

Corporate Services Overview and Scrutiny Committee

16 October 2013

Access to Payday Loan Companies websites via the Council's Networks

1 Recommendations

- 1.1 That Corporate Overview and Scrutiny Committee consider the information supplied in this report and decide whether or not they wish to make a recommendation to Cabinet to block access to identified Payday Loan Companies via all the Council's network facilities

2 Background

- 2.1 Payday loan companies have been a rapidly growing element of the financial services market over recent years. They offer relatively small capital loans to people for short periods.
- 2.2 They offer the service to people who may not be able to secure credit via more mainstream services. However, they are often criticised because of the very high APR¹ of the interest rates that are attached to their repayment arrangements, commonly in the hundreds, or low thousands of per cent. The high APR's can mean that lenders are unable to repay the debt in the initial timescale and large debts ensue.
- 2.3 However, they are completely legal and operate under the Consumer Credit Act 1974 with a licence from the UK Office of Fair Trading (OFT). There are over 200 such companies operating.
- 2.4 Payday lending remains a top enforcement priority for the OFT. Following publication of its Compliance Review in March, the OFT wrote to 50 leading lenders giving them 12 weeks from receipt, to demonstrate they comply fully with their legal obligations and the standards expected.
- 2.5 Also in June 2013 the OFT referred the market for payday lending in the UK to the Competition Commission because of concerns the OFT has about deep-rooted problems with the way competition works. Features of the market of concern included:
- Practices that make it difficult for consumers to identify or compare the full cost of payday loans, undermining competition over price for loans

¹ APR refers to the annual percentage rate, which describes the interest rate on a loan for a whole year

- Variable levels of compliance with relevant laws and guidance leading to firms that do invest time and effort complying being at a competitive disadvantage to firms that do not
- A significant proportion of borrowers have poor credit histories, limited access to other forms of credit and/or a pressing need to borrow.

- 2.6 However, The Consumer Finance Association, which is the principal trade association representing the interests of major short-term lending businesses operating in the UK defends the use of payday loans. They state in their section of their website on [Payday Myths exploded](#) that 'despite the common perception of high costs, short-term loans compare favourably with many other consumer alternatives'. They also claim that in the largest survey of its kind with payday customers over ninety per cent of people surveyed said they were satisfied with their overall payday loan experience and the same number felt payday loan companies provided a very useful service for people such as themselves.
- 2.7 There have been a number of campaigns challenging the operation of payday loan companies, including by groups of MP. One such campaign has included looking for Councils and indeed other public sector organisation to seek to prevent members of the public accessing the websites of these companies from council supplied Internet access for both the public and staff.
- 2.8 Some councillors in Warwickshire have asked for this position to be considered, and Overview and Scrutiny Committee are invited to consider this question.

3 Arrangements for filtering access to web sites from the Council's Network

- 3.1 The County Council, in line with other organisations, protect themselves and their network users by filtering access to inappropriate sites.
- 3.2 We use leading market products to manage this service, individual web sites are regularly reviewed and categorised by the software suppliers. We then work with these products and categorisations to manage our Internet filtering. This approach means that we do not need to manage individual sites and just operate with a policy based on categories. However on occasions we:-
- and organisations like ourselves alert the software suppliers to new sites for categorisation if we discover them before the supplier
 - may decide that an individually categorised site may be accessed for business purposes if the categorisation is questionable. Such an access review must be signed off by the Head of Service
- 3.3 We have different filtering policies for:-
- Children using IT equipment in schools with a very high level of not only restrictions but monitoring of access. This involves use of specific additional products in this critical area

- Children using equipment in libraries (which is applied to under 16s without parental consent to access the full range of internet sites). This has been designed in line with the BECTA² recommendations for access in schools
- An adult policy in libraries which restricts access to sites that are defined as sites that are illegal or questionable, contain adult material of a sexual nature, sites that promote racism or hate, tasteless or violent sites and those that could potentially allow hacking or related activity
- A policy for staff access from inside the network that is based on the adult policy above but includes additional sites to protect our internal network in terms of security and performance.

3.4 At present the major suppliers of these Internet filtering products do not have a Payday Loans category. The sites are currently categorised under Financial Data and Services. This means that if we looked to block the Payday Loans sites by the use of this category we would also block banks.

3.5 This means that should the decision be taken to block access to payday loan sites then we would either:-

- Need to wait until a payday loan category is introduced. While it is believed that this is being reviewed by the suppliers, it is not recommended to await this as there are no proposed timescales.
- We would need to identify specific sites to be blocked and regularly review this. this would mean that some limited resources would need to be spent on:-
 - Agreeing the companies and sites that should be blocked.
 - IT staff updating the filtering policies

4 Additional Information relating to this decision

4.1 Some Councils have now adopted policies to prevent access to these sites from within their network. The campaign started in Scotland however a number of English Authorities have now followed suit including Coventry City Council. A list of councils that are known to have adopted this policy is included below. It has been developed from press reports as at 22nd September 2013 but it does not claim to be complete.

Birmingham	Coventry City	Oldham
Bolton	Darlington	Plymouth
Bradford,	Kirklees	Preston
Brent	Lambeth	Wakefield
Calderdale	Leeds	Warrington
Cheshire East	Medway	West Cheshire
City of York	Merton	Wolverhampton

From similar sources, some Councils that have decided not to block access include:-

Gloucestershire	Westminster	Wrexham
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² The former British Educational Communications and Technology Agency

4.2 We ran a report to check the level of access to such sites to confirm whether there was a significant level of usage. We reported on 10 sites selected from listings of popular payday loan sites and sponsored links on Google.

4.3 For the month from 1/8/13 to 31/8/13 our filtering product reported the following number of hits on the public PCs/WiFi service available in libraries and some key buildings.

www.wonga.com	- 5,719
www.kwikcash.co.uk	- 149
www.wepayanyday.com	- 4
www.paydayfirst.co.uk	- 211
www.quickquid.co.uk	- 861
www.nowpay.co.uk	- 0
www.peachy.co.uk	- 267
www.paydayuk.co.uk	- 242
www.beeloans.co.uk	- 3
www.earlypayday.co.uk	- 57

4.4 Some of these hits could be down to people inadvertently clicking onto advertising and not actually meaning to hit the site itself.

4.5 The consideration of whether or not to block access to Payday Loan Companies websites raises wider issues about our policy on our publicly accessible network.

4.6 Up until now we have only really restricted access to sites that are, or potentially could be illegal. Payday loan companies and their sites are not illegal, and it raises the question of where do you draw the line once you have restricted access to a legal site.

4.7 Blocking our citizen's access to these sites could cause them to seek worse alternatives.

4.8 Councils are required to make rational and reasoned decisions, taking all relevant considerations into account and disregarding irrelevant ones. The Council provides the network to assist the performance of its functions and for the benefit of the community. Any decision needs to be based on an objective assessment of the impact on the purposes for which the network is being provided and run. Decisions based solely on a particular moral or ethical standpoint are unlikely to fulfil the requirements for rational and reasonable decision making.

5 Recommendations and specific decisions

5.1 That Corporate Overview and Scrutiny Committee consider the information supplied in this report and decide whether or not they wish to make a recommendation to Cabinet to block access to identified Payday Loan Companies via all the Council's network facilities.

Tonino Ciuffini
Head of Information Assets
25th September 2013

