

The £500 12-month loan that will cost you £980

BRITS are being warned not to fall victim to a new type of high-cost loan which preys on vulnerable borrowers.

The past few months has seen a wave of short-term, high-APR lenders entering the market offering one-year loans.

Billed as an alternative to payday lending, personal finance experts are cautioning that these loans are actually "super-sized payday loans".

With a typical APR of 278 per cent, the interest may be lower than a payday loan – where APR rates have hit more than 4,200 per cent – but they can end up more expensive, as customers borrow greater amounts for longer periods.

Marketed as 12-month loans, borrowers taking out £500 can end up repaying nearly £980 by the end.

Research from guarantor loan firm Amigo found one-year loans are the preferred alternative for consumers who cannot access mainstream credit.

But 29 per cent who have taken them did not understand the difference between their loan and a payday loan.

James Benamor, CEO of Amigo Loans, said: "The lending industry seems to go from one set of crooks to

By JANE HAMILTON
Cashflow Editor

another but these are big corporate organisations.

"Many are owned by the same companies behind payday loans. They are essentially trying to rebrand to skirt the new regulations."

Anti-payday loan campaigner and Cashflow Business Expert **DAVE FISHWICK**, pictured, from TV's *Bank Of Dave* is calling on the Government and finance bodies to crack down on the one-year loans as they are doing with payday lenders. Here he outlines a six-point overhaul.

1 Cap APR. I have lent through Bank Of Dave to help people clear payday and one-year loans and charged a maximum of 14.9 per cent.

2 Loan firms must check a borrower can afford to repay. I do this and everyone has made all their payments.

3 Outlaw systems which allow lending firms to raid bank accounts.

4 We need a more robust underwriting procedure.

People who borrow continuously need help from a free debt charity, not more loans.

5 Ban rollover payments.

6 All loan acceptances must have a 24-hour cooling-off period – no "cash in 15 minutes" deals.

● Dave: Loan Ranger is on the channel 4oD.



HOW THE INTEREST ADDS UP

Company	Amount borrowed	Repayments (months)	Total repayment	APR
Pounds 2 Pocket	£500	12	£949.01	278%
Ladder Loans	£500	12	£978.60	299%
Provident	£500	12	£910.00	272.2%
12monthloans.co.uk	£500	12	£949.01	278%