

How to laugh in the face of payday loan sharks



By Laura Shannon

THE battle against unscrupulous payday lenders has stepped up a gear with new campaigns and tougher regulation. Payday loans are short term and usually for small sums, but many have sky-high interest rates and come with a string of additional fees if you don't repay on time. The Mail on Sunday talks to the campaigners and looks at the best ways to borrow.

MUMS MAKE A STAND

SERAI Hann, 23, took out several payday loans three years ago. She was on her own looking after two children

Borrowers are fighting back against unscrupulous lenders and reveal ways to cut costs

and, unsurprisingly, struggled to repay.

Her financial plight saw her fall into depression, but Serai found help she needed from a family support worker and friendship from a group of other young mums near where she lives in Swansea, West Glamorgan.

They had also had problems with payday and doorstep lenders and were angered by the high interest rates, lax

checks on whether an applicant could comfortably afford to repay the loan and the barrage of daytime TV and radio advertising.

This led them to join forces to run a local campaign warning about the dangers of payday lending.

Serai, a stay-at-home mum for Tayla, four, and Logan, three, is now a spokeswoman for Sharkstoppers – a national campaign for fair credit.

She says she is campaigning for friends as much as for herself. This follows horror stories from borrowers who have had to cope with debt collectors peering through the windows of their home and tailing them in cars.

'Joining the campaign has made me feel empowered,' says Serai, who has started saving £5 a week with a credit union.

She says: 'The easier option is not always the best. It's hard to say no when money is pressed into your hands, but there are better ways.'

Sharkstoppers is demanding that regulator the Financial Conduct Authority sets a fair limit when it caps the cost of payday loans from early next year. It also backs a ban on daytime TV adverts and wants more publicity on where money can be borrowed at a fair rate.

If you think a TV or radio advert is misleading or irresponsible, complain to the Advertising Standards Authority at asa.org.uk or phone 020 7492 2222.



SMILES: Lynette Webbe used a credit union loan to set up laughter therapy workshops

such payment authorities. It also says costs are now far more transparent, affordability checks are carried out as a matter of course and customers in difficulty will often have charges frozen.

The Consumer Finance Association represents many payday and short-term lenders.

Chief executive Russell Hamblin-Boone says: 'If the new regulator's rules are applied fairly and it targets the worst practices, the least reputable lenders will be driven out of the market.'

CHEAPER BORROWING

CAN I GET CREDIT?

LENDERS will typically check your credit worthiness before giving you a loan or credit card using data from credit reference agencies Experian, Equifax and Callcredit.

To see what information they hold about you go to experian.co.uk, equifax.co.uk or callcredit.co.uk. You can get a printed copy of your credit report sent to you for £2.

Comparison website MoneySuper-

Market offers 'soft' loan searches and a 'will you get this card?' feature for most credit cards. It's not a complete application and won't leave a 'footprint' on your credit report, which multiple applications for loans and cards would do.

CREDIT UNIONS

THESE are co-operatives owned and run by their members. There are no shareholders and profits are distributed among members in the form of a dividend.

There are about 400 credit unions in the UK and more than a million members. Over the past 12 months, £620million has been loaned. These loans are provided using members' savings, which are also protected under the Government-backed Financial Services Compensation Scheme up to a limit of £85,000 a person, per institution.

They are not as swift in their lending as payday lenders – and you must be a member to get a loan.

But they are flexible and cheap, with costs capped at 3 per cent a

month. For example, the London Mutual Credit Union, based in Peckham, South-East London, will lend £400 short term through its CUOK deal. The cost – including an optional same-day payment service for £11 – is £23 on top of the original sum borrowed. Repayments can be made over three months.

With a payday lender, the cost of a £400 loan would be about £120 for one month.

Lynette Webbe, 59, of Newport, South Wales, used Newport Credit Union to set up a business in 2012, after she was made redundant from her charity job.

Lynette, who is single, borrowed £300 to start The Cobwebbe Shaker, which combines humour and exercise in 'laughter therapy' workshops for women and the elderly.

She says: 'I pay £42 every month and by the time I've cleared the loan in two months' time I will have paid interest of £30.'

OVERDRAFTS

USED the right way, an overdraft

can be an effective form of short-term borrowing. But get it wrong and it can cost more than a payday loan. About 30million bank customers have overdrafts – but 10 per cent of the £8billion loaned is not agreed.

Consumer group Which? compared bank charges for borrowing £100 over one month using an unarranged overdraft. Many exceeded that of payday lenders – with charges as high as £100 a month for Halifax Reward and Santander Everyday accounts.

For arranged overdrafts, charges across all banks were lower and ranged from zero to £30 a month.

So ask your bank if it will agree to an overdraft. Alternatively, consider switching. Nationwide's Flexi-Direct current account, which pays 5 per cent interest on balances up to £2,500, comes with a fee-free overdraft for the first 12 months. First Direct offers a fee-free £250 overdraft. Both accounts require you to pay in a monthly salary or income of £1,000.



PRIDE: Jenny and Matt Poyser with children Samantha, front, and Anna

A new kitchen – all on an interest-free credit card

CASE STUDY

JENNY Poyser spent £8,000 on a new kitchen using a Halifax All In One credit card, with no interest to pay for 15 months.

She says: 'With a loan we would have been paying interest, whereas the credit card was interest-free. We could also repay as and when.'

'In the months when we were on holiday or preparing for Christmas we could make just the minimum repayment.'

Jenny, 34, works as a project manager and is married to Matt, 39, who runs his own accounting business. They live in Brailsford, Derbyshire, and have two daughters, Anna, seven, and Samantha, four.

There is £6,000 left to pay on the card and time is running out before interest is applied, but Jenny says she is ready.

'The plan is to pay off what we can and

The cost of borrowing £500

Company	Interest & fees (£)	Time to repay	Percentage of sum borrowed
Payday lender	278	30 days	56
Loan (Amigo)	118	12 months	24
Unarranged Overdraft (Santander 123)	95	One month	19
Credit Union	36	Up to 12 months	7
Overdraft at 19 per cent	8	One month	2
Credit Card with 0 per cent deal	0	Up to 18 months	0

transfer the rest to a zero per cent balance card,' she adds.

Santander and Tesco Bank offer the longest periods for zero per cent interest on credit card shopping at 18 months.

For those shifting debt, Barclaycard charges zero per cent on balance transfers for up to 31 months, with a 2.99 per cent fee (nearly £30 for transferring £1,000). But like loans, the best deals are

reserved for borrowers with impeccable credit histories.

Capital One has introduced a Classic Preferred credit card aimed at borrowers looking to rebuild their credit history. The interest rate of 28.9 per cent is guaranteed for all accepted customers.

It also provides up to 56 days' interest-free credit, so if you settle the credit card bill every month there is no interest to pay.

I chased and caught a bank



CLEANING UP: James Rowley needed a vital loan to repair his van

robber ... but I still couldn't get a loan

EVEN following a robber at his local bank branch didn't help window and carpet cleaner James Rowley, 34, get a loan.

James, of Caterham in Surrey, needed to repair his van and says: 'Originally I went to the bank for a loan but was turned down because of something on my credit history dating back to when I was 18. They didn't say what.'

James went to Amigo Loans, which has an average interest rate of 49.9 per cent for loans between £500 and £5,000 repayable over one to five years. A friend or relative

CASE STUDY

must agree to step in if the borrower fails to repay.

James borrowed £2,500 over three years, backed by his sister-in-law. There are no fees to pay, just interest.

James, who is married to Helen, 30, with two children, Tamsin, four, and Shaun, 18 months, pays £120 a month but likes the fact he can overpay. 'It's flexible. If I have an extra £20 one week I can pay it back on the loan and I don't pay interest on it.'

James recently received a commendation from the police after he stood up to an armed robber while paying money into the bank, chased him down the street and with the help of a friend detained him until police arrived.

He says he is glad he could help – though he still could not get offered a loan.

Another possibility for those with less than perfect credit histories is SpringCoin, which lends between £1,000 and £20,000 and has interest charges of between 30 and 72 per cent. Loans are repayable from one to three years.

Banks, building societies and other lenders, such as peer-to-peer companies including Zopa and Ratesetter, have trimmed their interest rates in recent months.

Ratesetter has short-term loan options, with a £1,000 loan over six months potentially costing just £80 on top of the original sum.

Loans for between £7,500 and £15,000 are now attractive, with Sainsbury's Bank offering one of the lowest rates at 4.5 per cent. The cheapest rates are reserved for those with the best credit records.