

# Broadcast Committee of Advertising Practice Payday Loans Review

Review into the content of television advertisements for high-cost short-term credit and the promotion of irresponsible borrowing behaviour



## 1. Introduction

The Broadcast Committee of Advertising Practice (BCAP) has carried out a review of the content of television advertisements for high-cost short-term credit (HCSTC) to assess whether irresponsible lending behaviour is being promoted. The review has assessed whether BCAP's content rules and the guidance it shares with the Committee of Advertising Practice remain fit for purpose. After careful consideration, BCAP considers that its rules and guidance are generally fit for purpose in light of the current market and regulatory framework. However, BCAP did find an area of concern with a small number of ads and has added a note of caution to advertisers that they should be careful not to promote their products as a long-term supplement to irregular, low income. BCAP's updated guidance can be found [here](#).

## 2. Background to review

In late 2015, BCAP received responses to its [HCSTC scheduling consultation](#), both from those advocating scheduling restrictions and those opposing their introduction, that addressed the content of advertising; these did not relate to scheduling rules but BCAP considered that they merited further regulatory enquiry. Consequently, BCAP [announced](#) a content review at the time of its decision not to introduce scheduling restrictions.

BCAP carried out a [content review](#) of HCSTC advertising on TV in 2014, which looked at a sample of ads across 2013; it did not [find](#) substance in perceptions that some HCSTC ads inappropriately appealed to children or were aimed at encouraging children to ask their parents to take out HCSTC, and BCAP did not, therefore, consider that changes to its rules were needed to capture potentially harmful content that fell outside of them. However, a common factor in all assessments of the ads was that light-hearted, jovial treatments did have the potential to trivialise the seriousness of taking out a loan, and that such treatments could and have breached the social responsibility rules. BCAP, the ASA Council and the [Advertising Advisory Committee](#) (AAC) all supported the idea that guidance on such treatments would be useful for advertisers to reduce the likelihood of ads trivialising loans. In June 2015, BCAP published [joint guidance](#) with the Committee of Advertising Practice (“CAP”, the body that writes the UK Code of Advertising and Direct & Promotional Marketing, “the CAP Code”).

On the advice of the AAC, BCAP’s further content review sought to examine whether there are advertising techniques that might promote irresponsible lending behaviour in ways which exploit vulnerabilities, and which can be addressed in guidance. The review assessed whether BCAP’s content rules and guidance remain fit for purpose in light of this examination.

### 3. Review objectives

The UK Code of Broadcast Advertising (the BCAP Code), written and maintained by BCAP, ensures that all ads are socially responsible and vulnerable people are protected from harm in line with the wider objectives of the Communications Act 2003.

Rule 1.2 is a general provision on responsibility of advertising:

*1.2 Advertisements must be prepared with a sense of responsibility to the audience and to society.*

CAP and BCAP's joint [Advertising Guidance](#) on trivialisation clarifies the spirit in which the social responsibility rule must be interpreted in relation to HCSTC ads. It provides clear warning that ads risk breaching this rule if they:

- suggest loans are a suitable means of addressing ongoing financial concerns;
- condone non-essential or frivolous spending; or
- unacceptably distort the serious nature of payday loan products.

Taking into account rule 1.2 and the guidance above, BCAP's review has sought to determine whether its guidance remains fit for purpose. In carrying out this assessment, BCAP has looked at both whether any available evidence or a review of current ads suggest that changes to its guidance are needed.

## 4. Review findings

### 4.1 Assessment of available evidence

BCAP has recently assessed a large volume of evidence during its call for evidence and scheduling consultation, much of which related to the content of HCSTC ads; this has not been examined further during this review. No new evidence of advertising techniques that might promote irresponsible lending behaviour in ways which exploit vulnerabilities, and which can be addressed in guidance, has been obtained by BCAP during its review. BCAP notes that the FCA has observed a reduction in the use of HCSTC<sup>1</sup> and that Citizens Advice has observed<sup>2</sup> a significant reduction in the number of clients with payday loans problems since the introduction of the FCA's cost cap.

### 4.2 Review of television ads

BCAP carried out an analysis of a sample of payday loan ads against rule 1.2 and its joint trivialisation guidance, as set out in section 3 above. This sample included all TV ads for unsecured loans shown between 1 December 2015 and 6 July 2016, which amounted to 85 creatives (some almost identical to others) by 15 different advertisers. It should be noted that a wider sample of ads, including non-HCSTC ads, was used for the sake of completeness, given the low number of ads appearing. Around half of the ads examined fell outside of the FCA's definition of HCSTC (the working definition used by BCAP throughout its work on HCSTC) but were examined for the same general themes.

The review found a wide variety of treatments used in the ads, many of which could be described as innocuous, despite some using a fairly light-hearted tone. Examples of the content of the ads included: showing relief at being offered a loan; showing the various customers who used loans; showing that loans could be used as an alternative to traditional forms of credit; showing employees of a loan company designing new ads; and showing loans being used to pay for emergencies, such as a broken boiler.

The analysis did not suggest problems when ads were assessed under the existing Code rules or guidance, nor did it show problematic treatments that appeared to be imperfectly captured by the rules or guidance. Some advertisers appeared to have followed CAP and BCAP's joint guidance on trivialisation, as some ads used phrases set out in the guidance as likely to be acceptable; this included phrases like "unexpected bill or emergency?" and "the boiler can't be fixed until payday". One set of ads did raise a concern: featuring a customer with irregular, low income using HCSTC. There was no evidence of such treatments being used elsewhere in the sample of ads but this has been noted as an area of concern by the review, with which the AAC agreed.

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<sup>1</sup> In a speech delivered at the Credit Summit on 7 April 2016, FCA Acting Chief Executive Tracey McDermott noted that significant changes that have been made in the HCSTC market (including changing business models, training of staff to deal with struggling customers and improvements in assessing whether loans are affordable to customers) have led to a reduction in business generated. In each of the last three years, the number of loans originated by payday firms has decreased: from 6.3 million in the first half of 2013, to 4.2 million for the same period in 2014, to 1.8 million for 2015: <https://www.fca.org.uk/news/consumer-credit-regulation-the-journey-so-far>

<sup>2</sup> <https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/For%20publication%20-%20Part1-Overviewofthetrendsinthepaydaymarketreport.pdf>

## 5. Next steps

In line with the findings set out earlier in the review document, BCAP has published amended guidance on trivialisation which includes a note of caution to advertisers that they should be careful not to promote their products as a long-term supplement to irregular, low income. The amended guidance has immediate effect and will be given regard by the ASA Council in its consideration of complaints about HCSTC ads.

