

Press release – Monday 8th June 2020

“New high interest lending should be banned immediately and new caps applied to interest rates on other forms of lending to help limit the damage caused by the personal finance disaster Covid is set to cause.”

- Antony Elliott OBE, founder of the Fairbanking Foundation

High interest lenders should be prohibited from making new loans to customers until at least October, and probably to the end of the year, says Antony Elliott OBE, founder of the Fairbanking Foundation.

Even before the Covid epidemic hit, 46% of households in the UK were already struggling financially, with a toxic combination of little or no savings and excessive unsecured debt (source: Money & Pensions Service). By the end of April, according to Citizens Advice, 11 million people had missed or expected to miss a bill that will leave them vulnerable to severe consequences. More than 6.5 million jobs could be temporarily lost in the UK due to the epidemic, with low earners, women and young people the most severely impacted (source: Fair4All Finance, May 2020).

A range of urgent actions is required to combat the financial crisis that is occurring; these recommendations should be evaluated and implemented quickly:

- a complete ban on new loans from High Interest Lenders until the end of October (interest rates above 42.6 percent APR). Lenders cannot do proper assessments in the current environment, and desperate customers will struggle to take proper account of the dire risk of not repaying
- reduce the cap on interest rates on short-term loans by half from the end of October to 146 percent APR or 0.4 percent per day (currently 0.8 percent per day or 292 percent fixed APR). Extend this cap to all loans of any period; having no limit on loan rates allows predatory lending. The maximum for the total amount of interest and charges for loans under one year would be 75% of the loan amount (reduced from 100%)
- banks to cap interest rates on overdrafts at 25% EAR or lower from 30 October*
- cap the interest rate on credit cards at the level applying to a credit card on 1 May 2020
- any zero interest or special offer deals on credit cards maturing in the next six months must be extended for a further six months

*It is recognised that banks may have to find alternative ways of generating income from current accounts.

Mr Elliott also offers this advice for customers:

“If you are in increased financial difficulty, the earlier you get some control, the less your finances will suffer in the long term.

- try and reduce your expenditure for a while, even if tightening your belt is painful
- seek free advice from organisations such as CAB and Stepchange
- contact your creditors to reschedule your repayments or take a payment holiday
- contact your utility providers to seek financial leeway
- don't increase your borrowing
- apply for benefits
- ask for support from family, if you can”.

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