

## What's wrong with high cost credit? The OFT wants to know

The Office of Fair Trading is worried that people are paying too much for credit. So they are doing an investigation over the summer to find out what really is going on, and they want to hear from you.

As part of the review, the OFT will be looking at how the different companies operate and the effect of the credit crunch on their business. In addition they will be looking at what other countries do about high cost credit.

The Debt On Our Doorstep (DOOD) campaign network knows that it is really important that ordinary people, local advice centres, community projects and credit unions tell the Office of Fair Trading (OFT) what is happening in their area. **And the OFT want to hear!**

Please take some time to think about these few questions and send your views into us to help us pull together our final response. Even a half an hour discussion at lunchtime or after work could bring out lots of issues.

### What do the OFT mean by "high cost credit"?

Although the OFT are starting with an assumption that this means anything costing over 50% APR, they are flexible and will look at the actual cost that people end up paying – for example after 'optional' insurances or default charges. They are interested doorstep lenders (eg the Provi), payday lenders (eg Moneyshop), pawnshops, log book loans, and Brighthouse.



### Questions

1. Who are the most expensive credit providers that people in your area use?
2. What are the differences in the way that they operate locally – for example are any of them expanding as people find it more difficult to get other types of credit? How do they get new customers, have they been advertising in your area?
3. What makes you or people you know decide to use one lender rather than another? What things do you weigh-up in your mind when are deciding where to borrow from?
4. Are there things that people don't understand about high cost credit? eg hidden costs, repayments, etc, but which have caused problems later?
5. What impacts has using high cost credit had on you, or the people you know in your community? Do you have a story to tell about why you started to borrow money and whether or not the loans have helped or made things worse?
6. What do you think should now be done to help people get credit at a price that they can afford?

The official document for the review can be obtained from the OFT's website at:  
[http://www.offt.gov.uk/shared\\_offt/reports/consumer\\_credit/scope.pdf](http://www.offt.gov.uk/shared_offt/reports/consumer_credit/scope.pdf)

Please send in your responses to the questions, along with any background information, to DOOD, c/o Church Action on Poverty, Central Buildings, Manchester M1 1JT. Or email [info@debt-on-our-doorstep.com](mailto:info@debt-on-our-doorstep.com). If you can, please get them to us by 31 August.