

## **REGENERATION, COMMUNITY AND CULTURE OVERVIEW AND SCRUTINY COMMITTEE**

**11 APRIL 2013**

### **6 MONTH REVIEW OF FAIR ACCESS TO CREDIT TASK GROUP REVIEW**

Report from: Robin Cooper, Director of Regeneration, Community and Culture

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#### **Summary**

This report provides Members with an update on progress made with the Committee's recommendations from the Fair Access to Credit in-depth review, which were agreed by the Cabinet on 4 September 2012.

#### **1. Budget and Policy Framework**

1.1 Access to affordable credit is not an abstract issue. It can impact on a wide set of strategic priorities, for example it could be disruptive to community cohesion, public wellbeing and homelessness. Tackling this issue was therefore seen as relevant to a number of council policy documents, such as the Council Plan and the Community Safety Plan, and relevant to the council's core values and strategic priorities that underpin all the council's work and its delivery of services to the people of Medway. Some of the recommendations were specifically relevant to the Medway Social Regeneration Strategy 2008-2016, which was approved as part of the regeneration framework on 1 April 2008.

#### **2. Background**

2.1 At a meeting of Medway Council's full Council on 12 January 2012 Members considered a motion that recommended the introduction of caps on the total lending rates, called on the government to give local authorities the power to veto licences for high street credit agencies where they could have negative economic or social impacts on communities, and pledged to promote Credit Unions in Medway, as community based organisations offering access to affordable credit and promoting saving.

- 2.2 The Council agreed to refer the issue to a cross-party Task Group to enable the Council to consider all the implications; form a better understanding of the role the Council can play in supporting residents and develop a clear policy.
- 2.3 The Task Group met with representatives from a number of organisations. This included the Medway Citizens Advice Bureau, Credit Unions, trade associations, a loan provider, the Youth Parliament and officers from various sections of the Council. This was supported by additional written submissions from a number of organisations/individuals working within the remit of this review and further desktop research.
- 2.4 The review document was presented to the Business Support Overview and Scrutiny Committee on 8 August 2012 and the Regeneration, Community and Culture Overview and Scrutiny Committee on 16 August 2012. It was subsequently presented and approved at Cabinet on 4 September 2012.
- 2.5 A copy of the review document can be viewed using the following link: <http://www.medway.gov.uk/pdf/Fair%20Access%20to%20Credit.pdf>

### **3. Key findings**

- 3.1 The following section summarises the main findings from the review, set out under the Task Group's original Terms of Reference:

The role of the Council in supporting Medway residents affected by unaffordable credit

The approach included work on enabling Credit Unions, promoting financial literacy and supporting the establishment of a Social Impact Board. A key message was also that of always accessing credit via a licensed lender, making residents aware of the sources of free and independent debt advice and providing a consistent message based upon early contact and intervention when problems arise.

Strengthening the rules governing the issue of lending licences and, recognising that an effective strategy in combating illegal lending was an alternative supply, addressing the lack of affordable credit

The approach focused on making the consumer credit market more transparent and responsive to the dynamic credit market, giving local authorities greater control over the planning process and enabling affordable alternatives such as Credit Unions.

## How the Council can promote financial literacy and affordable lending and debt counselling.

Decisions related to advocating the integration of financial education into the curriculum, financial literacy for all and promoting the timely access to appropriate and quality advice.

### **4. Update on actions**

- 4.1 This subject remains very relevant both locally and nationally. Of particular interest at the present time is the final report of the Office of Fair Trading into its compliance review of the payday lending sector. The review, published on 6 March 2013, found evidence of widespread non-compliance with the law and guidance across the market and throughout the lifecycle of payday loans, from advertising of loans to debt collection. 50 payday lenders, accounting for 90 per cent of the payday market, are being given 12 weeks to change their business practices or risk losing their licences. The OFT has also announced that, subject to consultation, it proposes to refer the payday lending market to the Competition Commission after it found evidence of deep-rooted problems in how lenders compete with each other. The Office of Fair Trading report is available at:  
[http://www.oft.gov.uk/shared\\_of/Credit/oft1481.pdf](http://www.oft.gov.uk/shared_of/Credit/oft1481.pdf)
- 4.2 The final compliance review highlighted many of the areas of concern that the Task Group found during their own consideration of the issue, for example the document refers to evidence of poor affordability assessments and concerns regarding the advertising and information provided before a loan is granted.
- 4.3 The list of actions agreed by Cabinet's on 4 September 2012, along with a commentary to update the committee on progress against each action, is attached at Appendix 1.
- 4.4 The Business Support Overview and Scrutiny Committee is also considering this update report on 3 April 2013 and any outcome from discussions will be updated to this committee at the meeting.

### **5. Risk management**

- 5.1 The review considered the impact and availability of affordable credit, together with the general debate on debt advice and debt management. In bringing forward recommendations the Task Group was mindful of the impact on the council's strategic objectives and enhancing the value of services provided to the Medway community. The decisions agreed therefore brought forward a comprehensive package in the interest of Medway's residents, setting a foundation that could be developed locally or submitted to Government as part of the national dialogue on these important issues.

5.2 The continued delivery of some of these decisions will require further action and assessment by officers or other organisations.

## **6. Financial and legal implications**

6.1 There are no financial or legal implications arising directly from this report.

## **7. Recommendations**

7.1 The Committee is recommended to note the progress made against the actions from the review.

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### **Background papers:**

Correspondence to Government Ministers and departments as listed within Appendix 1.

	DECISIONS	ACTION BY	STATUS/COMMENT
1	<p>The Cabinet welcomed the current scrutiny of the credit market at a national level, as evidenced by the Office of Fair Trading review of payday lending.</p>	<p>No further action required.</p>	<p>On 20 November 2012, the Office of Fair Trading (OFT) published an interim report on the payday lending compliance review. The report gave an update on the progress of their review, sets out our emerging findings and outlines our next steps:  <a href="http://www.offt.gov.uk/shared_offt/business_leaflets/consumer_credit/OFT1466.pdf">http://www.offt.gov.uk/shared_offt/business_leaflets/consumer_credit/OFT1466.pdf</a></p> <p>The final report on the OFT's compliance review of the payday lending sector was subsequently published on 6 March 2013 and is available at  <a href="http://www.offt.gov.uk/shared_offt/Credit/oft1481.pdf">http://www.offt.gov.uk/shared_offt/Credit/oft1481.pdf</a></p> <p>It is of note that the review found evidence of problems throughout the lifecycle of payday loans, from advertising to debt collection, and across the sector, including by leading lenders that are members of established trade associations. Particular areas of non-compliance included:</p> <ul style="list-style-type: none"> <li>• lenders failing to conduct adequate assessments of affordability before lending or before rolling over loans</li> <li>• failing to explain adequately how payments will be collected</li> <li>• using aggressive debt collection practices</li> <li>• not treating borrowers in financial difficulty with forbearance.</li> </ul>
2	<p>The Cabinet agreed that the council should respond to consultations on the consumer credit market where appropriate.</p>	<p>Commercial Services Manager</p>	<p>This action will be on going.</p> <p>Since completing the review the Office of Fair Trading undertook consultation on the power to suspend consumer credit licences. The Council's submission to this consultation process made reference to the Fair Access to Credit Review and the concerns regarding the high cost credit market on local residents. More detail on this specific consultation process, and the outcome, is provided under number 7 below.</p>

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3	The Cabinet noted that Medway Citizens Advice Bureau, with support from Wonga, was undertaking a review of lending products and the level and nature of consumer indebtedness amongst Medway residents and would support the findings of this being reported to the proposed Social Impact Board (see decision 121/2012).	This action is being taking forward by the Medway Citizens Advice Bureau.	
4	The Cabinet supported the establishment of a multi-agency Social Impact Board in Medway looking at issues of debt, worklessness and housing. The objective being to continue and enhance partnership working with public, private and voluntary sector providers, with an emphasis upon a co-ordinated approach that actively assesses the needs of Medway residents. That the Board be encouraged, as and when appropriate, to work with the lending trade associations and the lenders themselves.	This action is being taking forward by the Medway Citizens Advice Bureau.	
5	The Cabinet agreed that the Director of Regeneration, Community and Culture writes to local organisations including voluntary, community and church groups in Medway, emphasising the need to notify Medway Council's Trading Standards team and Financial Ombudsman Service of instances of	Commercial Services Manager	Letters were sent to 63 local organisations outlining the work undertaken by the Task Group and signposting the final Task Group report.  Whilst acknowledging that this could be a sensitive issue for those affected, the letters encouraged people to come forward to notify where financial institutes had act inappropriately or illegally to ensure they can be investigated in an appropriate and timely fashion. Contact details were provided for Medway Council's Trading Standards Team, the Financial

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	firms acting inappropriately or illegally to ensure they can be investigated in an appropriate and timely fashion.		Ombudsman Service and the National Illegal Money Lending Team. In September 2012 Medway Council's Trading Standards Team and The England Illegal Money Lending Team also hosted a Medway loan shark warning week. This was a series of events across Medway to help warn people about the dangers of loan sharks and encouraging anyone who have used a loan shark to speak out.
6	The Cabinet supported the transfer of the regulation of consumer credit to the Financial Conduct Authority (FCA) and noted that the model for FCA regulation would be designed with input from the Financial Services Authority, Office of Fair Trading, and industry and consumer representatives and the transfer will then be subject to impact assessment and approval by both Houses of Parliament.	No further action required.	Members are advised that the Financial Services Authority published 'The Journey to the FCA' in October 2012. This gives a detailed explanation of how they intend to achieve the FCA's vision: to make markets work well so consumers get a fair deal. The document is available via: <a href="http://www.fsa.gov.uk/about/what/reg_reform/fca">http://www.fsa.gov.uk/about/what/reg_reform/fca</a>

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7	<p>The Cabinet noted and commended the announcement by the Government on 19 July 2012 that the Office of Fair Trading is to be given power to suspend a consumer credit licence with immediate effect where there is an urgent need to protect the interest of consumers.</p>		<p>No further action required.</p> <p>It is of note that since completing the review the OFT undertook consultation and has now issued guidance on the power to suspend consumer credit licences. The power came into effect on 19 February 2013 as a result of the Financial Services Act 2012.</p> <p>The Council's submission to the consultation process made reference to the Fair Access to Credit Review and the concerns regarding the high cost credit market on local residents.</p> <p>The OFT has published guidance which sets out how and when it can use the new power.. The guidance - 'Power to suspend consumer credit licences– OFT guidance for licence holders' is available via the following link: <a href="http://www.oft.gov.uk/news-and-updates/press/2013/17-13">http://www.oft.gov.uk/news-and-updates/press/2013/17-13</a></p> <p>The guidance establishes that in the most serious cases, which include those where there is evidence of physical harm, the OFT will suspend a licence with immediate effect. In other circumstances, businesses will be given an opportunity to make its case to an adjudicator before the suspension takes effect.</p> <p>The OFT will use the power where there is evidence that the business has engaged in practices that cause, or have the potential to cause, physical, economic or other harm to consumers. These practices may involve violence, fraud or other forms of dishonesty, or the targeting vulnerable consumers with harmful practices.</p>
8	<p>The Cabinet agreed that the Director of Regeneration, Community and Culture recommend to the Minister for Communities and Local Government and Medway's Members of Parliament that the Town and Country Planning (Use Classes) Order 1987 be amended, so that any holder of a Consumer Credit Licence which is not also regulated by the Financial Services Authority for the</p>	<p>Director of Regeneration, Community and Culture</p>	<p>The Director of Regeneration, Community and Culture wrote to the Chief Planning Officer in October 2012.</p> <p>The letter recommend that that the Town and Country Planning (Use Classes) Order 1987 be amended, so that any holder of a Consumer Credit Licence which is not also regulated by the Financial Services Authority for the purpose of taking deposits, is removed from the A2 Use Class as defined in TCPUC 1987 and placed in a new category or redefined as a sui generic use.</p> <p>The letter was accompanied by a copy of the Fair Access to Credit review</p>



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	purpose of taking deposits, is removed from the A2 Use Class as defined in TCPUC 1987 and placed in a new category.		<p>document and highlighted that that the Task Group had considered evidence concerning the cluster of shops offering access to credit in Medway's High Streets and the implications of how the Town and Country Planning (Use of Classes) Order 1987(as amended) placed uses of land and buildings into 'Use Classes'.</p> <p>A response to this letter has been chased but remains outstanding. A copy of the response from the Chief Planning Officer will be forwarded to Members of the Committee as soon as it is available.</p>
9	The Cabinet welcomed the appointment of Bristol University's Personal Finance Research Centre to carry out research into the impact on consumers and business of a variable cap on the total cost of credit that can be charged in the short to medium term high cost credit market. The research was due to report in summer 2012 and it was agreed that the Council review and respond to the Government response to this research.	Commercial Services Manager	<p>The Department for Business Innovation and Skills published on 6 March 2013 the research report from the University of Bristol on <i>The Impact on Business and Consumers of a Cap on the Total Cost of Credit</i>. The publication coincided with the publication of the Office of Fair Trading's report on payday sector compliance.</p> <p>The University of Bristol research report is available via the following link: <a href="https://www.gov.uk/government/publications/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</a></p> <p>The Bristol report explores why consumers use short-term credit rather than lower cost or more mainstream credit products and also the issues associated with short-term credit. The findings refer to evidence of consumer detriment in these markets. It also explores the potential impact on lenders and markets of a variable cap on the total cost of credit and indicates that a variable cap on the total cost of credit in the short-term credit market may not be the best way of addressing the causes and consequences of detriment in this market.</p> <p>The government has published a response to the report which is available via the following link: <a href="https://www.gov.uk/government/publications/high-cost-credit-report-by-bristol-university-government-response">https://www.gov.uk/government/publications/high-cost-credit-report-by-bristol-university-government-response</a></p> <p>The Government's response identifies that it will work together with the relevant regulators to tackle the problems identified, by raising standards and taking enforcement action against lenders.</p>

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			<p>Ministers have confirmed that they will not impose a cap on credit at this time. They consider that a cap might however be appropriate at some point in future, referring to the specific powers provided to the Financial Conduct Authority to cap should they deem it appropriate once they take over responsibility for consumer credit in April 2014.</p> <p>The Government response to the Bristol report sets out how Government and regulators will together tackle concerns in the payday lending market:</p> <ul style="list-style-type: none"> <li>• The OFT now, and the FCA from April 2014, will clamp down on irresponsible practices and in some cases blatant non-compliance by lenders;</li> <li>• The OFT is consulting on a provisional decision to refer the payday lending market to the Competition Commission;</li> <li>• The Government will begin immediate work with industry and regulators to clamp down on advertising of payday loans;</li> <li>• The Government is strongly pressing for the industry to improve compliance with payday lending codes and to put in place new provisions within the codes to address specific areas of concern, notably use of continuous payment authority;</li> <li>• The FSA have committed to consider whether there are gaps in the regulation of payday lending that need to be addressed by the FCA from April 2014.</li> </ul>
10	The Cabinet agreed that the Director of Regeneration, Community and Culture recommend to the Department for Business, Innovation and Skills, whilst noting the current Office of Fair Trading review into the payday lending sector, that the Government consider	Commercial Services Manager	<p>The Commercial Services Manager has written to the Secretary of State for Business, Innovation and Skills.</p> <p>The letter noted and welcomed the current review into the payday-lending sector by the Office of Fair Trading, the discussions about the role of the new financial regulator – the Financial Conduct Authority – and the potential for them to have the power to cap the interest rates charged by lenders. In line with the Task Group recommendations the letter also urged the Government</p>

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<p>introducing:</p> <ul style="list-style-type: none"> <li>• Limits on the ability of consumers to roll over loans.</li> <li>• Further controls over marketing and curtailing the targeting of specific groups.</li> <li>• In discussion with credit agencies and trade associations, new means to improve credit referencing, so all lenders provide real time information to credit agencies about the payment performance of customers, which in turn would assist those with good payment records to use mainstream lenders in the future and restrict the possibility of multiple loans.</li> <li>• In discussion with trade associations the introduction of a compulsory total charge for credit per £100 or total cost of capital, in addition to the use of APR, to assist consumers in assessing whether the proposed agreement is suitable for their needs and financial situation, noting that it was being introduced on a voluntary basis.</li> </ul>		<p>to consider further steps to more effectively regulate this trade sector by introducing:</p> <ul style="list-style-type: none"> <li>• Limits on the ability of consumers to roll over loans.</li> <li>• Further controls over marketing and curtailing the targeting of specific groups.</li> <li>• Improved credit referencing - In discussion with credit agencies and trade associations, new means to improve credit referencing, so all lenders provide real time information to credit agencies about the payment performance of customers, which in turn would assist those with good payment records to use mainstream lenders in the future and restrict the possibility of multiple loans.</li> <li>• A refined statutory total charge for credit – although the Task Group noted that the introduction of a statutory total charge for credit per £100 or total cost of capital, in addition to the use of APR, would assist consumers in assessing whether the proposed agreement is suitable for their needs and financial situation.</li> </ul> <p>This letter also addressed the actions listed at number 21 below.</p> <p>It is noted that Medway’s three MPs had also sent copies of the Fair Access to Credit report to the Secretary of States for Communities and Local Government and Business, Innovation and Skills to see how the Government could help improve fairer access to credit.</p> <p>A response has been received from Jo Swinson MP, Minister for Employment Relations and Consumer Affairs. The letter is attached at Appendix A and welcomes the report recommendations and advised that she and officials from the Department for Business Innovation and Skills had them read with interest. It advises that it added to their knowledge base of debt and high cost credit and would be carefully considered as a useful addition to the development of policy in this area. It is of note that in her response Jo Swinson MP advises that she shared the concerns highlighted in the high cost credit sector and gave assurances that the Government was</p>

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		<p>determined to address these.</p> <p>A similar letter was sent to the Office of Fair Trading and a response was received from the Head of the Policy and Intelligence Teams within the Consumer Credit Group at the Office of Fair Trading. The response, attached at Appendix B, refers to the work the OFT are doing in both the payday lending and the debt management sectors. The letter highlights that many of the areas of concern that the review had found were noted in the OFT interim report published in November 2012.</p> <p>It is noted that both responses were received ahead of publication on 6 March 2013 of the OFT's compliance review into the payday lending sector (referred to in number 1 above).</p> <p>The final compliance review again highlights many of the areas of concern that the Task Group found during their own consideration of the issue, for example the document refers to evidence of poor affordability assessments and concerns regarding the advertising and information provided before a loan is granted.</p> <p>In relation to the introduction of a more prescriptive approach to affordability assessments the compliance review states that given the evidence the OFT have found of significant underlying incentives for firms to lend irresponsibly, they think that requiring lenders to follow particular processes when they assess affordability would be unlikely to completely tackle the problem. They will however work closely with the Financial Conduct Authority to consider if there are new market-wide rules which could be brought into effect in this and other areas when regulation is transferred in April 2014. Alongside this, an investigation by the Competition Commission is identified as providing a detailed analysis of how the market works, clearly define any competition problems and identify lasting solutions which get to the heart of the underlying issues. It is also considered that the Competition Commission's analysis can also help inform the Financial Conduct Authority's work to</p>

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			<p>determine whether to use its power to cap the cost or duration of credit once the transfer has taken place.</p> <p>The OFT document identifies that payday lending has been made a top compliance and enforcement priority and they will use all the powers at their disposal – including, if appropriate, the power to suspend a credit license – to derive up standards in the sector and to remove those lenders whose actions make them unfit to remain in the market. Their analysis will also help inform the Financial Conduct Authority ‘s work on payday lending when it assumes responsibility for consumer regulation next year.</p>
11	<p>The Cabinet agreed that the Director of Regeneration, Community and Culture write to the main banks operating in Medway encouraging them to promote easy access to Basic Bank Accounts, as a means of encouraging the remaining unbanked into the mainstream, and highlighting the Task Group’s concerns about high daily penalties for unauthorised overdrafts and that the banks should be providing affordable alternatives for customers needing to take out short term loans, with greater transparency of the fee structure and fairer charges.</p>	<p>Gavin Stedman, Commercial Services Manager</p>	<p>Letters were sent to 40 banks/building societies operating within Medway.</p> <p>This letter drew attention to a report on Fair Access to Credit and the importance of mainstream institutions in enabling access to affordable credit (section 6.10 of the report). The letter urged the development and promotion of easy access to Basic Bank Accounts as a means of encouraging those without a bank account to set one up.</p> <p>The letter also highlighted the Task Group’s concerns about high daily penalties for unauthorised overdrafts and that the banks should be providing affordable alternatives for customers needing to take out short-term loans, this included ensuring that there is greater transparency of the fee structure and charges for these products.</p>

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12	The Cabinet noted that Credit Unions as financial institutions provide a sound and reliable source of affordable credit and welcomed the contribution made by Kent Savers Credit Union Ltd and Medway Credit Union Ltd for their part in providing a service to the Medway community.	No further action required.	
13	The Cabinet agreed that the Social Regeneration Manager work with the Medway Credit Union Ltd to seek a suitable High Street location within the Medway area.	Clem Smith, Social Regeneration Manager	Officers are in discussion with Arriva regarding the opportunity for Medway Credit Union opening in a central location so that local residents can more easily access their services.
14	The Cabinet agreed that the Director of Regeneration, Community and Culture invite Kent Savers Credit Union Ltd and Medway Credit Union Ltd to work with officers from the Regeneration, Community and Culture Directorate to develop an action plan exploring how assistance can be provided or guidance given with business development and training to enable the Credit Unions to seek support from local organisations, institutions and businesses to both raise their profile, to attract new members (especially in the areas outside of the main town locations) and generate volunteers with a financial background.	Clem Smith, Social Regeneration Manager	<p>It is noted that authorisation has been received from the Financial Services Authority for Medway Credit Union to change their Common Bond, which will allow them to recruit Medway wide.</p> <p>The Council has an existing Service Level Agreement (SLA) with Medway Credit Union and the intention is to build an Action Plan for 2013/2014 into the terms of the SLA for the new financial year.</p> <p>Officers are in discussions with organisations such as the rotary clubs to explore the potential for the Credit Unions to recruit further volunteers. Officers have held 2 meetings with representatives of the rotary clubs to map out how this can be taken forward.</p>
15	The Cabinet agreed that the Assistant Director Communications, Performance	Assistant Director	The December 2012/January 2013 edition of the Medway Matters included within a guide to a safer, greener and more enjoyable Christmas, advice on

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	<p>and Partnerships invite Kent Savers Credit Union Ltd and Medway Credit Union Ltd to work with officers within the Business Support department to publicise the contribution of the Credit Unions through the council's communication channels, including Medway Matters, and the Council's website. This is to explain what Credit Unions are, the benefits and risks of joining a Credit Union and how people could join.</p>	<p>Communications Performance and Partnerships</p>	<p>the dangers of debt and signposted the Money Advice Trust and Medway Citizens Advice Bureau. A further article referred to the 2 Credit Unions operating within Medway as a safer alternative to payday loans or doorstep lending.</p> <p>The April/May 2013 issue of Medway Matters includes a half page feature providing information about where residents can get advice about debt issues. This page includes national and local organisations providing support plus information about Medway's two Credit Unions.</p> <p>Relevant web pages on the council's website were updated with additional information in January 2013.</p>
<p>16</p>	<p>The Cabinet agreed that a copy of the Fair Access to Credit report be submitted to Medway's Health and Wellbeing Board for consideration, in doing so the Cabinet recognised the concern and impact of debt on Medway residents' health and wellbeing, together with the need for co-ordinated advice and support services.</p>	<p>Democratic Services</p>	<p>The Fair Access to Credit report was presented to the Shadow Health and Wellbeing Board on 23 October 2012.</p> <p>During the discussion the Director of Children and Adults referred to ongoing work around safeguarding adults to ensure that they were not exploited financially and commended the work of the Task Group in highlighting the importance of good advice and support for the public around the topic of debt.</p> <p>The view was expressed that the Board could fulfil a role in signposting the public to advice and information about debt as this had a great impact on mental and physical health.</p> <p>Subsequently to this meeting copies of posters for the two Credit Unions were shared with representatives on the Health and Wellbeing Board for displaying in GP surgeries and pharmacies in Medway</p> <p>It is also noted that the Health and Wellbeing Board recommended that debt be identified as a wider determinant within the Joint Health and Wellbeing Strategy. The Joint Health and Wellbeing strategy (<a href="http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=18259&amp;nobdr=2">http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=18259&amp;nobdr=2</a>)</p>

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			acknowledges that Social determinants of health have been recognised to be key determinants of health inequalities and these include employment, low income and debt, housing and access to green spaces.
17	<p>The Cabinet agreed that the Assistant Director Communications, Performance and Partnerships should ensure via all communication channels that there is a consistent message based upon early contact and intervention and support for good quality, independent debt and money advice.</p> <p>This should provide clear advice on the types of debt and the importance of addressing priority debts first. Consumers should be made aware of the difference between seeking free advice and turning to commercial debt management companies and signposted to organisations such as the local Citizens Advice Bureau, Consumer Credit Counselling Service, the Money Advice Service, the Money Advice Trust and National Debtline, which provide free financial health checks and advice and information for consumers before and after they take out credit.</p>	Assistant Director Communications Performance and Partnerships	<p>The December 2012/January 2013 edition of the Medway Matters included within a guide to a safer, greener and more enjoyable Christmas, advice on the dangers of debt and signposted the Money Advice Trust and Medway Citizens Advice Bureau. A further article referred to the 2 Credit Unions operating within Medway as a safer alternative to payday loans or doorstep lending.</p> <p>The April/May 2013 issue of Medway Matters includes a half page feature providing information about where residents can get advice about debt issues. This page includes national and local organisations providing support plus information about Medway's two Credit Unions.</p> <p>Relevant web pages on the council's website were updated with additional information in January 2013.</p>
18	The Cabinet agreed that the Assistant Director Communications, Performance and Partnerships includes within The Headlines, the council's internal	Assistant Director Communications Performance	The February edition of The Headlines included an article entitled "Help our customers take control of debt". This article provided a list of organisations offering free, independent, confidential, debt and credit advice to help staff steer customers in the right direction. Information is also made available on



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	electronic newsletter, key information and contacts for staff to support residents in relation to the provision of free debt advice from organisations such as the Citizens Advice Bureau, Consumer Credit Counselling Service, the Money Advice Trust and National Debtline.	and Partnerships	the staff intranet site that can be accessed by staff using council PCs.
19	The Cabinet welcomed the free debt advice provided by organisations such as Medway Citizens Advice Bureau, the Consumer Credit Counselling Service and Money Advice Trust which provide a range of advice access points.	No further action required.	
20	The Cabinet agreed that the work and guidance issued by the Office of Fair Trading concerning debt management businesses be welcomed but that the Director of Regeneration, Community and Culture recommend to the Office of Fair Trading that further consideration be given to address continued concerns regarding fee-charging “debt management” businesses.	Commercial Services Manager	<p>The Commercial Services Manager has written to the Chief Executive of the Office of Fair Trading. This letter highlighted the work of the Task Group and specifically referred contents relating to commercial debt management companies. The work and guidance currently issued by the OFT was welcomed but they were urged to give further consideration as to the concerns regarding fee charged ‘debt management’ businesses.</p> <p>The response from the OFT (as set out in Appendix B) highlights that they had issued updated guidance for those carrying out debt management services. They provided assurance that their interest in this sector did not stop at the issuance of guidance. They continue to monitor this sector very closely in order to ensure compliance with the minimum standards set out in the guidance and will consider enforcement action in those cases where they are not adequately adhered to.</p>
21	The Cabinet agreed that the Director of Regeneration, Community and Culture request that the Department for	Commercial Services	The letter to the Secretary of State for Business, Innovation and Skills (referred to under 10 above) also referenced the review by the Task Group of the debt remedies that were available and considered the use of debt

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	<p>Business, Innovation and Skills introduce regulation, including transparent costings of service, in relation to statutory debt management plans in order to standardise and raise the quality of service provided by debt management companies.</p>	<p>Manager</p>	<p>management plans. The letter acknowledged that the Government was looking onto this topic and asked that the Government consider introducing regulation to make debt management plans statutory, including making the cost of such services transparent as, it was envisaged, this would raise the quality of service provided by debt management companies. It was hoped that the findings and recommendations of the Task Group would add to the national dialogue on this topic.</p> <p>The response from Jo Swinson MP, Minister for Employment Relations and Consumer Affairs is attached at Appendix A. The response refers to statutory Individual Voluntary Arrangements and a debt management protocol launched in February.</p>
<p>22</p>	<p>The Cabinet agreed that the Social Regeneration Manager seeks to introduce a session about debt issues into the new Project CYC that will run informal education vocational development at outreach centres.</p>	<p>Social Regeneration Manager</p>	<p>Officers are in discussion with the Youth Service regarding staging debt sessions which will be linked to the CYC project.</p>
<p>23</p>	<p>The Cabinet agreed that the Director of Children and Adults, recognising the importance of all young people and children receiving education on personal finance and how to avoid unnecessary debt and the dangers of falling into a debt spiral, recommend to the Secretary of State for Education as part of the review of the National Curriculum that the financial education elements of PSHE should be made compulsory in primary and secondary</p>	<p>Director of Children and Adults</p>	<p>The Director of Children and Adults wrote to the Secretary of State for Education in October 2012.</p> <p>A response was received from the Public Communications Unit at the Department for Education and this is attached at Appendix C. As can be seen the response recognises the importance of helping schools and parents to support children and young people to develop an understanding of financial matters and to be able to manage their own personal finance.</p> <p>The letter advises that all young people should benefit from high-quality personal social health economic (PSHE) education, which includes financial capability. It also refers to the Department announcement, in the Schools White Paper “The Importance of Teaching”, their intention to conduct an</p>

DECISIONS		ACTION BY	STATUS/COMMENT
	education.		<p>internal review of PSHE education, to determine how they can support schools to improve the quality of PSHE teaching, including giving teachers the flexibility to use their judgement about how best to deliver PSHE.</p> <p>The letter further advised that the precise remit for the internal PSHE review and the evidence of PSHE education was being considered.</p>
24	The Cabinet agreed that the Director of Children and Adults write to the senior leaders of all primary and secondary schools/academies (including special schools) in Medway highlighting the advantages of including financial literacy as part of their curriculum and identifying the importance of appointing a school champion to ensure the achievement of outcomes.	Director of Children and Adults	<p>The Director of Children and Adults wrote to the Chair of Governors and Head Teachers of all primary and secondary schools/academies in Medway. This letter referred to the Task Group Report and highlighted the advantages of including financial literacy as part of their national curriculum.</p> <p>The letter also highlighted the role of the Local Authority in both supporting and encouraging all of Medway's schools to include financial literacy as part of their curriculum – referencing the actions highlighted in decision number 25 below.</p>
25	The Cabinet agreed that the Director of Children and Adults consider, in consultation with Medway's Trading Standards team, examples of good practice to explore how the Council can promote and assist in the development of financial literacy and mentoring in Medway's Sure Start Children's Centres, pre-schools, schools and Further/Higher Education institutions.	Commercial Services Manager Head of Schools Commissioning and Traded Services	<p>The Commercial Services Manager and Head of Schools Commissioning and Traded Services met in November 2012 to discuss how the Council can promote and assist in the development of financial literacy and mentoring in Medway's Sure Start Children's Centres, pre-schools, schools and Further/Higher Education institutions.</p> <p>The Head of Schools Commissioning and Traded Services has held discussions with the Medway Youth Trust, who had done some work in this area, and was confident this could be built upon. The 14-19 Project Manager is preparing a plan for implementation across the range of settings.</p>
26	The Cabinet agreed that the Chief Finance Officer, in consultation with the Social Regeneration Manager, bring forward proposals for a programme of sessions, one package per ward,	Revenues and Benefits Contract Manager	<p>The Housing Benefit reforms will take effect from 1 April 2013 and in line with this officers are in the process of developing an outreach programme. Initial proposals are that this will include:</p> <ul style="list-style-type: none"> <li>• Telephone advice</li> </ul>

	DECISIONS	ACTION BY	STATUS/COMMENT
	<p>financed from the housing benefit reforms transitional funding or such other funding which may be identified by the Chief Finance Officer, to provide targeted support in 2012/13 to help meet the housing needs of claimants affected by Housing Benefit reforms and also signposting wider money advice and support.</p>	<p>Social Regeneration Manager</p>	<ul style="list-style-type: none"> <li>• An outreach facility in a central location in Chatham</li> <li>• A programme of community workshops across wards.</li> </ul> <p>Officers in Economic Development and Social Regeneration will also work with colleagues within the Council's Welfare Reform Team, which has been established to assist Medway Council's tenants with the changes brought about by the welfare reforms. Information provided by the Welfare Reform Team has included information on the Council's website: <a href="http://www.medway.gov.uk/housing/welfarereform.aspx">http://www.medway.gov.uk/housing/welfarereform.aspx</a>, a welfare benefit changes leaflet and a number of drop-in sessions at various locations within Medway throughout March.</p>
27	<p>The Cabinet agreed that the Chief Executive bring forward proposals to Cabinet, via Overview and Scrutiny, on a new Medway framework for the Social Fund that gives consideration to the following issues raised by the Task Group:</p> <ul style="list-style-type: none"> <li>• the need to resource intensive and urgent face-to-face contact facilities, in particular for crisis loans;</li> <li>• the development of partnership arrangements with retailers for the provision of goods rather than cash;</li> <li>• providing assistance to residents returning to work whilst awaiting</li> </ul>	<p>Assistant Director, Adult Social Care</p>	<p>The Assistant Director for Adult Social Care has developed proposals for the new Medway Local Welfare Provision Scheme (replacing Social Fund), which is being brought forward through the council's procurement process. This framework will reflect the need for resource intensive and urgent face-to-face contact facilities.</p> <p>From 1 April 2013 this will be delivered through Caring Hands, whilst a gateway procurement exercise for the future administration of this scheme is undertaken. This will be reported to Members in due course.</p>

	DECISIONS	ACTION BY	STATUS/COMMENT
	their first payday.		
28	<p>The Cabinet agreed that the Chief Finance Officer develop publicity highlighting the changes being introduced in relation to the new frameworks for Council Tax Support and the Social Fund, together with details of the Local Housing Allowance and the availability of short-term discretionary housing payments that is accessible to all communities.</p>	<p>Revenues and Benefits Contract Manager</p>	<p>Letters have been sent in February 2013 to all claimants likely to be affected by under accommodation changes including where to obtain advice and the availability of discretionary housing payments.</p> <p>Letters to be sent to all claimants likely to be affected by changes to council tax support in advance of their annual council tax bills.</p> <p>Letter outlining all the welfare reforms to be included with council tax bills. This refers to the discretionary housing payments for those who receive housing benefit and the hardship fund for those claiming council tax reduction (formerly council tax benefit).</p> <p>Officers are currently in discussion with communications regarding updating website.</p> <p>Officers are also working with Job Centre Plus, Private Sector Housing and registered providers to identify benefit capping cases to enable providers to offer appropriate support.</p>
29	<p>The Cabinet agreed that the Director of Regeneration, Community and Culture, with partners where appropriate, work to ensure via all communication channels that the key message is always accessing credit via a licensed lender and advising residents about lending codes and standards, for when they are considering credit.</p>	<p>Commercial Services Manager</p>	<p>In October, a campaign to highlight the dangers of using loan sharks engaged with more than 2,000 people across Medway. Working alongside The England Illegal Money Lending Team, officers from Trading Standards manned stands across the five towns to help educate people about loan sharks, provide information on where to report loan sharks and where to seek support, if they are a victim.</p> <p>Next year the Trading Standards Team, in partnership with The England Illegal Money Lending Team, are planning to continue their work on highlighting the dangers of loan sharks by a further campaign of awareness raising material in local bus shelters and with local media.</p>

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Department  
for Business  
Innovation & Skills

Gavin Stedman  
Commercial Services Manager  
Regeneration, Community and Culture  
Medway Council  
Civic Headquarters  
Gun Wharf  
Dock Road  
Chatham  
Kent ME4 4TR

MEDWAY COUNCIL	
FILE REF	
01 MAR 2013	
TO:	
ACTION:	INITIALS

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SW1H 0ET

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Our ref: 323751

Your ref:

26 February 2013

Dear Gavin,

Thank you for your letter of 11 January to Vince Cable MP on behalf of Medway Council's Leader and Cabinet enclosing a copy of the report on Fair Access to Credit, which has recently been produced by Medway Council. I am responding as these matters fall within my portfolio as Minister for Consumer Affairs.

Firstly, I would like to thank Medway Council for this report and the hard work put into it. I welcome the report recommendations which I and BIS officials have read with interest. The report adds to our knowledge base of debt and high cost credit and it will be carefully considered as a useful addition to the development of policy in this area.

I share your concerns about problems the report has highlighted in the high cost credit sector and would like to assure you that the Government is determined to address these. We want a safe and fair regulatory framework for credit that protects consumers, particularly those at risk of falling into financial difficulty, and which drives rogue companies out of the market.

Your letter welcomes the OFT review into the payday lending sector and refers to recent discussions about the role of the new financial regulator – the Financial Conduct Authority (FCA) and the potential for them to have the power to cap the interest rates charged by lenders. The FCA will have a diverse range of regulatory powers to address problems across all consumer credit markets, including being able to ban products or specific product features, levy fines and determine consumer redress. The Act specifically clarified that the FCA will have the power to impose a cap on both the cost and duration of loans, if it considers that this would advance its objectives, including securing the protection of consumers.

In advance of the planned transfer to the FCA, the OFT will continue as the independent, expert regulatory authority for all companies which hold a consumer credit licence. Following publication of their interim progress report in November 2012 the OFT has therefore opened formal investigations into several payday lenders and is expecting to issue warnings to the majority of the 50 firms inspected that they risk enforcement action if they do not improve. They have also written to all 240 payday lenders and their trade associations highlighting their emerging concerns over poor practices in the sector. We expect that the OFT will be publishing their final report in a few weeks time. We understand that they expect to set out their view of what further improvements may be required by lenders to ensure full compliance.

The Government supports the OFT's ongoing monitoring work across all consumer credit markets to identify and tackle non-compliance with their guidance. Enforcement action they can take includes issuing warnings or requirements to improve – if the latter are breached then the OFT can issue fines of up to £50,000 per requirement. Ultimately, the OFT can also revoke credit licences. Building on this existing power, Government recently legislated through the Financial Services Act 2012 to give the OFT a new power to suspend a business' credit licence with immediate effect or on a date specified by the OFT. This will be used in cases where the OFT considers it is urgently necessary in order to protect the interests of consumers and prevent serious actual or potential consumer detriment. This power comes into effect this month (Feb 2013).

In your letter you urge the Government to introduce limits on the ability of consumers to roll over payday loans. You may be aware that last year following intensive discussions with Government, the four main trade associations representing the payday lending sector committed to deliver enhanced consumer protections and clarity through a new Customer Charter and revised Codes of Practice. Members committed to not allowing customers to roll over a short term loan on more than three occasions, and where a customer requests the option to extend a payday loan, members also committed to carrying out an appropriate and proportionate affordability assessment before an extension is granted.

Compliance with these commitments is being monitored by Citizens Advice and the Trade Associations, including an effectiveness review by the latter in Summer 2013. Full details of the Customer Charter and revised Codes of Practice can be viewed at: <http://tinyurl.com/brxwejm> and <http://tinyurl.com/cautsmg>.

In addition, before publishing their final report into their compliance review of the payday lending industry, the OFT in its interim report into the review highlighted that it is undertaking further work in seeking to quantify the proportion of loans rolled over, refinanced or not repaid, to compare with the proportion of other forms of lending that prove unaffordable. In relation to your request that Government should introduce further controls over marketing and curtailing the targeting of specific groups, I should explain that the new Customer Charter and revised Codes of Practice which the four payday lending associations committed to also requires that members should not specifically target their marketing on specific groups of people including targeting individuals by marketing payday loans where the product would be wholly inappropriate.



You also highlighted the need for improved credit referencing. Lenders are now required by law to assess the borrower's creditworthiness before concluding a credit agreement and before significantly increasing the amount of credit provided. Related to this, OFT guidance makes clear that the process of assessing affordability is assisted by lenders registering accurate data with credit reference agencies, in a timely manner. We do have concerns about the adequacy of checks made by lenders on whether loans will be affordable by consumers. This is also an issue that the OFT interim report on their payday compliance review highlights. The Government supports any steps and enforcement action the OFT takes to ensure more rigorous creditworthiness and affordability checks.

Government also believes that as part of the credit check and affordability assessment of a prospective borrower, it is right that lenders should both record consumer transactions with credit reference agencies and routinely use credit reference data. We have been investigating the best way to ensure payday lenders have proper access to credit references and that customers' high cost credit transactions are recorded in their credit files and this work is continuing.

Regarding your call for a refined statutory total charge for credit the Government is currently considering whether additional action, above and beyond that which I have highlighted above, may be needed in the high cost credit sector. In coming to a conclusion, we will be informed by the evidence gathered by researchers at the University of Bristol's Personal Finance Research Centre who have been undertaking an in-depth study into the likely effects of capping the total cost of credit and by the OFT's final report on payday lending compliance which I mentioned earlier. We will be setting out the Government's position shortly. I will ensure that a copy of the Bristol report and our response is sent to you.

Regarding your comments about debt remedies, you may be aware that a statutory option called an individual voluntary arrangement (IVA) is available to debtors in England and Wales experiencing financial hardship. This does offer an individual a breathing space from action by their creditors, including freezing interest and charges on overdue accounts. Specifically in relation to debt management I was very pleased to be able to launch on 7 February the debt management plan protocol under which consumers will not be charged any fees before signing a contract with a Protocol compliant debt management company. Compliant providers have also agreed to spread the recovery of their set up fees, over at least the first six months, making plans more affordable and sustainable. My officials are currently working with the industry to implement the Protocol, which I anticipate will be ready shortly.

I hope that you are reassured that the Government is taking these issues relating to the credit industry very seriously and will continue to work with our expert regulators to stamp out poor practice in this market.



JO SWINSON MP

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Gavin Stedman  
Commercial Services Manager  
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Gun Wharf, Dock Road  
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Our ref		Fax	
Date	25 January 2013	Email	Kate.damania@oft.gsi.gov.uk

Dear Mr Stedman

### **Fair Access to Credit – Debt Management**

Thank you for forwarding to Clive Maxwell, our Chief Executive, a copy of the above report produced by Medway Council. It has been read with much interest and has been passed on to me as head of the policy and intelligence teams within the Consumer Credit Group. I believe that some in my team fed in comments on an early draft.

We are pleased to see your recognition of the important work we are currently doing in both the payday lending and the debt management sectors. We hope to be in a position to issue our final report on the payday lending compliance review by the end of February. You may have seen our interim report, issued in November 2012: <http://www.oft.gov.uk/OFTwork/credit/payday-lenders-compliance-review/>. This highlighted many of the areas of concern that you found during your own consideration of the issues.

We have also issued updated guidance for those carrying out debt management services, another area highlighted in your report. Please be reassured that our interest in this sector does not stop at the issuance of guidance. We continue to monitor this sector very closely in order to ensure compliance with the minimum standards set out in the guidance



and will consider enforcement action in those cases where they are not adequately adhered to.

Yours sincerely

A handwritten signature in black ink that reads "Kate Damania". The signature is written in a cursive style with a large, stylized initial "K".

**Kate Damania**  
**T/Deputy Director, Policy and Intelligence, Consumer Credit Group**

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# Department for Education

Ms Barbara Peacock  
Medway Council  
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Kent  
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Our ref: 2012/0071413  
9 November 2012

Dear Ms Peacock

Thank you for your letter of 15 October, addressed to the Secretary of State for Education about the National Curriculum review. As I am sure you can appreciate, the Secretary of State receives a vast amount of correspondence and is unable to reply to each one personally. On this occasion I have been asked to reply.

The Department recognises the importance of helping schools and parents to support children and young people to develop an understanding of financial matters and be able to manage their own personal finance.

All young people should benefit from high-quality personal social Health economic (PSHE) education which includes financial capability. We announced in the Schools White Paper "The Importance of Teaching", our intention to conduct an internal review of PSHE education, to determine how we can support schools to improve the quality of PSHE teaching, including giving teachers the flexibility to use their judgement about how best to deliver PSHE.

We are considering the precise remit for the internal PSHE review, and the evidence of PSHE education. The evidence includes national and international research, responses to the on-line consultation and feedback from focus groups, and wider stakeholder discussions, further details will be available in due course.

Further information about the National Curriculum review is available on our website at:  
[www.education.gov.uk/schools/teachingandlearning/curriculum/nationalcurriculum](http://www.education.gov.uk/schools/teachingandlearning/curriculum/nationalcurriculum)

Once again, thank you for writing.

Yours sincerely

Michelle Brown  
Public Communications Unit