

PE1439/C

Andrew Howlett

Assistant Clerk to the Public Petitions
Committee

Your ref	PE 1439	Direct line	0131 220 5930
Our ref		Fax	0131 220 6843
Date	11 January 2013	Email	kyla.brand@oft.gsi.gov.uk

Dear Mr Howlett

Thank you for the invitation to respond to the Scottish Parliament's petition PE1439. As the matters raised fall within the remit of the Department of Culture, Media and Sport I understand that officials from that department will be responding on behalf of the United Kingdom Government with input from The Department of Business, Investment and Skills (BiS) which has the UK policy lead on consumer credit issues.

The Office of Fair Trading (OFT) is responsible for licensing payday lenders under the Consumer Credit Act 1974. Payday lenders must satisfy us that they are fit to engage in those activities for which a licence is required and are subject to ongoing monitoring during the lifetime of the licence. Our role in the supervision of payday lenders does not extend to the physical location of their activity. Accordingly the OFT does not have evidence relating to the specific question in the petition. However you may find it helpful to have information on the OFT role and recent action undertaken in relation to the payday lending sector. This is attached and I will be happy to respond to any questions that arise.

Yours sincerely

Kyla Brand

OFT Representative for Scotland Wales and Northern Ireland

Office of Fair Trading in Scotland
23 Walker Street
Edinburgh EH3 7HX
Tel: 0131 220 5930
Fax: 0131 220 6843
Email: Scotland@oft.gsi.gov.uk
www.oft.gov.uk



Office of Fair Trading activity in relation to payday loans companies

An information note for the Public Petitions Committee in the Scottish Parliament

January 2013

The Office of Fair Trading (OFT) is responsible for licensing payday lenders under the Consumer Credit Act 1974 (the Act). Payday lenders must satisfy us that they are fit to engage in those activities for which a licence is required and are subject to ongoing monitoring during the lifetime of the licence. Where evidence exists which calls into question a licensee's fitness to continue to hold a licence, we can take appropriate enforcement action which may be in the form of a warning, the imposition of requirements or licence revocation. From February 2013 the existing power to revoke a licence will be augmented by a power to suspend a licence with immediate effect in cases where OFT considers it is urgently necessary to protect the interests of consumers and prevent serious actual or potential consumer detriment. Further information about our powers can be found at: <http://www.oft.gov.uk/OFTwork/credit-licensing/>

In February 2012 we launched a review of the payday sector's compliance with OFT Irresponsible Lending Guidance and statutory obligations under the Act. This responded to concerns that payday lenders were failing to adhere to OFT guidance by using advertising to inappropriately targeting vulnerable consumers, failing to carry out adequate affordability assessments, rolling over loans so that charges escalate and not treating consumers who are unable to repay their loans on time fairly.

In November 2012 we published a progress report on emerging findings from the compliance review. The report highlighted that there had been a substantial growth in the UK market. The market value estimated in the OFT High Cost Credit Report published in 2010 was £900 million is now External sources cited in the 2012 progress report now estimate the current value at double that figure. We estimate that there are approximately 240 lenders in this sector operating a variety of business models ranging from the original high street cheque cashing retail outlets to those operating online.

In response to evidence gathered in the compliance review we have written to 240 payday lenders drawing attention to concerns over poor practice in the sector. We have also initiated formal investigations. We expect to warn the majority of the 50 payday lenders inspected, which account for the majority of loans, that they risk enforcement action if they do not improve their practices. We are continuing to gather evidence about the activities of payday lenders and will aim to publish a full report in 2013. For further information about the progress report please see <http://www.oft.gov.uk/news-and-updates/press/2012/110-12>.

The OFT has already taken or concluded a range of actions against payday lenders. For example, in August 2012, we took action to remove the licence of the online payday lender MCO Capital Limited and imposed a £544,505 financial penalty on the company. In May 2012 we imposed requirements on the payday lending firm, Wonga.com Limited, to ensure that their debt collection practices complied with OFT guidance. In 2010 we also imposed conduct requirements on the licences of two payday lending firms, CIM Technologies Limited, trading as Toothfairy and another company called Safeloans Limited, trading as Paydayuk directing them not to misuse direct payment facilities such as continuous payment authorities (CPAs). A public register of all consumer credit licence holders is available at <http://www2.crw.gov.uk/pr/Default.aspx>