

**MANCHESTER CITY COUNCIL
REPORT FOR INFORMATION**

Committee: Citizenship and Inclusion Overview and Scrutiny Committee
Date: 2 March 2009
Subject: Extortionate interest rates
Report of: Head of Street Management and Enforcement

Purpose of report

To review the activities of legal lenders in the city charging very high rates of interest in comparison with current bank base-rate, and invite the Office of Fair Trading (OFT) as regulator of the Consumer Credit Act 1974 and 2006 to discuss with the City Council its policy in relation to lenders profiteering at the expense of some of our poorest communities.

Recommendations

That the Committee note the report.

Financial consequences for the revenue budget

None.

Financial consequences for the capital budget

None.

Contact Officers

Rachel Christie	Head of Street Management and Enforcement r.christie@manchester.gov.uk	0161 234 4916
Fiona Sharkey	Head of Regulatory and Enforcement Services f.sharkey@manchester.gov.uk	0161 234 1567
Andrew Ashworth	Chief Trading Standards Officer a.ashworth@manchester.gov.uk	0161 234 1566

Background Documents

Report to the Executive 7 January 2009 titled North West Illegal Money Lending Team.

Wards Affected

All.

Implications for Key Council Policies

Anti Poverty
Yes

Equal Opportunities
No

Environment
No

Employment
No

REPORT

1. Introduction

- 1.1 In January 2009 this Committee noted a report updating the Committee on the activities of the North West illegal money lending team and also provided information on the regulation of credit agreements with high interest rates.
- 1.2 The Committee requested that the Executive review the activities of legal lenders in the city charging very high rates of interest in comparison with current bank base-rate, and invite the OFT as regulator of the Consumer Credit Act 1974 and 2006 to discuss with the City Council its policy in relation to lenders profiteering at the expense of some of our poorest communities

2. Progress

- 2.1 This report provides an update on progress on the Committee's request. Officers have gathered information on interest rates currently being charged by legal lenders locally, across various types of credit agreements. This is attached as appendix 1.
- 2.2 Members expressed concern that high APRs on cash loans from legal lenders could be dangerous even when the duration of the loan was for a short period. Their concern was that the agreements could be extended. However it is not possible to simply extend a cash loan. The original loan must be either terminated or readjusted, creating a new loan with all the associated new terms and conditions set out for the borrower. To extend an existing loan suggests that the debtor may well be acting outside of the law, and this practice is usually associated with loan sharks. New loans can be negotiated to run concurrent with existing ones.
- 2.3 Contact with the OFT
- 2.3.1 Officers have also contacted the Office of Fair Trading to invite them to attend the meeting of this Committee on 2 March 2009 to discuss with Members, and to respond to their concern of such high APRs being applied. The OFT has specifically been asked whether they are planning to provide any future guidance on the subject of disproportionate Annual Percentage Rates.
- 2.3.2 The OFT has also been provided with Appendix 1 to give them information on the type of APRs that are causing Members concern.
- 2.3.3 At the time of writing this report no response has been received from the OFT.

3. Conclusion

- 3.1 Current Legislation allows legal lenders to charge a wide variety of interest rates. The type of factors that influence the interest rates charged with different types of agreement are risk (eg credit rating of the borrower), frequency of repayments, whether the loan is secured or not.
- 3.2 Where an individual feels they have been charged an unfair interest rate the Financial Ombudsman Service is the body that will investigate this.
- 3.3. Concerns have been raised about the practices of cold canvassing cash loans to the door and also extending existing short-term loans. As both of these practices are illegal they are indicators of loan sharks rather than legitimate lenders, and any such cases should be referred to Trading Standards to investigate.

SOURCE OF INFORMATION	COMPANY NAME	TYPICAL APR (%)
Newspaper Adverts		
(Manchester Evening News)	Loan Supermarket	6.7
	Tudor Rose (Windows)	6.9
	DFH Loans	12.9
	Mobilemoney.co.uk	378.3
(Daily Mirror)	DFS	0
	Suzuki	5.9
	Lloyds TSB Loan	7.9
	Loanfinderuk.co.uk	23.1
	Urgent unsecured loans	23.1
(The Sun)	One stop money shop	23.1
High Street Shops (Store Cards)		
	John Lewis	13.0
	Marks and Spencer	18.9
	Argos	18.9
	Debenhams	19.9
	B&Q	23.9
	New Look	28.9
	Comet	29.9
	Bright House	29.9
	JD Williams	39.6
Credit Cards (6 month balance tranSfer duration)		
	Lloyds TSB Advance	11.9
	AA Credit Card	15.9
	Virgin Credit Card	16.6
	Tesco Club card	16.9
	MasterCard	16.9
	Egg Card	16.9
	Blue Sky Card- American Express	17.9
	Barnados Standard	18.9
Door to Door Collections (based on loan amount of £1000)		
	Stewart Finance	110.2
	Provident Personal Credit	133.6
	I & M Williams LTD	143.1
	MMF (UK) Limited	206.8
	Greenwood Personal Credit	220.9
	CLC Finance Ltd	254.4
	Shopacheck Financial Services	254.5
	LoansAtHome4u.co.uk	281.5

SOURCE OF INFORMATION	COMPANY NAME	TYPICAL APR (%)
	Morses Club	325.4
Personal Loans (based on borrowing £1000 over 1 year)		
	Abbey Personal Loan	8.9
	First Direct Loan	15.9
	UCC Loans	17.9
	Sainsbury's Personal Loan	18.9
	Lloyds TSB Personal Loan	19.9
	Bank of Ireland loan	25.3
	Ulster Bank Loan	29.4
	FLM Loans	42.6
	Real Personal Finance	63.1
Personal Loans (based on borrowing £5000 over 1 year)		
	Yourpersonalloan.co.uk	7.8
	Sainsburysbank.co.uk	8.4
	Abbey.com	8.9
	Post office personal loan	9.9
	First direct Loan	11.9
	Ulster bank loan	13.4
	Real Personal Finance	63.1
Payday Loans (based on loan amount of £200)		
	QuickQuid.co.uk	1351.7 to 9889.3
	Paydayloansfast.co.uk	1355.0
	Paydayuk.co.uk	1845.0
	Paydayland.co.uk	2255.0
Log Book loans (based on a loan amount of £1500)		
	Solentfinance.com	336.6
	Mobilemoney limited	378.3
	Cashconverters.co.uk	437.4
	Logbookloans.co.uk	437.4
	Allaboutloans.co.uk	437.4
Second Hand Car Finance		
	Autoseek.co.uk	5.8
	Tescofinance.com	8.2
	Autosave.co.uk	9.7
	Ashbankgarage.co.uk	11.0
	Usedcarmart.co.uk	12.6
	Dacemotorcompany.co.uk	12.7
	The Car People	14.1
	Carfinance.netcars.co.uk	16.9
	Low-car-credit-limited.co.uk	19.9

SOURCE OF INFORMATION	COMPANY NAME	TYPICAL APR (%)
	ACF Car finance Limited	44.9
Credit Unions		
	South Manchester	12.0
	Manchester Credit Union	12.68
	Manchester Unity Credit Union	12.7