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Responsible lending
and borrowing

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The responsibility agenda

- The UK coalition Government stated:

‘British households that borrowed too much money must “accept responsibility” for their role in the current economic troubles’

(Kirkup, 2012)

- The financialisation of everyday life is:

‘intimately related to the reconfiguration of welfare states, their retrenchment and the transfer of risk and responsibility from the collective to the individual’ (Finlayson, 2009:403)

- For those on low incomes, borrowing has become increasingly used as an essential means of smoothing income

Definitions of responsible lending

- *'A responsible lender is ones that know that they'll be **able to get their money**'*

[Interview 8, female, 40s, single, children, working part-time]



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Definitions of responsible borrowing

- *'To me, I think it's all about **affordability** and paying it back
[Interview 12, female, 20s, single, children, unemployed]*
- *Well, you've got to know you'll be able to **pay it back comfortably** and that nothing else will get in the way. I know people that have borrowed off these places before and then something unexpected has happened like something to their car or something. But then, I suppose, you can never predict what's going to happen and if you had enough money to cover those situations, you probably wouldn't borrow it anyway. I don't know if there is a way to borrow responsibly. No. I don't think there is'
[Interview 16, male, 20s, single, working full-time]*

Where does the responsibility lie?

- *'Before we talk about responsible lending, **it's responsible living**. Living and lending have gotta be hand in glove; they've gotta be together... Irresponsible living is living way beyond your means'*
[Interview 11, male, 50s, married, part-time]

The dilemma of high-cost, short-term credit

Managing risk

- *'I mean, you've got these loans and like I've said, some of them, it says 2000% APR and all this, that and the other, if you're being stung, big style for it, it's not fair is it? But I presume those ones are the ones [lenders] that are taking a risk on people that are going in, basically, saying, 'Can I borrow some money?' and they've got no proof of what they're earning. But if they capped it and said everybody's gotta charge the same, it'd probably put a lot of companies out of business. Because then if they can only charge so much interest, and they're relying on the good payers to cover up the bad payers, they wouldn't be able to survive would they?'*

[Interview 20, male, 40s, cohabiting, children, working full-time]

Policy recommendations for responsible lending and borrowing

Regulation

- *'I think they could regulate the interest rates of all these short term borrowing places a lot more. There should be a cap on how much people pay back... Because they shouldn't be allowed to make so much money out of other people's poverty'*
[Interview 23, female, 50s, married]
- *'they need to regulate these companies. I mean, I know they have regulated it so that it can't go up as high as 4,000% or whatever it is now, but they really need to, you know. I mean, 100 [% APR] is too much, so they really need to set guidelines on these'*
[Interview 33, female, 40s, married, children, working part-time]

Policy recommendations for responsible lending and borrowing

Default fees and charges

- *'the interest just escalates and escalates and escalates and if you don't repay they'll just add up the interest even more, there's more charges just constantly. The thing is like I've learned over the last four and a half years I've basically been paying ... interest instead of actually paying my loan off, £42 a month interest is a lot of money, a lot of money so it's not fair....with people that are in debt it's not going to make them get even more in debt'*

[Interview 24, female, 30s, married, children, working full-time]

Policy recommendations for responsible lending and borrowing

Flat rate cost of credit

- *‘with Provident [home collected credit], what you see to pay back is what you back, no matter what. Say, if you’ve got it over 12 months, even if that takes you two years, you’re still only gonna pay that amount back. I think all the companies should be like that, you know. What you see from day one is what you pay, no matter what happens. Like with Provident, like I said, if your payment’s £25, they’ll accept £5 a week and they won’t take you to court [...] As long as they’re gonna get that money back in the long run ...’*

[Interview 17, female, 30s, single, children, working part-time]

Policy recommendations for responsible lending and borrowing

Information on different forms of borrowing

- *'I think they should promote the credit unions, definitely more, 100%. They complain about Wonga and people like that, but they're giving people the money. They don't say, 'Wonga's wrong. Why don't people try this?' That should be the next sentence or the first sentence. Why don't you try credit unions or give people options, explain the different options rather than, 'Wonga's bad,' and they don't say anything else about it. Wonga and people like that are terrible, but they're only supplying the market, aren't they, because people want money? They don't care how they get it. If there's a cheaper option, people are going to take it, aren't they?'*

[Interview 14, female, 20s, single, children, working part-time]

Policy recommendations for responsible lending and borrowing

Living wage

- *'They should pay people's wages a bit more higher so they've got a chance to save'*

[Interview 24, female, 30s, married, children, working full-time]

Savings

- *I mean they've started to enforce pensions and you've got to opt out, whereas they should probably look at doing a bit of safety net savings scheme'*

[Interview 32, female, 20s, cohabiting, children, working full-time]

Policy recommendations for responsible lending and borrowing

Access to affordable credit

- *‘They should promote credit unions more [...] [Pay day lenders] do an awful lot of advertising, but you never hear of credit unions advertising. [...] Because this one [credit union] I deal with... you wouldn’t know it was there unless you knew it was there, but the MoneyShop up the road, it’s blazoned, blazoned. So, whoa, even when you’re on the bus, or in your car, you can’t help but miss it, you know, you’re gonna have to have blinkers on to miss it ...’*

[Interview 11, male, 50s, married, part-time]

Conclusions: Responsible lending and borrowing

Interest rate cap

- *'[The introduction of an interest rate cap is] gonna help some people but hinder others, but then if the government were gonna help people on low income, or benefits and what not [...] should they be borrowing more money because if they're on benefits, it's the system then that's just paying the loan back because they've not got an income.'*

[Interview 20, male, 40s, cohabiting, children, working full-time]