

Monday 30 January 2012

Three-quarters of complaints against payday lenders upheld by Ombudsman

Debt Charity Debt Advice Foundation is warning consumers of the dangers of taking out payday loans after new data from the Financial Ombudsman Service revealed they topped the table for the percentage of complaint decisions made in favour of the consumer.

In the last three months of 2011, almost three quarters of complaints about payday loans were upheld*.

The Financial Ombudsman Service received 75 new complaints about payday loans from October to December last year – 25% more than they received for the whole of 2010/11.

During that quarter, 73% of payday loan complaint decisions were made in favour of the consumer, the highest percentage of all 62 categories of financial services for which it publishes figures (all those with more than 30 complaints).

Debt Advice Foundation Managing Director David Rodger commented: “We have recently seen a rising tide of condemnation regarding some of the questionable practices adopted by payday loans companies.

“While the level of complaints is still relatively low, the fact that payday loan companies had the highest percentage of findings against them of all reported financial sectors indicates that we are vindicated in being so concerned.

“We do recognise that regulated, short-term credit is a legitimate service.

“However, many of these companies advertise the fact that they do not carry out credit checks – which makes them attractive to precisely those people who are in a vulnerable debt position.

“We hear from people who have run up very big debts, on which they are paying interest rates in the thousand percents, by taking out one payday loan to pay off another.”

Debt Advice Foundation recommends that anyone considering taking out a payday loan should ask themselves the following questions:

- Do I regularly take out payday loans?
- Do I need a loan to cover essential living costs?
- Do I need a loan to help repay other debts or priority arrears?

If the answer to any of these questions is “yes”, then they need to speak to a debt adviser about their options, as taking out additional short-term credit in these circumstances will only make their situation worse.

People struggling with debt can access free advice and support from Debt Advice Foundation by visiting www.debtadvicefoundation.org or calling 0800 2922077.

- Ends -

* Figures taken from the Financial Ombudsman Service third quarter statistics, published in Ombudsman News issue 99, 17 January 2012.

<http://www.financial-ombudsman.org.uk/publications/ombudsman-news/99/third-quarter-statistics.pdf>

Further information:

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Editors Notes

About Debt Advice Foundation

Debt Advice Foundation's telephone helpline service is available six days a week on 0800 2922077; 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.

The charity is a member of AdviceUK, the UK's largest support network for free, independent advice centres and all of the charity's advisors are associate members of the Institute of Money Advisers, a charitable body that aims to promote free money advice and develop professional standards. It is also a registered supporter of the All-Party Parliamentary Group on Financial Education for Young People and the All-Party Parliamentary Group on Debt and Personal Finance.