

Financial Conduct Authority call for input: High-cost credit
Statistics on payday loans from insolvency and restructuring trade body R3

R3, the insolvency and restructuring trade body, regularly surveys British adults and the business community to gain a snapshot of the level of personal debt and business distress in the UK. Since 2011, R3 has asked British adults about their use of payday loans, one of the most widely used forms of high-cost credit.

R3 welcomed the changes made by the Financial Conduct Authority to address concerns surrounding high-cost credit in 2014. We believe that the FCA is right to look again at the impact of the changes it has already introduced and whether more steps should be taken to address the risk of consumer harm from high-cost credit products.

We hope our statistics will be of use to the FCA as it considers whether further policy interventions are needed.

R3 statistics on high-cost credit

The results of our Personal Debt Snapshot (PDS) surveys, below, show the proportion of all British adults who say they have taken out a payday loan in the last six months or who say they are likely to take out a payday loan in the next six months; as well as the proportions of those aged 18-24 surveyed in the same categories.

The data shows that there has been a steady fall in the proportion of British adults who have either taken out a payday loan in the last six months or those likely to take out a payday loan in the next six months, since September 2012. However, those aged 18-24 surveyed generally appear to be more likely than all adults aged 18+ to report having taken out a payday loan in the last six months or say they are likely to take one out in the next six months.

"I have taken on a payday loan in the last six months"

Survey date	All respondents	Respondents aged 18-24
September 2016	2%	4%
June 2016	2%	2%
January 2016	2%	4%
August 2015	2%	2%
March 2015	2%	3%
November 2014	4%	7%
July 2014	4%	5%
February 2014	4%	3%
September 2013	5%	9%
June 2013	5%	8%
February 2013	3%	6%

Q. Which of the following, if any, apply to you?

"I am likely to take out/seek a payday loan within the next six months"

Survey date	All respondents	Respondents aged 18-24
September 2016	1%	2%
June 2016	1%	2%
January 2016	5%	8%
August 2015	6%	10%
March 2015	8%	17%
November 2014	7%	17%
July 2014	6%	7%
February 2014	8%	15%
September 2013	6%	15%
June 2013	7%	16%
February 2013	N/A	N/A

September 2012	11%	26%
April 2012	8%	18%
January 2012	5%	10%
October 2011	7%	11%

June 2016 onwards: Q. Which of the following, if any, apply to you?

Pre June 2016: Q. Thinking about the next six months, how likely or unlikely are you to seek a 'payday' or other short term, high interest loan?

Recent respondents worried about payday loans

- In September 2016: 7% of respondents who were worried about their current level of debt said they were worried about 'payday' loan debt; with 9% those aged 18-24 in this group worried about 'payday' loan debt.
- In June 2016: 8% of respondents who were worried about their current level of debt said they were worried about 'payday' loan debt; with 5% of those aged 18-24 in this group worried about 'payday' loan debt.
- In January 2016: 6% of respondents who were worried about their current level of debt said they were worried about 'payday' loan debt; with 6% of those aged 18-24 in this group worried about 'payday' loan debt¹.

Guarantor loans

Following a growing debate in parliament regarding the use of guarantor loans, and the lack of awareness about their possible implications, R3 included a question on this matter in the January 2016 survey to gauge their use. 3% of all respondents worried about their debts said they were worried about debts related to guarantor loans. The same proportion (3%) of respondents aged 18-24 surveyed who were worried about their debts said they were worried about guarantor loans².

Struggling to payday

R3's most recent Personal Debt Snapshot (September 2016) also provided some wider background to the reasons why individuals may struggle financially to reach payday:

- Two in five (38%) British adults say that they often or sometimes struggle to make it to payday. This figure has been consistent since June 2016 (39%).
- There continues to be a gender gap with respect to struggling to payday, as women (42%) are more likely than men (34%) to report that they often or sometimes struggle.
- Among those struggling, it continues to be the cost of basic household expenses that are most likely to cause problems, particularly food (54%) and energy (35%).
- Other prominent factors for those struggling to payday are fuel and or transport costs (30%), spending on going out or non-essentials (27%), paying for rent (24%), and making credit card repayments (22%).
- Wage freezes have remained stable as a concern for those struggling to payday (12%) since June 2016 (11%), but such concerns have halved since March 2015 (24%).
- The proportion of those struggling due to recent cuts in welfare benefits (12%) has remained stable since August 2015 (12%).

¹ Please note that in January 2016 a small number of respondents aged 18-24 (n=84) answered this question. The figures for January 2016 should therefore be treated as indicative.

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Methodology: R3 commissioned independent research agency **ComRes** to interview c.2000 British adults from October 2011 to September 2016, using an online methodology. Data were weighted by age, gender, region and socio-economic grade to be representative of all British adults. Fieldwork was carried out on the following dates:

Wave	Number of respondents	Dates of fieldwork
6	2,005	21st-23rd October 2011
7	2,016	25th - 26th January 2012
8	2,044	27th-29th April 2012
9	2,051	28th-30th September 2012
10	2,007	1st-3rd February 2013
11	2,060	31st May - 2nd June 2013
12	2,006	27th-29th September 2013
13	2,013	7th-9th February 2014
14	2,035	18th-20th July 2014
15	2,054	14th-16th November 2014
16	2,011	13th-15th March 2015
17	2,047	21st - 23rd August 2015
18	2,013	8th-10th January 2016
19	2,032	10th-12th June 2016
20	2,041	23rd - 25th September 2016

ComRes is a member of the British Polling Council and abides by its rules. Full data tables are available at:
<http://www.comresglobal.com/>

About R3: R3 is the trade body for the UK insolvency and restructuring profession. From senior partners at global accountancy and law firms to practitioners who run their own small and micro-businesses, our members have extensive experience of the personal and corporate debt landscape. *For more information please contact James Jeffreys (Public Affairs and Policy Officer) on 020 7566 4220 or james.jeffreys@r3.org.uk www.r3.org.uk. Follow us @R3PressOffice*