

EqIA Restrictions on payday lending advertising in Newham

Assessing impact on equality is a process which develops along with your policy. You must complete the table below to ensure that the EqIA process can be tracked.

Version number	v1
Date last reviewed:	n/a
Approved by:	
Date approved:	
Next review date:	
Saved as:	

1. Management of the EqIA

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2. Identification of policy aims, objectives and purpose

The London Borough of Newham is undertaking a programme of work to build the economic resilience of local people- improving access to employment, decent pay and good quality financial products. As part of this work we are considering the issue of payday lenders who loan money to people at very high rates of interest with little regard to the impact on customers.

This EQIA considers the impact of the proposal to introduce a ban on advertising of payday loan companies on council owned spaces and through council accessed internet - both by staff and the public. This would inform future contract negotiations and IT policy.

Under the policy recommendations, residents will still be free to access high cost payday loan products. They are likely to remain widely advertised on television and other non-council owned media. However, our position is that the council should not be facilitating these businesses and activity that runs counter to our broader goals.

3. Scope / focus of the EqIA

The aim of these proposals is to promote economic resilience and support the Residents In Financial Control strand of the Council’s Resilience Performance Framework. Namely the aspiration that “residents make positive financial decisions on debt and savings and are financially better off”.

Newham recognises that access to fairly priced credit is an important part of local people’s economic resilience. However, the presence of very high cost financial products is a great cause for concern, particularly at a time when many of our residents are experiencing pressure on their incomes as a result of wide-ranging changes to welfare policy, stagnating wages, and the rising cost of living.

Under the proposals residents will still be free to access high cost payday loan products. They are likely to remain widely advertised on television and other non-Council owned media. However, our position is that the Council should not be facilitating these businesses and activity that runs counter to our broader goals.

Such a policy is likely to have the most positive impact on socio-economically disadvantaged residents.

Protected characteristic	Assessment of relevance High, Medium, Low	Provide evidence
Class or socio-economic disadvantage	Medium/ high	Those with lower incomes are more susceptible to financial shocks and can turn to high cost credit products when they are at their most vulnerable. Directing residents to money and debt advice and alternative sustainable credit products could prove beneficial for this group.
Age	Medium	Younger people are more likely to get payday loans. Taking steps to restrict access to high cost payday loans and offer advice in managing debts is more likely to have a positive impact on the long term financial stability of this group.
Disability	Medium	A higher rate of residents living with a disability are in low income households compared to those without a disability. Low income households with a disabled member could be more affected by financial shocks. Restrictions on the promotion of payday loan products coupled with appropriate advice services could be beneficial for this group.
Pregnancy and maternity	Medium	The potential reduction in household income as a result of maternity leave and the additional financial pressure of bringing up a child could affect residents ability to manage financially. Moving to high cost, short term credit products is unlikely to improve financial stability in the long run.
Race	Medium	Research has shown that black and minority ethnic groups are overrepresented in the profile of payday loan recipients.
Religion / belief	Low	There is no evidence to suggest that this group will be impact by the policy recommendations
Sex	Low	There is no evidence to suggest that this group will be impact by the policy recommendations
Sexual orientation	Low	There is no evidence to suggest that this group will be impact by the policy recommendations
Transgender	Low	There is no evidence to suggest that this group will be impact by the policy recommendations

4. Relevant data, research and consultation

Data

In its Statistical Yearbook for 2012, debt advice charity StepChange reported that while debts on mainstream forms of credit had fallen, those related to payday loans had risen significantly.¹

The proportion of StepChange clients with a payday loan increased from 9 per cent in 2011 to 18.5 per cent in 2012. More than 65 per cent of StepChange clients with a payday loan had contractual payments worth more than 100 per cent of their income, compared to 14 per cent of all other clients.

The Office for Fair Trading, which has responsibility for regulation of the sector until April 2014, found that a third of loans to payday lenders are paid late or not repaid at all. It found that 28 per cent of payday loans are rolled over or refinanced at least once, providing 50 per cent of lenders' revenues with 19 per cent of lenders' revenues coming from loans which are rolled over or refinanced four or more times.

Central government has asked the Financial Conduct Authority, the newly appointed regulator for the payday loan industry, to explore a cap on the cost of payday loans in recognition of growing concern about the industry.

At a local level Newham councillors have been approached by members of the local community who are increasingly worried about the impact of payday lenders on residents. Following initial discussions regarding restrictions on payday lender advertising in Newham, the council received a 900 signature-strong petition from members of the local community expressing concerns about the impact of payday loans on the community.

Research into the payday lending market conducted by the Competition Commission found that the age profile of payday lending customers was noticeably younger compared with the population as a whole. It also concluded that Black and Minority Ethnic customers were slightly more overrepresented.²

According to the research, payday loan customers were more likely to come from large households with children. Payday lending customers were more than twice as likely to live in privately rented accommodation than the population as a whole. Although the Competition Commission found that payday lending customers are spread across nationally it was also noted that they are concentrated in areas characterised as "financially stretched" and "urban adversity". Financially stretched' areas are characterised by high levels of private rented and social housing, below average incomes, and households with some degree of financial pressure. 'Urban adversity' areas are characterised as areas of high deprivation, low incomes, and high debt.

Newham context

¹ Statistical Yearbook for 2012 (2013) StepChange

² Research into the payday lending market, 2014, Charity Commission, TNS BMRB

Newham is the second most deprived borough in the country. The relative poverty rate in Newham is 41 per cent, more than double the national rate of 16 per cent. We know from our research that one sixth of residents say they have fallen behind on bills in the past 12 months. The rate of child poverty in Newham is three times the national average (52% compared with 17%). A quarter of residents in Newham say they are struggling to manage financially; and a third are just “getting by”.

Newham has the highest concentration of black and ethnic minority groups in the country, making up over 73% of the population in 2014.³ It also has one of the youngest populations in the country and the highest average household size in London according to the 2011 Census. Household incomes in Newham are significantly below the national average. The median net equivalised household income before housing costs in Newham is £15,704 (mean £20,165), compared with a national median of £22,204.⁴ This equates to a median income of £302 per week, which is only 71% of the national median income before housing costs of £42,793.⁵

The share of owner occupiers has fallen along with the share of social housing tenants since 2001. But there has been a steep rise in the private rented sector, which now accounts for around 40 per cent of housing stock in Newham.

Consultation

Ahead of developing the recommendation in this report, substantive consideration was given to concerns raised both nationally and by local residents and other stakeholders. Councillor Ian Corbett, executive member for Infrastructure and Environment has raised no objections to the proposal.

A four-week consultation on the proposals was held in March and April 2014. As well as appearing on the consultation page of the London Borough of Newham website, it was sent directly to key stakeholders including voluntary organisations, think tanks, credit unions and the main trade bodies for payday lenders. The consultation was sent to the following groups:

- StepChange
- The Centre for Responsible Credit
- Citizens Advice Bureau
- The London Community Credit Union
- The London Mutual Credit Union
- Tom Sefton, Policy Adviser, Church of England
- Graham Fisher, Toynbee Hall
- Association of British Credit Unions
- Community Development Finance Association
- Finance & Leasing Association
- Consumer Finance Association
- Consumer Credit Trade Association
- British Cheque & Credit Association
- Institute of Public Policy and Research

³ GLA 2013, Round Ethnic Group Projections

⁴ Newham Household Panel Survey, Wave 7, 2014

⁵ Ibid

Responses were received from a local resident and a representative from the Consumer Finance Association, a trade body for short term lenders. Consideration was given to these responses and incorporated into the policy recommendations.

5. Assessment of Impact and outcomes

Protected characteristics	Issues taken from evidence	Judgement (positive / negative)	Recommendations
Class or socio-economic disadvantage	Payday lending customers concentrates in areas of high deprivation, low incomes, and high debt	Positive	Raise awareness of debt and money advice services and develop an alternative affordable credit product.
Age	Younger people are overrepresented among payday lending customers	Positive	Raise awareness of debt and money advice services and develop an alternative affordable credit product.
Disability	People with disabilities are more likely to live in lower income households than those without a disability	Positive	Raise awareness of debt and money advice services and develop an alternative affordable credit product.
Pregnancy and maternity	There is the potential to see a reduction in household income and increased financial pressures of bringing up a child	Positive	Raise awareness of debt and money advice services and develop an alternative affordable credit product.
Race	Research has shown that black and minority ethnic groups are overrepresented in the profile of payday loan recipients.	Positive	Raise awareness of debt and money advice services and develop an alternative affordable credit product.
Religion / belief	Little to no evidence on specific characteristic	Neutral	
Sex	Little to no evidence on specific characteristic	Neutral	

Sexual orientation	Little to no evidence on specific characteristic	Neutral	
Transgender	Little to no evidence on specific characteristic	Neutral	

Equality Impact Assessment Action Plan for [insert name of policy]						
Issues identified and groups affected	Actions to be taken	Timescales of actions	Who is responsible for delivery	Intended outcomes	Performance measures	Reference to service or other plans

- 6. **Formal agreement**
 - a. Divisional Director
 - b. Head of Strategy & Partnerships

- 7. **Publication of results**
 - a. Date EqIA published on Council website (full or summary version)

- 8. **Monitoring and review**
 - a. The EqIA will be monitored by the Public Policy Manager