



Press Release

21 December 2010

Doorstop Lending - Has Government Missed The Point?

UK debt charity, [Debt Advice Foundation](#), is questioning whether Government's approach to tackling increasing levels of doorstep borrowing is addressing the real issue.

A lot has been said and written about doorstep lending in recent weeks. Most commentators will have you believe that the issue is pretty cut and dry, with unscrupulous shady characters extorting money from vulnerable people with no means of paying back the exorbitant interest payments. The reality of course is a little more complicated.

The first thing to recognise is that impoverished, vulnerable people that are typically not catered for by mainstream lenders will always use short-term credit to supplement their income and that if we stemmed that supply, we'll simply be pushing those people into the arms of unregulated loan sharks, who operate outside of the law and who regularly employ acts of violence and vandalism to motivate the borrower to maintain their repayments.

The cost of borrowing and the staggeringly high APRs associated with doorstep lending, although not healthy, aren't in fact the main problem. The real issue is that no matter what how doorstep lenders try to dress it up, the nature of their business is to target vulnerable people (their sales reps operate almost exclusively in deprived areas) and make access to credit as easy as possible.

When you're struggling to find the money for an outstanding utility bill or Christmas presents for your children, you're much more likely to take on additional borrowing, rather than cutting your cloth accordingly, if the money is presented to you on a plate.

Government to its credit has attempted to tackle the issue through its My Home Finance scheme, which offers short-term credit at much more reasonable rates and Labour MP Stella Creasy has tabled a private members' bill to cap high credit costs. However, whilst these initiatives are very much needed and a big step in the right direction, I don't believe they go far enough.

If we're to make inroads into the short-term credit market, I believe we need to seriously consider whether home visits should be legal, save for circumstances where mobility is an issue. Not allowing home visits would certainly make people give more thought to obtaining additional credit (particularly those who are already on the hamster wheel and have established a relationship with their local representative).

You don't need a man with a baseball bat knocking on your door to feel intimidated; having anyone turning up at your home is a much more daunting prospect than receiving a red letter from the bank and will unquestionably result in people putting debt repayments before [getting debt advice](#) and putting food on the table.

Ends

Further information:

Contact the press office on 0800 779 71 36 / 0788 973 60 44 or email pressoffice@debtadvicefoundation.org

About Debt Advice Foundation

- Debt Advice Foundation's telephone helpline service is available six days a week on 0800 043 40 50, lines are open from 8am-8pm Mon-Fri and 9am – 5pm on Saturdays.
- Debt Advice Foundation is a registered charity, with the following objectives:
- Provide free, impartial and appropriate advice to people with unaffordable debt.
- Help people with debt problems to gain free access to solutions that will help them.
- Promote the education of young people in money management so as to reduce the likelihood they will mis-use debt later in their lives.
- Undertake or fund research to understand why problem debt happens and its effect on

individuals, families and the wider UK economy.

- To use this evidence to become a force for beneficial change within the credit and debt solutions industry and to work with government to bring about legislative change to benefit UK consumers.
- Debt Advice Foundation features on Directgov, HMRC, Financial Services Authority's Money Made Clear, Financial Ombudsman & Consumer's Association - Which? websites as a source of free and impartial debt advice.