and not being able to repay the loans in a sufficiently adequate period?

Mr Jimmy Hughes (Trading Standards Service): It would be difficult to answer that question with authority, simply because it is hard to know exactly what drives someone to take out a payday loan. We run three debt advice contracts where you would expect a payday loan to make an appearance, and it has started to make an appearance only comparatively recently. It has moved up to being tenth in the list, if you count the number of loans. If you look more recently and just take the last quarter, the issue of payday loans has moved up to being the sixth most complained about topic, but there is no evidence that it is a single take.

It would appear that a lot of people use payday loans in what would probably be a very unsatisfactory decision, but it is not one that you or I could change. For example, if someone is paid monthly around the twentieth day of the month, something appears that they want to go to, and they do not want to go to their credit card for reasons that are probably not going to be explained, they can borrow £200, £250 or whatever. They will pay far too much for it, but it is a handy source, and it is used. A lot of that takes place. We have come across horrendous cases of people using payday loans to pay something else, and the loan has overrun again and again. There is no straight hard evidence; I could not put my hand on my heart and say that that is a typical payday client. It seems to have changed remarkably. The pitch that is made in television advertising is the speed of delivery. I imagine that that is because these companies do not particularly want to advertise other features, but the speed is a seller.

The Chairperson: I am not saying that this is the case in all instances, but the speed could mean that sufficient credit checks are not carried out. A credit check will take a period of time; I do not think that you can just go in, get a credit check done and come out with your loan.

Mr Hughes: You can get your credit status checked fairly quickly by giving your name, address and date of birth. That would probably get you a fairly good credit check. However, the requirement is not just simply to do a credit check; it is an ability to see whether the person is able to afford the loan. The test of affordability is not limited to the fact that, in the past, you have had a good credit rating. The question is: if I were to borrow £500 from somebody, would I, at the end of the month, have the money to pay it? My wages would come in, but I am in the unhappy position in which the wages come in one door and make their way out through several others much too quickly. Therefore, there is the requirement to say, "Yes, we will lend you £500. What plan have you in place to pay it?" There is no evidence at all in our survey that that has been done. We go back to the OFT about that because it is looking at the issue.

The requirement to do a credit check and an ability-to-pay check is a comparatively recent thing; it was introduced only in 2010. Most things in consumer credit and credit generally have a slow-burn pick-up; it takes a while for people to realise that they are there and for the industry to respond. Although I agree that it is unlikely that they could not do it, we do not have the evidence to suggest that they could. They could most certainly, in a very short time, say that you have a good credit rating, but it would take quite a bit to make a proper judgement of your income and your ability to pay. There is no point in taking only how much someone earns in month. If you earn £100 a month and spend £100·10, you are in trouble because you are over the limit. It is about looking at whether the person can afford to pay it. That seems to be the test that is not being used. We hope that the OFT will introduce it. I note that some of the English authorities that are speaking about the issue are quite keen to introduce a requirement to formalise the test for availability in relation to an authority.

Mr Cunningham: That is a key issue. There is a lot of concern for a lot of people in the industry as well. It would be fair to say that some of the companies and the providers of the services are equally as concerned about that. The trade associations have responded to government concerns about the issues. As for a legislative means to address any of this, there is, of course, the usual dilemma of trying to balance the consumer protection issues with the needs of the industry and also making sure that the constraints do not become so tight that we force vulnerable people out of that avenue that is open to them and into illegal means of lending. I am sure that the OFT is well aware of that, but that is a current balance and debate that will have to take place in government when we come to that point.

Mr McGlone: Many of us, through our constituency offices, see the consequences of payday loans. On the face of it, they are legal, but they are legal rip-offs. They are really putting the arms into people who quite often are at their most vulnerable. I hear your argument that, if you do not have what is, frankly, legal extortion, you move it over to the illegal stuff. I am talking about people who are at their lowest ebb and are turning to these guys who are charging 2,000% or whatever it is. There has to be some regulation. There has to be some way to make sure that people can get loans, and so on, but that level of interest is a modern-day rip-off and an extortion of people who are in very vulnerable situations. Call them payday loans or whatever you want to call them. I do not know how the Committee can start to bring forward legislation that regulates those lenders. It may not be empowered to do so, and that power may lie with Westminster. Those lenders may be legal lenders in name, but the levels of interest that they charge are totally extortionate. They advertise on television, and it makes the eyes stand out of your head. To think that poor creathurs are taking out those loans because they cannot afford to put a loaf of bread on the table or to sort out their youngsters with a few groceries for the week. It is incredible that that is happening in this day and age.

I really feel that we have a duty to try to regulate and control the levels of interest that are being charged. Gentlemen, I look to you. I know that the issue has been raised on a number of occasions at Westminster. Indeed, I have seen some of the stuff by one MP whose name I cannot recall, but I think that she is from Labour. Is this a Westminster issue, or do we have any local handle on it as a result of devolution?

Mr Cunningham: To reiterate the point: unfortunately, it is a Westminster issue. That said, the concerns that you outlined have been registered across the UK. It is not for me to defend payday loans, and no one has ever sat down to create a new policy for them. They have evolved because there has been a need for them and, it could be argued, a niche in the market has been found. However, the existing consumer protection controls, if enforced properly, give a wide level of protection.

The briefing paper shows that, in 2009, some 1·2 million people availed themselves of the service and took out an average of three loans. That would suggest that, although the percentages seem extortionate, it is meeting a need of some kind. That is why the current policy piece needs to get to the crux of the real issues that you mentioned.

The Chairperson: Mr McGlone said that regulation is required, but there is some regulation. I do not think that Mr McGlone meant that there is no regulation, but that tougher regulation is required. Some poor, unfortunate and vulnerable people are paying upwards of 2,000% interest. Surely, on the face of it, that is so outrageous that it should be illegal, and a cap must be placed on the extortionate levels of interest that are imposed on consumers.

Mr Cunningham: Jimmy will talk a bit more about the APR.

Mr Hughes: There is no top level of interest. I am not for a second defending charging 2,000% interest, but it is a mathematical cliche. The lenders lend out a substantially small sum, they make a charge to pay their overheads and charge interest. Someone may borrow £500 and pay back £620 at the end of the month. That is a savage rate of interest, and the annual percentage of that will be in the high 2,000s. That is simply because a small amount of money has been lent on a short capital term.

I think that the time has come to consider amending the Consumer Credit Act 2006 and to insert something about small loans. Historically, a control was inserted in the Moneylenders Act 1927, which capped interest at a top rate of 48%. That rate effectively prevented competition around the housing estates and among less well-off people. To this day, if you were to go to a tallyman to borrow £100, he will charge you £7 a week. Over 20 weeks, you would pay back £140, which is the old Moneylenders Act rate of 48%. The Consumer Credit Act 1974 brought in a requirement for contracts not to be grossly extortionate and gave very strong powers to turn businesses over. That did not work particularly well, and the Act was amended by the 2006 Act. In that time, I do not think that the matter was raised in a single court in Northern Ireland. When it was raised in England, it was not given a happy welcome. There is still the provision in a civil case, but not in criminal law, to allege that the charge on the interest is unfair and that the relationship is unfair. I imagine that in a hotel discussion or something like that, it would sound unfair to everybody in the circumstances as you described them. However, the Act became law in 2006 ,and the court actions have been coming in thick and fast in the past three or four months. If you were looking for a trend, which is difficult to do, it would appear to be a case of if you signed it and the amount was on the face of it, it was fair.

The difficulty is that the person who took out a £500 loan is not going to head to a County Court to take a civil action. Legal aid does not cover that. Without legal aid, the problem is that decisions will be made by much different people, and, as you can imagine, the finance industry is very keen to defend this. So, in truth, at present, various and competing suggestions are being put forward, and it is very much a Westminster issue. There is no particular, tailor-made legislation. Sorry, I am getting awfully nervous.

The Chairperson: Take your time, Mr Hughes.

Mr Cunningham: If I may, I will jump in. These payday loans have been around in the United States for some time, and lessons have been learned there. Some severe legislative action has been taken, and they were actually banned in some states at one stage. I do not confess to know the details of that. However, the OFT is seeking to get a body of evidence together, including research, about what is happening with these things in other countries. I will be surprised if the issues that were outlined earlier do not come through strongly in that. I expect that questions will be asked about what safeguards will be put in place voluntarily by the companies and the trading associations themselves, and, if that is not successful, by robust legislative means. The issue about interest rates has been raised in Westminster within the past six months and is, unfortunately, a reserved matter.

The Chairperson: Mr Hughes, did you want to finish your remarks?

Mr Hughes: If I may; in my opinion, the two nations' debt theory has transpired. There is the sort of debt that I imagine most people in the room would take up — a credit card or a personal loan — that is marvellously well regulated. There is no problem with it, although people will get into difficulties. The second nation — those who do not have easy access to credit — are being driven into taking out payday loans. The legislation that serves most people very well just does not reach them, and I do not think that it will unless we take another strong look at it. I am not 100% sure about codes of practice. In the past, they have sounded good. We did our survey because the codes of practice suggested that we would not find an awful lot. Well, if they did all the things that they said that they would do in the code of practice, some of the guys were able to say within 30 seconds that they could probably do a loan with you. We certainly think that that was worth highlighting, which is why we did it as a first stage.

Mr McGlone: I am trying to establish where we are now going with this, or, if we are going anywhere, what option there may be. A lot of this is Westminster stuff about which we can speak to our colleagues. However, are we starting to develop ideas on what we can do here? Jimmy ventured some ideas on the direction we should take. The biggest problem is that the people who look for these loans and are charged extortionate amounts are the least likely to speak up, because they are behoven to these lenders and never know when they will need another loan to feed their families. That is part of the problem. At the same time, seeing 2,000% interest rates advertised on our TVs at night is wrong, and that has to be dealt with. I do not know how we do it or where we take it from here, but we have a duty to look into that. Such loans are making it more difficult for people who, in some cases, are already in really rock-hard times, and these guys are exploiting that to the full.

The Chairperson: Do you have any observations about that? Leaving aside Westminster legislation, is there anything within your own regulations here that could be done to reduce the level of lending and the level of exploitation?

Mr Hughes: The piece of legislation that will still help is the 2006 Act. There are other pieces that, if all the dots ended up in the right places, you could make an offence. There is not much point in trying to base policy on the fact that you need about a four hundred to one shot to fall into place. We are looking somewhere a bit closer.

That is in the requirement. It is a legal duty to carry out a test of affordability; to ask whether this loan is affordable. It is a very unusual duty, because normally when an Act says that you shall do something, it then takes a step further and says that if you do not, it will be a criminal offence or you will lose your licence or you will have an unenforceable agreement. It said none of those things, but by implication, if the person has taken an unauthorised decision and has not done it properly, then that person's licence would be fit to be challenged.

I act from time to time as the consumer credit expert for the debt advice services that we provide out in the voluntary sector — God help us — and they are aware of my interest in this particular area. So, if we can find unaffordability — and we have one at present where the lady's payday loan repayments are slightly less than her monthly take-home salary — where we think that is a place to do a challenge on the licence, we want to bring that challenge, and we will be bringing that as soon as we get a person who is happy enough to make a proper statement. We are gathering the evidence and we are working quite closely with the particular organisation in question and looking forward to a resolution of that. That is our approach, but we need the evidence and, as you rightly said, people do not come forward easily. People are loath to come forward.

I would not fully accept that it is a situation similar to that you would get with the illegal lender, where, when the illegal lender's doors close to you all the doors close, but we are fortunate or otherwise with payday loans in that there are hundreds of them. So, if Freddy does not like you, you can probably make your way to Tommy or Bridget or whoever, and so there is a degree of competition. That might of itself encourage people to be more forthcoming. As well as that, from bitter experience in the various fields, you may well find that evidence will appear from other performers within the industry who are saying that we are doing X and the man down the street is doing Y, and I suppose the Department's view would be that his enemy is my friend.

Mr Cunningham: The Department has that link with the Office of Fair Trading, and we will, particularly on the back of our survey, which is agreeing with some of the points that you are saying, be feeding in very closely and positively to whatever evolves in legislative terms across the water.

Mr McGlone: Chair, I think it would be very useful if any submissions that are made are shared with this Committee.

The Chairperson: Yes, that would be very helpful.

Mr Flanagan: It is very easy for us to — *[Interruption.]*

The Chairperson: Now, Mr Flanagan, you can proceed.

Mr Flanagan: Thank you, Chair. It is very easy for us to sit here as a Committee and criticise those that are offering these pay day loans. We are probably right to do so, but the problem for me is that it is not as simple as the fact that these people are offering loans at 2,500% APR. There is clearly a demand for it. Trying to regulate this is simply running about chasing your tail, because the people that are behind this will simply react and find another loophole to get through. You will end up constantly chasing your tail. I think we need to tackle the crux of the problem.

I have had to avail myself of payday loans before. I am not ashamed to say it, and I am sure that many people who have are not. One of the reasons why I had to use them is that I did not have the money in the bank to cover direct debits, and it was actually better value for me to get a payday loan and put money into the bank to cover the direct debit than to let the direct debit fail and incur an excessive charge from the bank. So, there are times when getting a loan at 2,500% APR is better value than going to a bank. It is easy to say that 2,500% APR is a rip-off and that payday loan operators are fleecing everybody, but so are the banks. You are telling me that this is really a matter for the OFT. The OFT tried to take the banks to court in order to get their excessive charges sorted out, but that still has not been sorted. So I am not happy to leave this to the OFT to try to sort out. I think that there needs to be a local solution.

I have a couple of things to tease out. Although I completely disagree with anybody charging 2,500% APR, there is a clear need for payday loans. Having an APR figure is a very unfair way of doing it. There are some good and bad things about payday lenders. One of the good things is that when you need money, they will give it to you. If you need money immediately, it is very handy, as was the case when I needed money to put into the bank. It is easy to get money for short-term things like that. However, it is a good system only if the money is paid back, and you can pay it back only if you can afford to. So, there needs to be some sort of affordability check. If we as a Committee or if the Assembly or Executive simply focus on payday loans, we miss the bigger issue. We need to broaden this out and focus on the charges thank banks make for missed direct debit payments.

You are probably going to think that I am mad in the head, but I have two credit cards that both charge 49·9% APR, because I cannot get a credit card with anybody else, yet I am an MLA. I cannot afford to pay them, so I pay a company £1,000 a year solely in interest on a £2,000 credit limit. That is every bit as bad as a payday loan. Credit cards, catalogue companies and store cards are doing it too. So, we need to move this beyond payday loans, because if it is not payday loans, it is something else. It is completely endemic in society.

The worst off feel the most pressure from this. Many people who are living hand to mouth are forced to get payday loans. Before the credit crunch, which caused the recession, most people could simply go into a bank and say, "I am a wee bit short. Can you give me a £100 or £200 temporary overdraft?", and the bank would give it to them, and there really would not have been a charge. The banks are not doing that anymore. In fact, what they are doing is moving people from an overdraft to a loan to pretend that they are lending money. So, the banks have an input to this as well. They are as much to blame as anybody else. I agree that credit checks are not being done, and there are affordability issues and things like that.

I completely disagree with payday loans, but I am going to say something else that is good about them. If you have a credit card, a store card or a catalogue account, you will incur a massive charge if you miss a payment. However, most payday loans operators do not charge for missed payments. So, that is one good thing. If you miss a payment because you cannot make it, you will not be charged, but they will still make enough from the APR payments. You are looking bewildered, Jimmy. Perhaps that has changed.

Mr Hughes: It has changed somewhat radically. If you miss a payment, the loan is renewed immediately. They then carry forward the total from the first loan and add interest to your loans.

Mr Flanagan: So any decency they had is gone. Thanks for correcting that. I will get out of the bubble I am living in. The good thing they used to do was not charge for missed payments. When I took one out I was not charged for missed payments.

Mr Hughes: The people you are thinking of are the people who used to be pilloried for this: the guys who did the tally loans round the estates.

Mr Flanagan: No, I am talking about the Money Shop and companies like that. When I took a loan out with it, there was no charge for missing the repayments.

Mr Hughes: There is now, and there has been for as long as I can remember.

Mr Flanagan: So probably the one good thing about them is gone.

I know that an awful lot of things are in very small print, such as the APR. The fact is that these companies have the right to sell your debt to whoever they want, and their terms of collection and repayment can vary completely from what was agreed with you. So as bad as it was, it can sell your debt to somebody else who can do whatever they want with you, which is very concerning. Once again, these people are here because there is a demand for them. Until we sort that out, I do not think that simple legislation will resolve the problem. We need to explore whether there is a legislative route for doing this. It has been suggested that that will probably need to be done in Westminster. I do not know whether it would be feasible, but one very simple thing that the Executive could do would be to put a huge levy on the rates bill of any shops that charge above a certain level of APR. We can change rates bills so that charity shops do not pay rates; why can we not change rates bills so that payday lenders are charged excessive rates?

When we look at regulation, it cannot just be about placing a certain percentage limit on the APR. Regulation needs to ensure that companies act morally and ethically, and it is clear that payday lenders that charge excessive interest rates are not doing that. However, it is not just about payday loans. I know that I have kind of spoken in favour of payday loans. It is only to highlight the fact that the problem is not just with them, but with credit cards, stores cards, catalogues and all the other things that need to be resolved as part of the solution.

Mr Hughes: I have heard that argument before. If you do not mind, I would ask you whether, if you happen to be a very, very bad boy and you find some people who are slightly worse, that makes you any better. The same applies with your interest. If payday loans can dig up someone who is not good — and the people you identified are not good — the fact that they have managed to find some people who are no better than they are does not make them any better themselves.

I accept exactly what you said. The legislation might cover that, the 2006 Act, would hit much closer to the people you talked about. There is also a piece of legislation that goes towards what you are doing, which is the requirement to avoid unfair trading. That is quite new. It is being developed through the courts, and it may have potential. However, it would be very rash to say that we could guarantee to get a particular outcome by using that legislation. It is a brand new European concept. It is working its way through the courts, there are different views of it and it is a matter of seeing where it goes. It will not be seen in the immediate future.

Mr Frew: Thank you, Chair. I can see where Phil is coming from. It is about demand. If you have a certain knowledge or understanding of what I would deem, sometimes unfairly, as the underclass, you can see exactly why there is a place for this. You can see exactly the void that has been left because of the way that banks have reacted and are acting now. We also have the sinister element of loan sharking. I have had experience of that in the past — not directly, I might add, but through my constituents. Some part of me says that, although the percentage is high, it is in black and white in the advertisements, and you know exactly what you are getting into when you walk into those shops or go on the internet or whatever. There is a need for an education programme to let people know exactly what 2000% APR means, but there are cases in which there is a desperate need.

You said that this has only really come on to the radar now, and that it has moved from the tenth most important to the sixth most important thing. It is a societal thing. My first question would be, with regard to the complaints, what are one, two, three, four and five? Are they connected to loans or to something similar to this? Is this only starting to come up now?

Mr Hughes: The top scorer is the credit card industry, followed closely by the banks and the mainstream lenders. That makes sense, simply because, when people get into debt, they will get into debt with the main providers. These people have come from nowhere, so to speak, to suddenly represent a much higher percentage of complaints their turnover or anything else would suggest. It may be that payday loans are used by someone on the way down. Banks, credit card providers and everybody will not touch them, and they eventually end up at the door of payday lenders. However, I do not have the research at hand to justify that, and I would not like to.

Mr Cunningham: Your earlier point about educating people about the APR is very valid. That is recognised in the stuff that is feeding through. As I mentioned in the paper, we would also like to see a use of the cost of the loan per £100. It would be more understandable for people if they are told that for every £100 they are going to pay £20 in interest. I could not translate 2,000% or 4,000% APR easily. When you are in a desperate situation and vulnerable, as you mentioned earlier on, you want it in simple terms. There is nothing to preclude them from doing that legislatively. They are required legislatively to give the APR; that is the only reason that it is there in the TV ad. We would like to see a different form of that. Again, education is very real for people who are in dire need.

Mr Frew: Is there any knowledge of how severe — again, I know this has only come on the Richter scale. Is it a class thing, or do you have evidence of people who we would perceive to be middle class getting into bother with payday loans?

Mr Cunningham: We do not have any specific figures for Northern Ireland on this, for a start. The only thing that we have a good insight into is our debt advice service. It is aimed at the most vulnerable in society, but a trend that is starting to come through is that we are all vulnerable at the moment. You see that manifesting itself in people who have portfolios of property but are also in debt. Jimmy, are there any stats?

Mr Hughes: Rather than stats, which we find lose things, we tried to pick fingerprints, for example somebody who would buy a single drum of oil for their house, somebody who did not have a bank account, or somebody who did not have life insurance or household insurance. We were told that we could fingerprint a particular well-being or financial status. We threw into that two types of loan: the person who used the doorstep loan, which is the old-fashioned tallyman, and the person who used high-interest credit. There was fair compliance among all those people, but it is only lately that payday loans have supposed to have come in in any great amount. You would have expected them to have almost reflected the others if the payday loan was the sole prerogative of people who were very hard up. It actually seems that people use them for careless reasons and then get into difficulty, but they are probably sophisticated enough to look for advice before things get out of all hand. If that it is any help, it appears that a payday loan is effective and available to everybody. Some people get into trouble with it. It is an expensive thing to use. People are free to spend their money as they wish. If they want to do it in that particular way, that is well and good, but we should consider whether we can protect the people who are not able to make sophisticated choices.

Mr Frew: Is there evidence, even anecdotal evidence, that Jimmy Hardknuckles, who lives in the big house on the corner —

Mr Flanagan: Do you know Jimmy?

Mr Frew: — is actually going out of business here? All the devastation and deprivation that he creates — is there evidence to suggest that he is losing business and his customer base?

Mr Hughes: In a word, no. The people that you are talking about have a long- and well-established customer base. That is not likely to change unless we move into a very different society.

Mr Frew: If we are going to do anything about this — it comes back to Phil's point about society — is it right that we should target the specific aspect of payday lending and everybody involved in it, or should we look at a more holistic approach? Should we make conditions better for credit unions so that they are able to lend easier, and should we also put pressure on the banks to help where they can in times of difficulty? Is it better that we open up and try to right-left flank this thing, or should we spearhead into the heart of the problem here, which is payday loans?

Mr Cunningham: It is a point well made. The focus of the paper was payday loans, but, in a couple of parts, I have alluded to the fact that they are part of a wider UK Government approach to reforming financial services. It is but one very small dimension; it just happens to have a very high profile at the moment, for very good reason. There is a UK-wide debate going on about that. It is not a devolved matter, although we are starting to see the impacts of changes on banks. The industry has been levied to help to support and pay for the debt advice that is being provided in Northern Ireland. Some good moves are happening, but there is a need, on a wider front, to address concerns about the financial services sector.

The Chairperson: I am going to thank you gentlemen for coming along. It has been a very interesting presentation and discussion. This is clearly an important issue, and there are matters that we as an Assembly will have to address. If there is any further information that you have got, perhaps you could send it to the Committee if there are any —

Mr Cunningham: Developments, Chairman? As the review goes forward —

The Chairperson: Yes, anything at all would be very helpful for this Committee to have a look at.

Mr Cunningham: We will do that.

The Chairperson: If you reflect on what has happened today and on the questions that were asked and have any further comments, they would also be gratefully received. The time that we have allocated you is very short, and so this has been a little bit rushed. I do not want to do any injury to your presentation. Thank you very much indeed.

I suggest to the Committee that we engage research to have a wee look at the issue and report back to the Committee. I think that would be very helpful.

Mr Cunningham: In the piece, I alluded to a review done by the Business, Innovation and Skills Committee. That may be appropriate to have.

The Chairperson: It would be helpful to see that work.

Mr Flanagan: I think the Committee for Finance and Personnel may have looked at this issue. Could we contact them to ask that?

The Chairperson: We will see whether they have done some work on this. We also have a press statement; have a look at that.

Thank you very much, Mr Hughes and Mr Cunningham. You have been very helpful.