FCA announcement on payday lending - The Children's Society response

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Responding to the Financial Conduct Authority's announcement about new price cap rules for payday lenders, Matthew Reed, Chief Executive of The Children's Society, said:

"Payday loans have pushed hundreds of thousands of families into a destructive debt trap, with very damaging consequences for their children. Problem debt leads to families cutting back on basic essentials – such as food for their children and heating for their home. It also puts a strain on family relationships and can lead to children being bullied at school.

"The FCA's new price cap on lending is therefore extremely welcome. However, it's important to remember that, even after the new rules come into force, low-income families still face paying back as much as double what they originally borrowed. As the FCA has recognised, there must be alternatives to high-cost short-term credit, including investment in credit unions. The Government should also bring together local welfare assistance schemes and high street banks, to improve access to affordable credit for low income families.

"We also need to shift attitudes to debt and money management. Children should be receiving their financial education from school and their parents, and not from payday loan advertising. That's why we're calling on Parliament to ban TV and radio adverts for payday loans before the 9pm watershed. No child should pay the price of debt."

Media enquiries

For more information please contact The Children's Society media team on 020 7841 4422 (office hours) or 07810 796 508 (out-of-hours) or emailmedia@childrenssociety.org.uk.

Notes to editor

Which? research found that 400,000 households each month are using payday loans to pay for basic essentials like food or fuel. See Which? Consumer Insight Tracker (2013) http://press.which.co.uk/whichstatements/which-statement-ahead-of-payday-loan-summit/

The FCA's research suggests it is "unlikely" that many customers will turn to illegal money lenders if they are left without access to high cost short term credit following the introduction of the new price cap. See paragraph 4.83 on page 143 here: http://www.fca.org.uk/your-fca/documents/policy-statements/ps14-16

The Children's Society is asking the House of Lords to amend the Consumer Rights Bill to ban exploitative payday loan adverts before the 9pm watershed. More details here: www.childrenssociety.org.uk/what-you-can-do/campaign-join/debt-trap-end-damage-children

The Children's Society has helped change children's stories for over a century. We expose injustice and address hard truths, tackling child poverty and neglect head-on. We fight for change based on the experiences of every child we work with and the solid evidence we gather. Through our campaigning, commitment and care, we are determined to give every child in this country the greatest possible chance in life.

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