

## Fair access to resources: Summary 4

### Community Investment Coalition

# Policies influencing communities' access to resources

## Action on payday lenders

- In 2012, the government required trade associations representing 90% of payday lenders to amend their codes of practice to incorporate new requirements. These included being more clear and transparent to customers about how the loan works and what it will cost, the repayments required, and informing customers 3 days before money was withdrawn. They were also required to freeze charges and interest for borrowers who were in difficulty and undertaking credit and affordability tests to ensure that the loan was suitable for the customer<sup>1 2</sup>
- The trade associations will be expected to monitor lenders' activity.

## Consumer Credit

- The Government's response to the Consumer Credit Review included new rights for credit and store card holders and the right to withdraw from a credit agreement within 14 days<sup>3</sup>

## Debt advice and guidance

- From April 2012, the Money Advice Service is funded by the government to coordinate debt advice across the UK<sup>4</sup>
- The Office for Fair Trading have produced guidance on 'Irresponsible Lending'<sup>5</sup> and 'Debt Management'<sup>6</sup>

## Credit Unions

- DWP commissioned a feasibility study of modernisation and expansion of credit unions which reported in March 2012.<sup>1</sup>
- In June 2012 they announced that they would take forward the findings of the study and make an investment of £38 million over three years in addition to £13 million already invested in 2012/11.<sup>2</sup>

## Changes to benefits

- The introduction of the Universal Credit from April 2013 will be paid online and monthly. The monthly payment intends to reflect the world of work and help people to learn to manage their budgets<sup>7</sup>
  - The 2012 Welfare Reform Bill included changes to some elements of the Social Fund which provides emergency finance for people in crisis<sup>8</sup>. The changes include:
    - Community Acre Grants and Crisis Loans will be abolished by April 2013 and replaced by local provision administered by Local Authorities in England. These loans are for general living expenses such as paying rent in advance.
    - Crisis Loan Alignment Payments, and other crisis loans that are paid where individuals have an issue with their benefit payments, will be replaced by a Short term Advances scheme which will be administered by the DWP
    - Budgeting Loans will be replaced by Budgeting Advances for individuals in receipt of the Universal Credit as it is rolled out.
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## Financial Services Bill

- The Financial Services Bill was announced in January 2012 to implement a change to financial regulation<sup>9</sup>.
- The Bill will establish the Financial Policy Committee (FPC) within the Bank of England. It's role is to monitor 'systemic risks' and respond to these as needed
- It will ensure clarification of the responsibilities of the Bank of England and the Treasury at a time of financial crisis by allowing the Chancellor of the Exchequer to direct the Bank of England if public funds are at risk and financial stability is under threat
- It will establish a new regulator as a subsidiary of the Bank of England – the Prudential Regulation Authority (PRA) – which will be responsible for '*significant prudential regulation*'
- It will refocus the Financial Conduct Authority (FCA) to supervise organisations with the aim of ensuring that business across financial services and the markets is carried out in a way that '*advances the interests of all users and participants*'

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<sup>1</sup> <http://www.lovemoney.com/news/credit-cards-current-accounts-and-loans/loans/15727/government-launches-payday-loans-clean-up>

<sup>2</sup> <http://news.bis.gov.uk/Press-Releases/Payday-lenders-make-progress-protecting-vulnerable-borrowers-67d99.aspx>

<sup>3</sup> <http://www.bis.gov.uk/assets/biscore/consumer-issues/docs/c/11-1341-consumer-credit-and-insolvency-response-on-credit.pdf>

<sup>4</sup> <http://www.dwp.gov.uk/docs/credit-union-feasibility-study-report.pdf>

<sup>5</sup> [http://www.ofc.gov.uk/shared\\_ofc/business\\_leaflets/general/ofc1107.pdf](http://www.ofc.gov.uk/shared_ofc/business_leaflets/general/ofc1107.pdf)

<sup>6</sup> <http://www.dwp.gov.uk/other-specialists/credit-union-expansion/>

<sup>7</sup> <http://www.dwp.gov.uk/docs/universal-credit-faqs.pdf>

<sup>8</sup> <http://www.dwp.gov.uk/local-authority-staff/social-fund-reform/>

<sup>9</sup> [http://www.hm-treasury.gov.uk/fin\\_financial\\_services\\_bill.htm](http://www.hm-treasury.gov.uk/fin_financial_services_bill.htm)