

Press Release

July 23 2012

Warning over 'payday loans with no pay day'

One in 20 unemployed people counselled by debt charity Consumer Credit Counselling Service (CCCS) last year had pre-existing payday loan debts that they were struggling to repay, according to new figures released today. A total of 1,243 unemployed clients (5.6 percent) held at least one payday loan, owing an average of £918 in this type of high-cost, short-term borrowing.

The charity has warned that payday loan difficulties are growing amongst the unemployed, with an increasing number of jobless people seeking help with pre-existing payday loans taken out while previously in work. This number has increased more than four-fold from 283 people in 2009 to 1,243 in 2011.

In the same period, the total number of unemployed people counselled by CCCS has remained persistently above 20,000 (22,350 in 2011, 25,388 in 2010, 23,428 in 2009).

Delroy Corinaldi, CCCS director of external affairs, said: "Unemployment is the biggest single driver of debt problems in the UK, and people who have lost their job after taking out extremely expensive payday loans are finding it particularly difficult to cope.

"Payday lenders must recognise this growing problem. When the industry announces its new codes of practice this week, we will expect to see clear commitments to freeze interest and charges when borrowers experience a shock to their income that leaves them unable to repay. Crucially, payday lenders must also commit to work with debt charities like CCCS to set up affordable repayment plans when any borrower finds they are in difficulties.

“These figures should also serve as a warning to anyone considering taking out a payday loan. Consumers should consider how they are going to afford to repay this high cost credit in the event of a shock to their income from redundancy or another unexpected event, and seek free advice early if such a shock hits.”

Infographic to illustrate:

<http://www.cccs.co.uk/Infographics/Paydayloandifficultiesforunemployed.aspx>

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Notes to editors:

1. CCCS's ethos is to help the “can't pays”, not the “won't pays”, and does not condone debt avoidance. CCCS always aims to help its clients pay back what they owe, in a realistic timescale and manner that is suited to each individual's situation.
2. CCCS is self-funding. Lenders share with the charity the benefit they receive from its operation, making a donation from the money repaid to them. This allows CCCS to retain its independence and ensure that its advice is always in the best interest of the client.
3. The CCCS free phone helpline 0800 138 1111 is open 8am to 8pm, Monday to Friday.
4. *CCCS Debt Remedy* is available at www.cccs.co.uk
5. Follow us on Twitter: @CCCSPressOffice

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