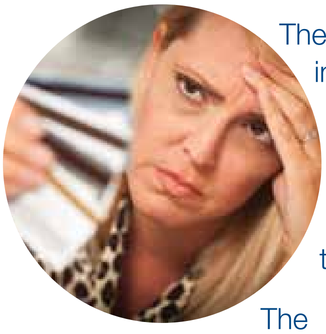
Personal Debt Snapshot:

GB population calls for tighter controls on payday loans and a tougher bankruptcy regime to curb reckless spending



The eighth wave of R3's Personal Debt Snapshot indicates a desire for changes to both payday loans and the current bankruptcy regime. On the one hand this would protect consumers from often 'pushy' marketing tactics, while on the other, punish reckless spending and those 'taking advantage' of bankruptcy.

The explosion of payday lenders has caused alarm, with only 7% of the GB population believing that there is not a problem with current payday loan lending. Most support comes for stricter regulation of advertising of payday loans, for a cap on roll-over loans and a 'real time' central register to prevent people taking out multiple loans.

At the other end of the scale, there is a strong feeling that reckless spenders are now taking advantage of the current bankruptcy regime and an individual's conduct prior to bankruptcy should be taken into account. More than half (58%) of GB adults believe that the bankruptcy period should last more than a year, while 64% believe a tougher bankruptcy regime would encourage people to be more careful with their finances.

▼ Restrictions on payday lenders:

There is an overwhelming feeling (among 93% of the GB population) that something 'needs to be done' to protect consumers from payday loan lenders. Only 7% believe that no changes are necessary and there is no problem with current payday loan lending.

- Of greatest concern was advertising – with 68% calling for stricter regulation of advertising of payday loans with clear warnings about the true cost of the total debt.
- A similar proportion (65%) call for a cap on the total cost that can be charged for credit.
- Just under half (48%) are calling for a cap on the number of 'roll-over' loans, in order to ensure that the original loan and interest has been paid off before a new loan is taken out.

▼ Debt concern and lack of savings:

The continued growth of the payday loan market comes at a time of increasing financial concern for many – with the numbers worrying about debt concerns now affecting more than half the GB population (54%).

- The number who struggle to payday has increased quarter on quarter by 12 percentage points from 39% up to 51%.
- 28% of the GB population believe their financial situation will worsen over the next six months, higher than the 22% who think their financial situation will improve over the next six months.
- 10% are currently only paying the interest charges on their credit card but not the debt itself.
- More than one in four (28%) do not currently have any savings at the moment, up from 20% last quarter.

- 93% of the GB population believe some changes need to be made in order to protect consumers from short-term, high interest payday loan lenders.
- 65% think there should be a cap on the total cost that can be charged for credit.
- 68% think there should be stricter regulation of advertising of payday loans, with clear warnings about the true cost of the total debt.
- Of those that struggle to make it to payday, one in ten say that it is a result of making payments on a payday or other short-term loan.
- Almost 4 million (3,915,866) GB adults are considering taking out a payday loan in the next six months, up from 3.5 million GB adults six months ago.
- Over half (54%) the GB population now worry over current levels of debt up from 39% last quarter. A similar proportion (51%) say they struggle to payday.

- Over a quarter currently have no savings (28%).
- Four in five (82%) believe some take advantage of the bankruptcy system to write off their debts which they build up through reckless spending.
- 58% believe bankruptcy should be extended to last more than one year.
- 64% believe bankrupts should be treated differently according to their prior spending behaviour and the reasons they have gone bankrupt.

Reckless spenders and toughening up the bankruptcy regime:

Public opinion seems to be hardening on the role of bankruptcy and most strikingly 58% believe that bankruptcy should last longer than one year.

- There is concern amongst 82% of the population that some people are taking advantage of the bankruptcy system to write off their debts which they built up through reckless spending.
- Similarly, 65% believe that most people could avoid bankruptcy be reining in reckless spending.
- **R3 believes there could be a case for treating bankrupts differently according to their prior spending behaviour and the reasons why they have gone bankrupt – 64% of the population agree.**

Reasons for the struggle to payday and prospects for the future (taking out a payday loan):

The Snapshot identifies rising food costs (for 79%) and rising fuel costs (for 71%) as the main reasons for the struggle to payday.

- There has also been a marked increase in the numbers struggling to payday as a result of making payments on a payday loan – now at 1 in 10 (10%), up from 4% last quarter.
- 8% or (nearly 4 million GB adults) are likely to seek a payday or other high interest loan in the next six months, up from 5% last quarter and 7% (3.5 million adults) six months ago.

R3 President Lee Manning commented:

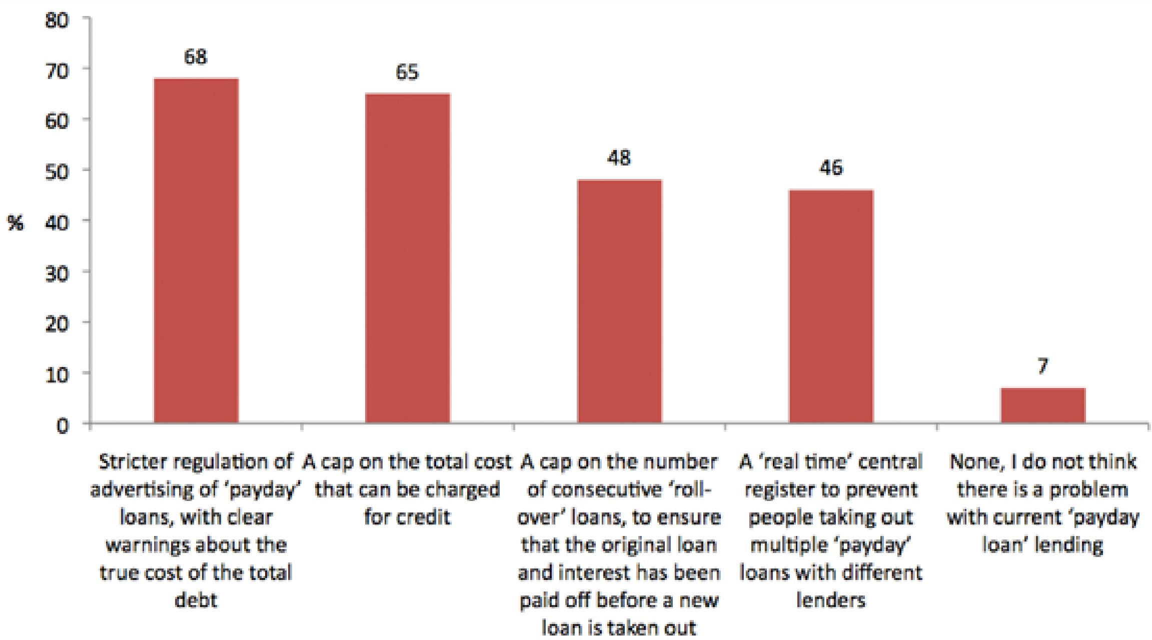
"With heavy TV advertising and the gradual invasion of many of our high streets - short term, high interest loans are thrown at us from every angle. Payday lenders are here to stay, and this report shows over 90% of the GB population think that changes should be made .

"Top of the public's wish list is a call for tougher regulation of advertising of payday loans, with a clearer indication about the total cost of the debt. A significant majority (two thirds) would like a cap on the total cost that can be charged for credit.

"Like the public, our members believe there should be greater regulation of the payday loan industry, including of advertising with prominent 'health warnings' included about the actual cost and establishing greater clarity on the size of the payday loan industry using a 'real time' register."

Restrictions on payday lenders

When asked what changes, if any, needed to be made in order to protect consumers from short-term, high interest payday loan lending, a staggering 93% of the GB population believe changes need to be made.



- Advertising was of greatest concern – with 68% calling for stricter regulation of advertising of payday loans with clear warnings about the true cost of the total debt.
- A similar proportion (65%) call for a cap on the total cost that can be charged for credit.
- Younger generations were less concerned by payday loan lenders than their elders - 17% of the 18-24 year old group thought there was no problem with them as opposed to 3% of the 55+ group.

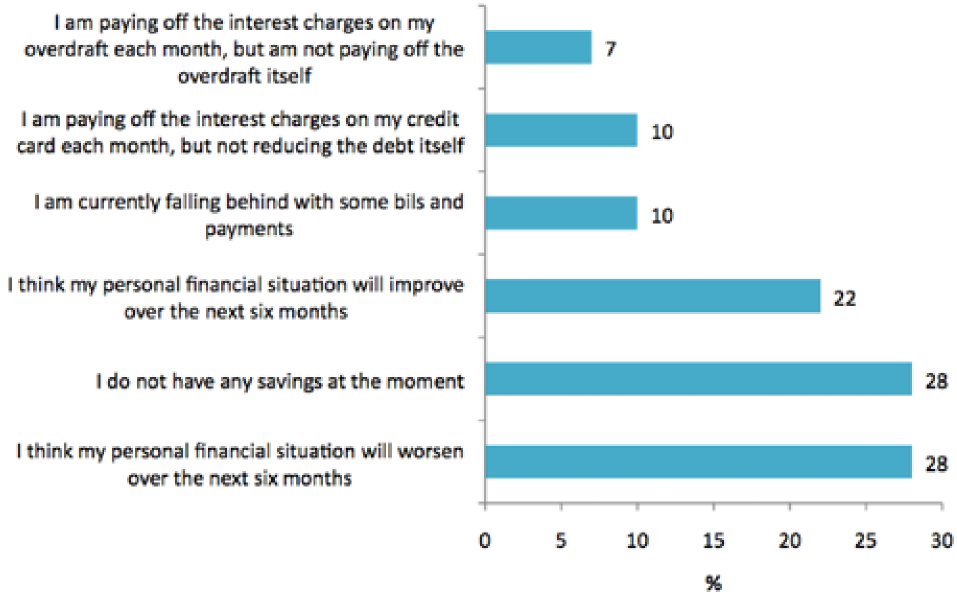
R3 President Lee Manning commented:

"The younger generation of 18-24 year olds seem the least concerned by the rise of payday lenders yet I fear this attitude will store up debt problems for their future. Those who face the biggest struggle financially today are those aged 35-44, perhaps as costs of a young family mount up and earlier spending catches up with them."

Debt concern and lack of savings

The continued rise of payday lenders comes at a time of increasing financial concern for many – with debt concerns now affecting more than half the GB population (54%). Many are struggling already - extrapolating on estimates of the GB population July 2010 (ONS) – **means more than 24 million (24,307,025) GB adults now struggle to make it to payday (or 51%)**.

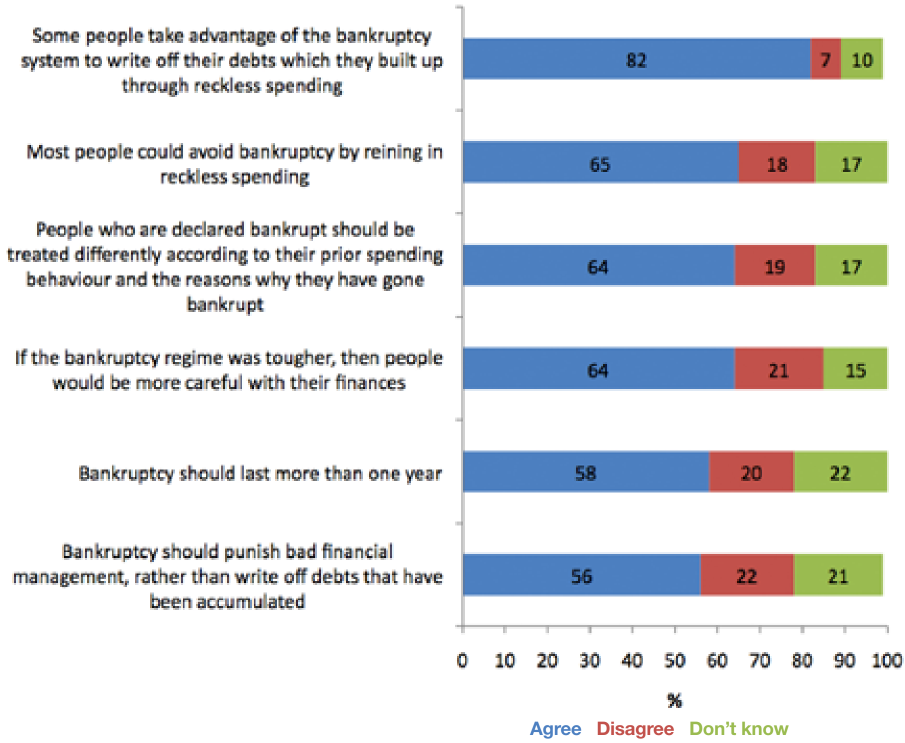
- The age group who face the biggest struggle to payday (69%) and biggest concern over debt levels (67%) are those aged 35-44.
- The proportion who struggle to payday has increased by 13 percentage points from 37% up to 51% today – the highest figure since the personal debt snapshot began.
- 28% of the GB population believe their financial situation will worsen over the next six months, higher than the 22% who think their financial situation will improve over the next six months.
- However, a year ago 36% of the GB population thought that their financial situation would worsen in the next six months.
- 10% are currently only paying the interest charges on their credit card but not the debt itself, up from 7% last quarter.
- Over a quarter (28%) do not currently have any savings at the moment, up from 20% last quarter and back to similar levels that they were a year ago (30%).



R3 President Lee Manning commented:

"With over half of the population concerned about their debt and struggling to payday, payday loan lenders are subsequently enjoying something of a boom. You do not have to be a financial expert to work out that a payday loan is not the right solution for everyone. Let's make people aware of all their options – even if it's just tighter budgeting they require.

"Pessimism outweighs optimism looking forwards to the next six months –and I am concerned by the increase in 'zombie debtors' who are merely servicing their interest. Be it on a credit card or payday loan, racking up greater debt is only going to take those who struggle financially in the wrong direction."



Reckless spenders and toughening up the bankruptcy regime

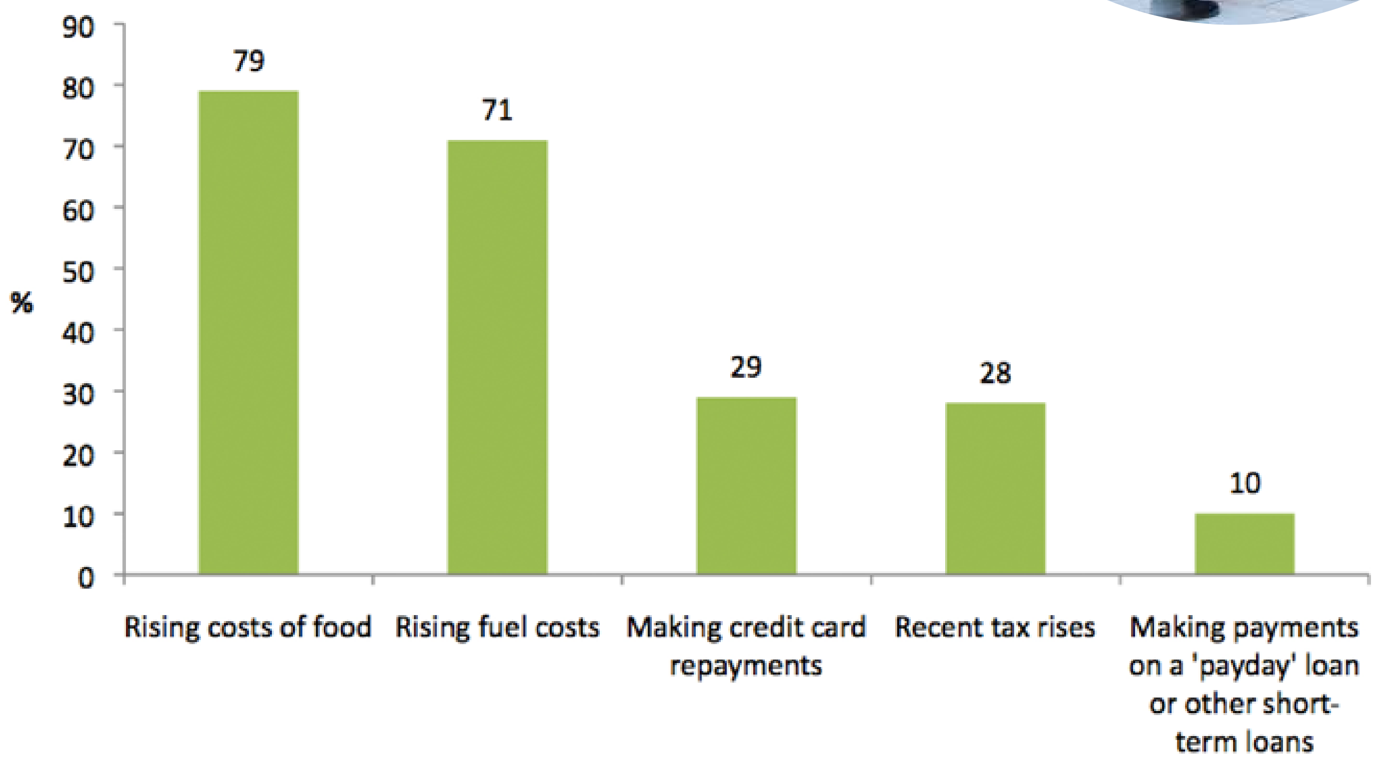
There is a sense that the current bankruptcy system is too lenient and can be taken advantage of. Most strikingly, 58% believe that bankruptcy should last longer than one year.

- There is concern for 82% of the population that some people are taking advantage of the bankruptcy system to write off their debts which they built up through reckless spending.
- Similarly, 65% believe most people could avoid bankruptcy by reining in reckless spending, while 64% think people would be more careful with their finances if the bankruptcy regime was tougher.
- R3 believes there could be a case for treating bankrupts differently according to their prior spending behaviour and the reasons why they have gone bankrupt – 64% of the population agree.

Reasons for the struggle to payday and prospects for the future

The main reasons for the struggle to payday were identified as rising food costs (for 79%) and rising fuel costs (for 71%).

- There has also been a marked increase in the numbers struggling to make it to payday as a result of making payments on a payday loan – now at 1 in 10 (10%), up from 4% last quarter.
- **Looking ahead, almost 4 million (8%) GB adults are likely to seek a payday or other high interest loan in the next six months, up from 5% last quarter and 7% six months ago**.



R3 President Lee Manning concluded:

"The outlook is not looking good as households struggle with rising food, fuel and potentially higher mortgage costs. This will make them vulnerable to the sophisticated marketing techniques of the payday lender who seems to offer an immediate and quick solution to the stress of debt. Although the application process may be easy I would urge people to take a deep breath and pause before taking a payday loan – we know from a previous survey that 60% of those who took a payday loan regretted it.

"While the public demand a crackdown on payday lenders, they also want tougher measures at the other end of the scale to stop people taking advantage of bankruptcy. This is a fair suggestion, as not everyone goes bankrupt for the same reasons, and the 'deserving bankrupt' could apply for a shorter discharge period.

"Together these make for a good balance of solutions and would go some way in addressing our country's massive personal debt problem. We know 98% of MPs share our and the public's concern over payday lenders, so hopefully this will translate into some action."

Methodology note:
ComRes interviewed 2044 GB adults online between 27th and 29th April 2012. Data were weighted to be representative demographically of all GB adults.

ComRes is a member of the British Polling Council (www.britishpollingcouncil.org) and abides by its rules. Full data tables are available at: http://www.comres.co.uk.

About R3

R3, the trade body for insolvency professionals, represents over 97% of Insolvency Practitioners.
Members are trained and regulated accountants and lawyers who have extensive experience of helping businesses and individuals in financial distress.