

Mr John Glen MP
Economic Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Monday 8 July 2019

Dear Economic Secretary,

We write to you as the leaders of charities, faith groups, trade unions, think tanks and research institutions to express our deep concern about the lack of action on predatory lending by the Financial Conduct Authority as part of its recent High Cost Credit Review.

Levels of unsecured household debt are now very close to the levels seen just prior to the 2008 financial crisis, with no sign of abating in the near future. A combination of low wages, insecure work, and cuts to social security mean that growing numbers of families across the country have no choice but to turn to high cost lenders just to make ends meet.

We welcome the commitments the Government has made in respect of household debt, including its stated intention to introduce a Breathing Space scheme and to assess the feasibility of a no-interest loans scheme. However, the scale of the household debt crisis is such that it requires much more significant political intervention. We believe that the Government is under-estimating the extent and severity of the household debt trap, and lacks sufficient urgency in its approach.

Recent analysis by members of the End the Debt Trap coalition has shown that:

- Unsecured credit has grown 6 times faster than wages in real terms over the last 5 years
- Nearly 9 million people (over three million households) are spending more than a quarter of their income on debt repayments
- Just under half of these severely indebted households earn less than £15,000 per year
- The poorest fifth of households with credit cards now typically spend around 20% of their monthly income on credit card payments

In this context of growing financial pressures on households, it is imperative that the Financial Conduct Authority (FCA) uses all of the powers available to it to curb exploitative and predatory lending. The FCA has a duty to protect consumers, and the Government has given it the power to cap the cost of credit if it believes this is necessary to protect consumers.

The cost cap on pay day loans, implemented in 2015, has led to savings of approximately £150 million for nearly three quarters of a million users of pay day loans. As part of its recent High Cost Credit review, the FCA has decided to implement a similar cost cap on the rent-to-own sector, which it predicts will save consumers around £22.7 million per year.

Yet, despite widespread evidence of exploitative interest rates and charges in other consumer credit products - overdrafts, credit cards and doorstep loans - the FCA has decided not to implement a cost cap in these sectors. With its review of high cost credit now drawing to a close, it will be at least three years before there is another opportunity for users of these credit products to receive greater cost protections. With the economic risks and uncertainty posed by Brexit, this can only mean one thing: that the debt trap deepens for millions of families across the country.

A market-wide total cost cap on consumer credit is essential if we are to build the financial resilience and wellbeing of households, especially those living on low incomes. We believe the FCA's failure to deliver such a cap calls into question its credibility in respect of consumer protection.

We note that where the Treasury is concerned that a 'regulatory failure' has occurred, it has the power to order an investigation into the reasons for this (Section 77, Financial Services Act 2012). We therefore urge you to exercise this power, and to order an investigation into the FCA's failure to introduce a market-wide cost cap.

We look forward to hearing from you.

Yours sincerely,

Alan Campbell, Founder, Debt Hacker

Albert Persaud, Co-Founder: The Centre for Applied Research and Evaluation

Anna Feuchtwang, Chief Executive, National Children's Bureau

Anna Laycock, Chief Executive Officer, Finance Innovation Lab

Ann Pettifor, Director, Policy Research in Macroeconomics

Asad Rehman, Executive Director, War on Want

Ashley Seager, Co-founder, Intergenerational Foundation

Dr Christopher Harker, Associate Professor, Institute for Global Prosperity

Damon Gibbons, Director, Centre for Responsible Credit

Fanny Malinen, Co-Director, Research for Action

Fran Boait, Executive Director, Positive Money

Giovanni Soffietto, Founding Director, British Martial Arts & Boxing Association

Ian Hodson, National President, Bakers', Food & Allied Workers Union

Jamie Burton, Chair, Just Fair

Dr Johnna Montgomerie, Reader in International Political Economy, Kings College London

Joseph Howes, Chief Executive Officer, Buttle UK - For Children and Young People

Judith Moran, Director, Quaker Social Action

Dr Mary-Ann Stephenson, Director, UK Women's Budget Group

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Rev Paul Nicolson, Founder, Taxpayers Against Poverty

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Ross Hendry, Chief Executive, Spurgeons Children's Charity

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Victoria Benson, Chief Executive Officer, Gingerbread

Dr Wanda Wyporska, Executive Director, The Equality Trust

We would be grateful if you could send your response care of:

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