BCAP Payday Loans consultation: Individual responses

1 – The Consumer Finance Association (CFA)

Introduction

The Consumer Finance Association (CFA) is the principal trade association representing the interests of major online and store-based short-term lending businesses operating in the UK. The CFA is pleased to have the opportunity to submit evidence to the BCAP review of short-term loan (also known as payday loans) advertising.

General comments

There is no benefit for short term lenders to market to children. Both lenders and advertising agencies go to great lengths to ensure that the Broadcast Committee of Advertising Practice (BCAP) Code is respected and that short-term loan advertisements are not broadcast on children's channels and not deemed to be targeted at children. The process of advertisement placement is very complex and lenders and advertising agencies work together to avoid airing advertisements on children's television channels or during programmes that have a high proportion of children among their audience.

Short term loans are advertised in a simple, straightforward and appealing way, in line with strict regulations in accordance with the 120-index that are applied to competing products such as credit cards and personal loans.

The CFA continues to believe that recent calls to restrict the times that short-term loans adverts can be aired are an attempt to find a simplistic solution to a complex problem related to household indebtedness. There is no strong correlation between the two issues. The evidence cited by campaigners, including The Children's Society, is based on the advertising practices of some lenders in the past. But the market for short-term loans has changed significantly since the Financial Conduct Authority (FCA) took over responsibility for regulating all consumer credit.

Summary

The CFA does not believe that any new restrictions are needed on the scheduling of advertising for short-term loans. Adverts do not encourage irresponsible use of short-term loans and lenders have controls in place to ensure that adverts are not shown during children's programming or during programmes likely to appeal to children and young people.

Both the market for short-term loans and advertising practices have changed since previous research was conducted about the impact of advertising of short-term loans. BCAP needs to ensure that its decisions are based on current evidence about the market.

The CFA has concerns about the robustness and the age of the research being quoted in support of restrictions on scheduling of advertising for short-term loans.

BCAP has requested empirical evidence of harm and in order to ensure the Committee is able to consider up-to-date evidence that reflects both the current market and advertising, the CFA commissioned Ipsos MORI to carry out robust research among both parents and children. The details are set out in the attached Annex.

Discussion

Potential harms caused by advertising

Campaigners claim that advertising for short-term loans causes harm to children and young people. However, calls for restrictions on the scheduling of adverts appear to be based more on personal views about short-term loans as a product rather than any precise harm that might be caused by the adverts themselves. As BCAP comments, any evidence of the precise harm caused by advertising for short-term loans has not been articulated (page 3).

In order to assess whether there is a precise harm that could be addressed by scheduling restrictions, it is necessary to think about what harm could be caused by the adverts themselves.

A dictionary defines harm as physical or mental injury or damage. The concept of social harm is used by social scientists to refer to harms that occur in society, harms that can be caused by organisations or nation states. An example of a social harm would be death and serious diseases caused by air pollution. Social harm is often considered in the context of crime and the wider causes of crime.

It is difficult to see how advertising of a legitimate, heavily regulated product, such as short-term loans, could result in precise harm using either definition described above.

As BCAP notes in the consultation paper (page 13), the basis for calls for restrictions on the scheduling of advertising can be categorised as:

- Normalisation;
- Pester power; and
- Disapproval of the product.

Normalisation

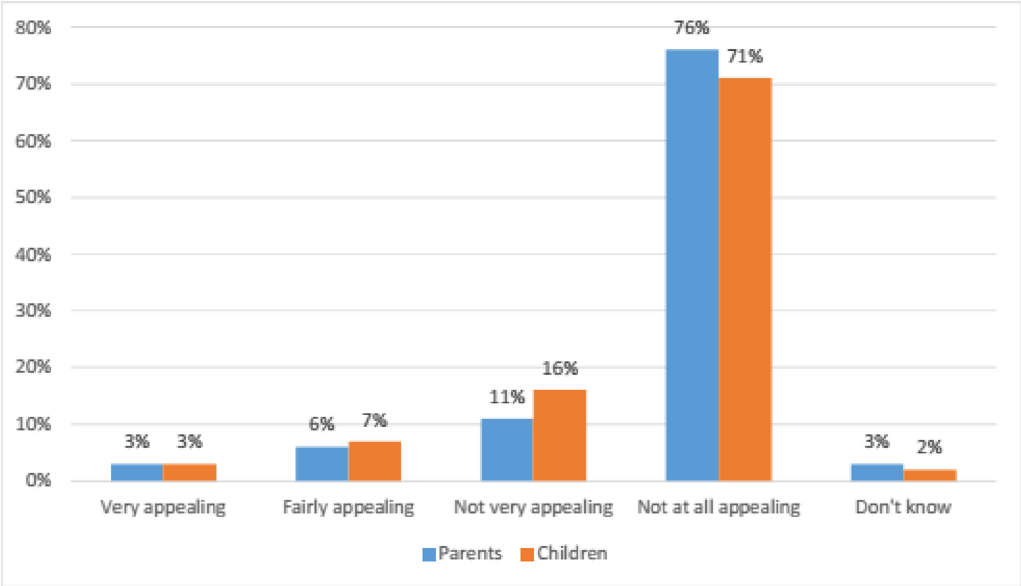
As BCAP notes in the consultation paper, normalisation of responsible use of a regulated product should not be an issue and does not warrant regulatory intervention.

Besides, for advertising to result in normalisation of a product adverts would need to be noticed by viewers, be seen as influential and viewers would need to believe that short-term loans are products that people typically use.

Adverts for payday or short-term loans are noticed by some children but it does not necessarily follow that the adverts provoke action by either parents or children. Research for the CFA found that 41% of children aged 13-17 and 40% of parents said they had seen an advert on live TV for a payday loan/short-term loan in the previous week.

But according to this independent research the vast majority of parents and children who have seen advertising on live TV for Payday loans/short-term loans in the previous week don’t think they are appealing (not very or not at all appealing).

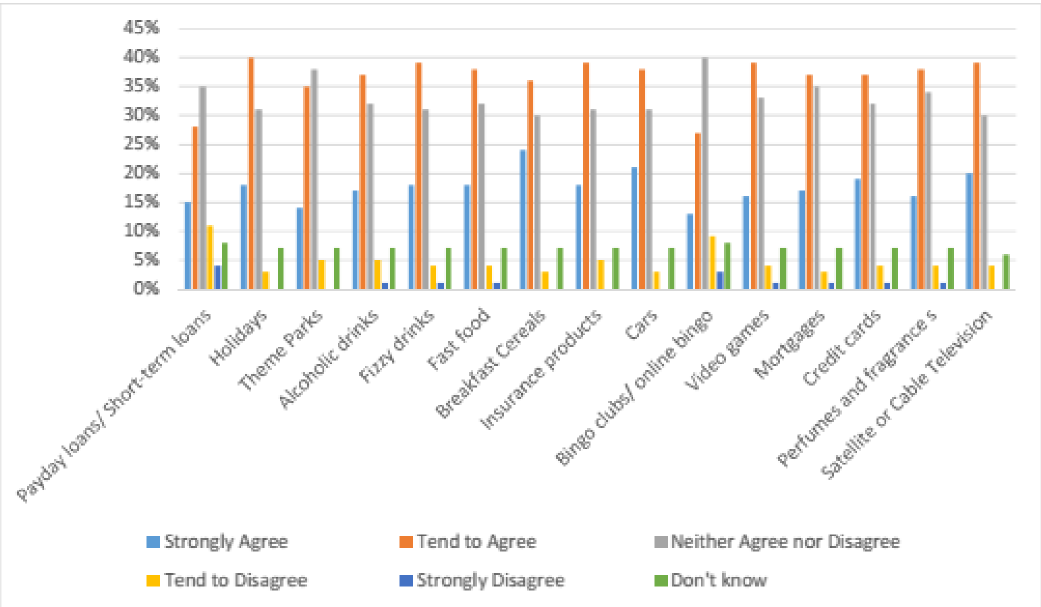
Figure 1: Are adverts for payday loans/short-term loans appealing to children?



Unweighted Base: 393 parents and 285 children who had seen an advert for payday loans/short-term loans on live TV in the previous week responding to the questions
'Overall thinking about each category in general, in the last week to what extent, if at all, are the adverts appealing to you personally?' (children)
'Overall thinking about each category in general, in the last week to what extent, if at all, do you believe the adverts are appealing to your child?' (adults)

The respondents provided further evidence that use of short-term lending was not always considered normal. 42% of parents said they strongly agreed/tended to agree that television adverts for payday loans/short-term loans suggest that they are products or services that people typically have these days. This compares with other financial products – 57% for insurance products, 54% for mortgages and 55% for credit cards, which constitute much larger markets and many more customers.

Figure 2: Do parents think TV adverts for products and services suggest that they are products or services that people typically have these days?



Unweighted Base: 1000 parents
Q10a To what extent, if at all, do you agree or disagree that TV adverts for the following products and services suggest that they are products or services that people typically have these days?

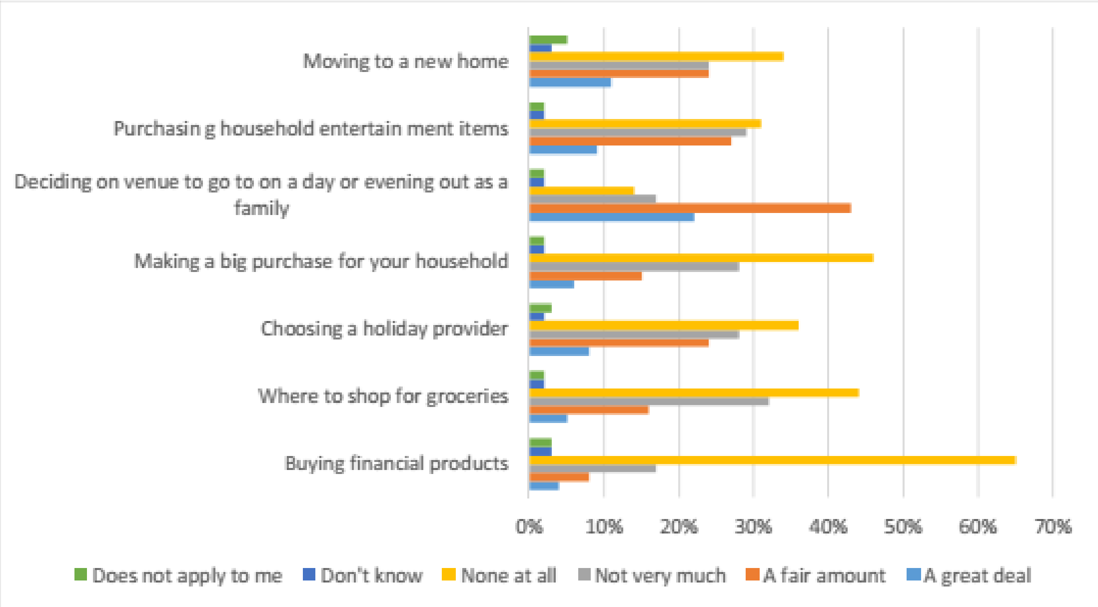
Pester Power

Campaigners argue that the adverts encourage children to exert pester power to take out loans. Adverts that encourage responsible use are unlikely to result in children pestering their parents to take out a loan. It is difficult to imagine a child pestering their parents to take out a loan to fix the washing machine, for example.

In any event, the evidence is that only a small proportion of parents say that their children have a great deal or a fair amount of influence over their decision to buy financial products.

Research carried out for the CFA found that only 4% of parents said that their child (or children) influenced their decisions about buying financial products 'a great deal'. 65% of parents said their children had no influence at all over their decision to buy financial products.

Figure 3: Children's influence on parents' decisions



Unweighted Base: 1000 parents responding to the question 'To what extent, if at all does your child or children influence your decision to make purchases in the following areas?'

It is clear that much of the commentary about short-term loans and advertising is based on recollection of past products and market practices. Current products and their market are very different. For example, there has been a significant shift from traditional single repayment loans to flexible, instalment loans with multiple repayments. The implementation of FCA regulation and new rules gives additional protections to consumers and has led to a dramatic contraction in the market. Lenders are only able to approve loans to borrowers that meet their stringent affordability assessments. This means that on average just 8% of online and high street loan applications to CFA members are approved. Some lenders have an even lower approval rate because the FCA rules require them to take a risk-averse approach to lending. So even if there was evidence of pester power, there is no guarantee that parents applying for a loan will be approved funds. Therefore, there is no clear causal link between pester power and the purchase of loans.

For even the possibility of harm to exist, the viewer has to act on the advert, apply for a loan, get accepted after a rigorous affordability assessment and then get into financial difficulties as a result. Furthermore, even if they fail to repay on time, they are protected by FCA rules including a cap on the total cost of credit, rules limiting the use of continuous payment authority and requirements on lenders to offer forbearance to customers who are in financial difficulty and struggling to repay loans.

Campaigners say it is the role of parents to provide financial education to their children. Adverts for financial products (including short-term loans) provide an excellent opportunity for parents to talk to their children about financial issues.

Disapproval of product

The CFA believes that disapproval of short-term loans together with judgements about customers who use the product appears to be one of the drivers for those campaigning for restrictions on advertising of short-term loans. As the consultation paper states, this is not an issue for BCAP.

Nevertheless, it is important to recognise that short-term loans are a legitimate, regulated product and lenders have the right to advertise and the right to reach a wide adult audience.

A free market exists for financial services products and lenders would be at a competitive disadvantage if they were unable to advertise alongside other financial services offers. All regulation of consumer credit products, including regulation of advertising, needs to be fair and equitable.

There are no other examples where a specific product that is available to the mass market is singled out for restrictions. Applying additional restrictions to one type of regulated product in the financial services market would be like applying restrictions to individual theme parks or types of breakfast cereal. An advertising restriction that prevented short-term lenders competing with other financial services products would put them at a commercial disadvantage and would not be proportionate or necessary, according to BCAP's mandate.

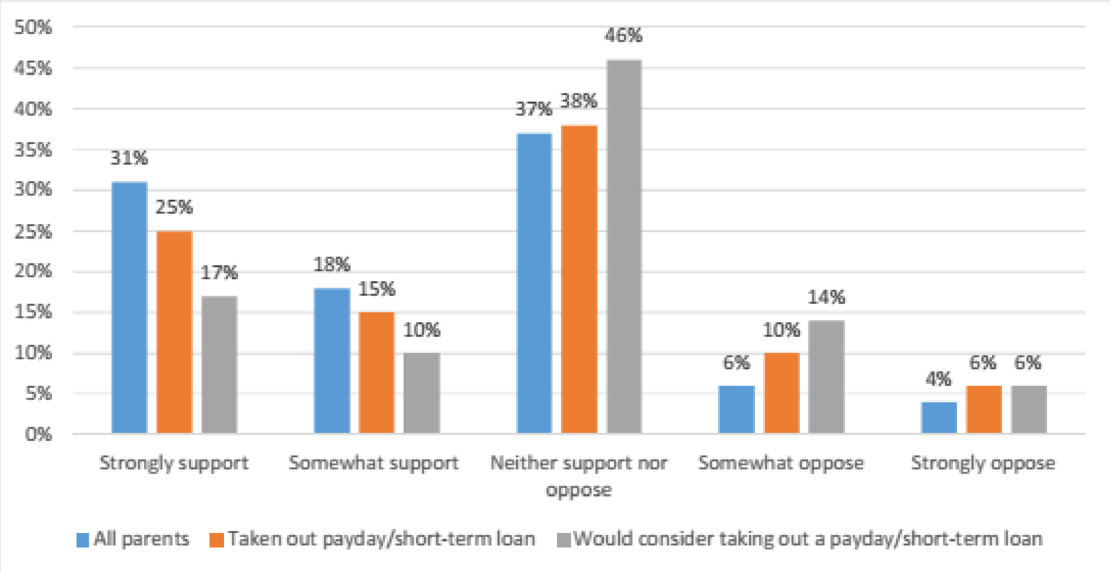
Discourses have developed around the harm caused by advertising but harm is an emotive term. It is far from clear whether those who claim that advertising causes harm have really considered whether there is the potential for actual harm to be caused by the advertising. Short-term loans can be unpopular among those who do not use the product, but this is to make value judgements about those who do use short-term loans. The claims often made about the alleged harm caused by advertising for short-term loans is more accurately interpreted as a transfer of personal views about the product and/or the advertising. Personal dislike of a product, and/or judgements about those who use the product, is not a reason to restrict when adverts can be shown.

The industry recognises that harm may be caused if adverts encourage the irresponsible use of loans. However, lenders comply with the BCAP code and guidance on the content of adverts and work hard to ensure that children and young people are not targeted by adverts for short-term loans.

Calls for restrictions on scheduling of adverts are often predicated on assumptions about the customer demographic. Short-term loan customers are frequently stereotyped, but in reality they are average people facing some of the challenges of balancing income and expenditure. Short-term loan customers come from all walks of life, occupations and industries. Extracts from lender data on the occupations of customers that had applied for a loan between March and May 2014, show that 52 company directors took out short-term loans. In addition, 577 customers were managers, 14 were police officers, 12 were legal secretaries, 11 were web developers, 12 were quantity surveyors and 144 were teachers. Lenders also provided credit to people on traditionally lower and often irregular incomes such as sales assistants, restaurant staff, care assistants, cleaners, administrators and the self-employed.

Use of short-term loans is not widespread. Short-term loans represent less than 1% of the total market for consumer credit. This is reflected in the results of the research conducted for the CFA by Ipsos MORI. Only 12% of parents who responded have ever personally bought or taken out payday loan/short term loan in the past and 7% of parents said they would personally consider buying or taking out payday loan/short-term loans in the future. The CFA believes that this suggests that the vast majority of those calling for restrictions on advertising of short-term loans have never used the product.
Given this evidence, unsurprisingly 49% of parents who responded to research said they would strongly or somewhat support a ban on advertising for payday/short-term loans before the 9pm watershed. This fell to 28% among parents who said they would consider buying or taking out a payday loan/short-term loan in future.

Figure 4: To what extent would you support or oppose a ban on advertising for payday loans/short-term loans before the 9pm watershed?



Question: To what extent would you support or oppose a ban on the following categories of advertising before the 9pm watershed?-
Payday loans/Short-term loans
All parents – unweighted base: 1000 parents of children aged between 0 and 18
Taken out a payday/short-term loan – unweighted base 72* parents of children aged between 0 and 18
Would consider taking out a payday/short-term loan – unweighted base 36* parents of children aged between 0 and 18
*small base size

As part of the research, parents who said they would support a ban on advertising for payday loans/short-term loans before the 9pm watershed (484 respondents) were asked about their reasons for this. 19% of parents said the adverts were not appropriate or suitable for children, 12% of parents said they thought that advertising for short-term loans encourages debt or that it is too easy to get into debt. 11% of parents who supported a ban said it was because of the high APR payable on short-term loans and 11% said all adverts for payday loans/short-term loans should be banned. Examples of some of the things parents said are shown below.

Selected verbatim responses from parents responding to the question 'Why would you support a ban on showing Payday loan/Short-term loan TV adverts before the 9pm watershed?':

> *"I don't think they should be advertised at any time as they rip people off."*

> *"Because it promotes extremely expensive lending."*

“Not appropriate to children, they may think it’s easy to get money anytime you want it and don’t realise that it has to be paid back with interest.”

“They are extremely annoying and should be banned full stop.”

“Because it looks as this is the normal way of life – I personally would love them to be banned altogether but unfortunately I know some people do need them.”

“Kids don’t need to know about them.”

“Stops the uneducated getting into bad debt and loans.”

“Bigger children can see it and use it.”

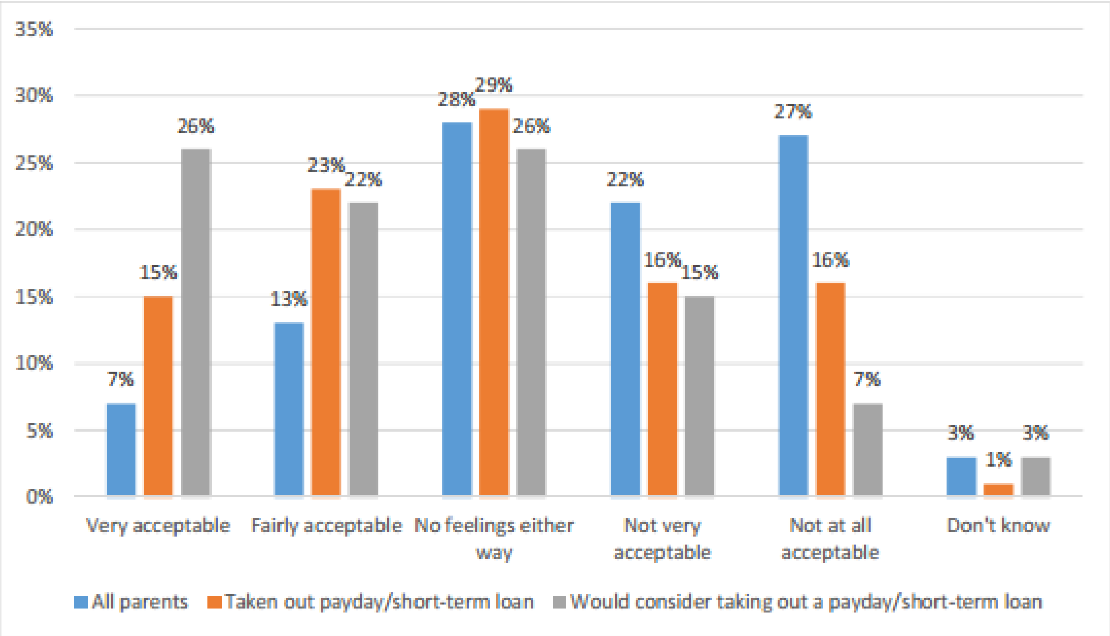
“It might encourage children to apply without their parents’ knowledge.”

“Because I do not agree with them and do not want my son to be tempted by them.”

Some of the comments show an understandable desire from parents to protect their children. Other comments illustrate a lack of understanding about the market, for example suggesting that children can take out loans.

The focus of the debate is often on calls for a ban on advertising before the 9pm watershed. To look at the issue from a different angle, the research also asked parents whether they thought it was acceptable or not to show adverts for payday loans/short-term loans before the 9pm watershed.

Figure 5: To what extent is it acceptable or not to show adverts for payday/short-term loan before the 9pm watershed?



Question: To what extent is it acceptable or not to show the following types of adverts before the 9pm watershed?- Payday loans/Short-term loans
All parents – unweighted base: 1000 parents of children aged between 0 and 18
Taken out a payday/short-term loan – unweighted base 72* parents of children aged between 0 and 18
Would consider taking out a payday/short-term loan – unweighted base 36* parents aged between 0 and 18
*small base size

Parents who said they thought it was acceptable to show adverts for payday /short-term lenders before the 9pm watershed (201 respondents) were again asked about the reasons for their response. 13% of parents said they thought there was no problem with the advertising and 12% of these parents said that children aren't interested in loans and won't take any notice. 6% of these parents said it is important for children to be educated about finances and parents need to educate children.

Selected verbatim responses from parents responding to the question 'Why do you think it's acceptable to show Payday loan/Short-term loan TV adverts before the 9pm watershed?':

> *"Because legally can't get one until 18. Important children understand finances."*
>
> *"No different to other advertising."*
>
> *"Kids aren't interested in these adverts, therefore, unlikely to pay attention."*
>
> *"Don't see what the problem is as long as the content is appropriate for that time of day."*
>
> *"Well, because I'm a big believer in not sheltering children and that parents are entirely capable of explaining such things to their children."*
>
> *"It is not an offensive type of advert."*
>
> *"There is nothing wrong in showing these adverts, you don't have to act upon them."*
>
> *"The adverts don't contain adult images/vocabulary."*
>
> *"Nothing wrong with it."*
>
> *"Why not they are part of the modern day life. We are not a nanny state."*

Content

The issue of advertising schedules has been conflated with advert content. Adverts for short-term loans do not encourage irresponsible use. As we have stated previously in our submissions to the BCAP consultation, unlike adverts for some other credit products, adverts for short-term loans focus on responsible use, such as repairing household items or cars in an emergency. Adverts that encourage irresponsible use would fall foul of the BCAP code and guidance and would rightly be subject to action by the Advertising Standards Authority (ASA). In 2014 the ASA made rulings concerning 166 adverts for financial products. 11 of these rulings related to short-term loans and 9 adverts were changed as a result.

It has been argued that fun, enticing adverts may encourage children to see a short-term loan as an easy way to access desirable products, such as toys. But this is not the case because the evidence proves that children do not all consider payday loan/short-term loan adverts to be fun.

Research conducted by Ipsos MORI for the CFA found that the majority of advertising for short-term loans is not seen as fun by children.

64% of children questioned said that, in general, in the last week, they thought that hardly any or none of the adverts they had seen for payday loans/short-term loans were fun.

59% of children questioned about the advertising for payday loans/short-term loans said that, in general, in the last week, they thought that all of it/some of it was boring.

Unweighted base: 285 children aged 13 – 17 who have seen an advert for payday loans/short-term loans on live TV in the previous week.
Questions: Overall thinking about each category in general, in the last week how much, if any, of the advertising that you have seen for each category is fun? Payday loans/short-term loans
Overall thinking about the product in general, in the last week how much, if any, of the advertising that you have seen for each category is boring? Payday loans/short-term loans

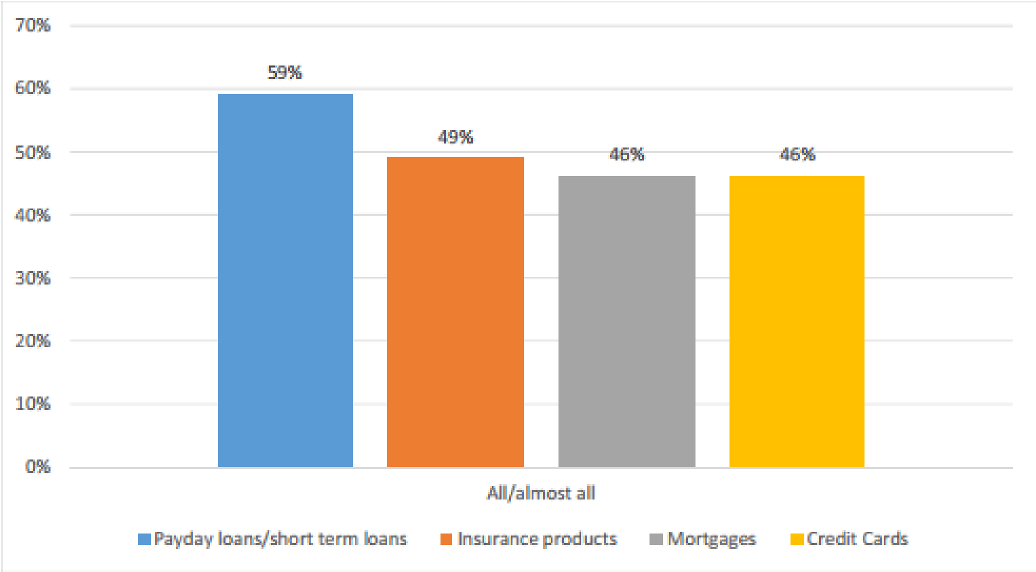
Advertising for payday loans/short-term loans is viewed in a similar way to advertising for other highly regulated parts of the financial services sector. For example, children who, in general, in the last week, had seen adverts for different financial products were asked how much of the advertising they had seen was fun (All of it/Almost all, More than half, About half of it, Less than half, Hardly any/None of it):

- 3% of children who had seen ads for payday or short-term loans said they thought that most of the adverts were fun (All of it/Almost all)
- 3% of children who had seen ads for insurance products said they thought the adverts were fun (All of it/Almost all);
- 3% of children who had seen ads for credit cards said they thought the adverts were fun (All of it/Almost all); and
- 1% of children who had seen ads for mortgages said they thought the adverts were fun (All of it/Almost all).

The results were similar when children were how much of the advertising they had seen boring. (All of it/Almost all, More than half, About half of it, Less than half, Hardly any/None of it):

- 59% of children who had seen adverts for payday loans/short-term loans thought that the advertising was boring (All of it/Almost all);
- 49% of children who had seen adverts for insurance products thought the adverts were boring (All of it/Almost all);
- 46% of those children who had seen adverts for credit cards said they thought the adverts were boring (All of it/Almost all); and
- 46% of those children who had seen adverts for mortgages said they thought the adverts were boring (All of it/Almost all).

Figure 6: Do children think advertising is boring



Unweighted Base: 285 (payday loan/short-term loan), 241 (insurance products), 106 (mortgages), 140 (credit cards) – children who had seen an advert for the product or service on live TV in the previous week responding to the question
'Overall thinking about the product in general, in the last week how much, if any, of the advertising that you have seen for each category is boring'

Children who had responded that they had seen adverts for particular products in the previous week were asked 'Overall thinking about the product in general, in the last week how much, if any, of the advertising that you have seen for each category is boring?' and 'Overall thinking about the product in general, in the last week how much, if any, of the advertising that you have seen for each category is fun?'

The results show that types of advertisements that children say are fun are very different to advertisements for financial products with the highest proportion considering them fun being:

- 31% of children who had seen adverts for theme parks said they thought that all or almost all of the adverts were fun; and
- 32% of children who had seen adverts for video games said they thought that all or almost all of the adverts were fun.

Parents share children's opinions about adverts for short-term loans. 55% of parents who said they had seen adverts for payday or short-term loans thought hardly any/none of the adverts were fun. This compares with other financial products:

- 39% of those parents who had seen adverts for insurance products who said they thought hardly any/none of the adverts were fun;
- 43% of those parents who had seen adverts for credit cards who said that they thought hardly any/none of the adverts were fun; and
- 39% of those parents who had seen adverts for mortgages said they thought hardly any/none of the adverts were fun.

47% of parents who had seen adverts for payday loans/short-term loans said they thought all of it/almost all it for short-term loans was boring. This compares with other financial products:

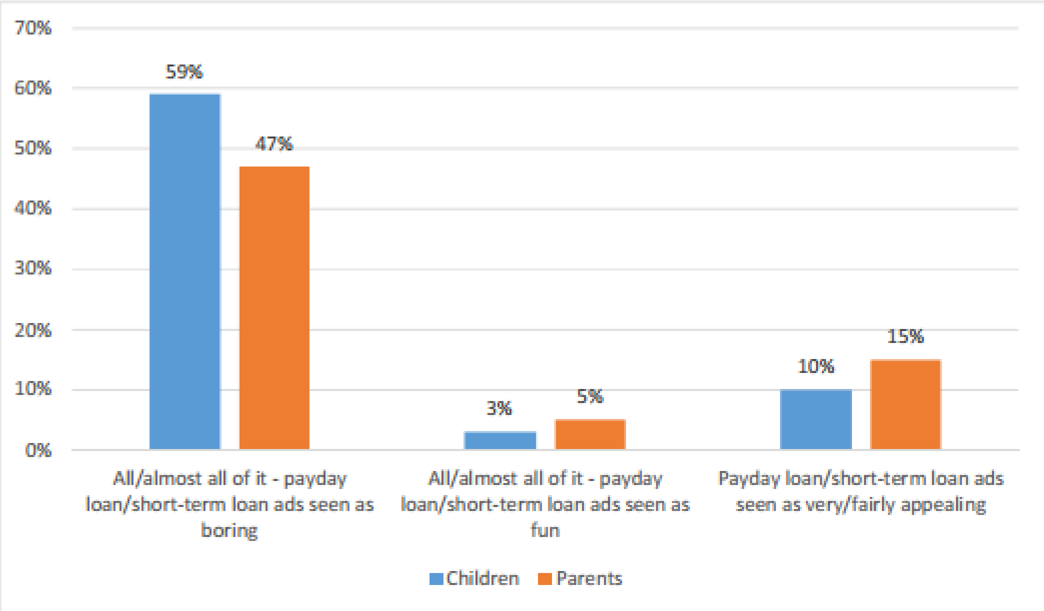
- 29% of parents who had seen adverts for insurance products who said they thought all/almost all the ads were boring;
- 32% of parents who had seen adverts for credit cards who said they thought all/almost all the adverts were boring; and
- 28% of parents who had seen adverts for mortgages who said they thought all/almost all the adverts were boring.

This illustrates how successful lenders have been in responding to previous concerns about the content of advertisements.

The survey results show that advertising for payday loans/ short-term loans is also not always seen as appealing (respondents were asked how appealing on a scale of very appealing/fairly appealing/not very appealing/not at all appealing):

- 87% of children who had had seen adverts for payday loans/short-term loans said the adverts were not very/not at all appealing to them;
- 87% of adults who had seen adverts for payday loans/short-term loans said they thought the adverts were not very/not at all appealing to children.

Figure 7: What children and parents think about ads for payday loans/short-term loans



Unweighted Base: 285 children and 393 adults who had seen an advert for payday loans/short-term loans in the previous week responding to the questions. 'Overall thinking about the product in general, in the last week how much, if any, of the advertising that you have seen for each category is boring?
Overall thinking about each category in general, in the last week how much, if any, of the advertising that you have seen for each category is fun?
Overall thinking about each category in general, in the last week to what extent, if at all, are the adverts appealing to you personally?'

By way of contrast, parents and children thought adverts for theme parks were very appealing (when asked to pick from very appealing, fairly appealing, not very appealing or not at all appealing):

- 46% of children who had seen adverts for theme parks said that the adverts were 'very appealing' to them personally;
- 41% of parents who had seen adverts for theme parks said they thought these adverts were 'very appealing' to children.

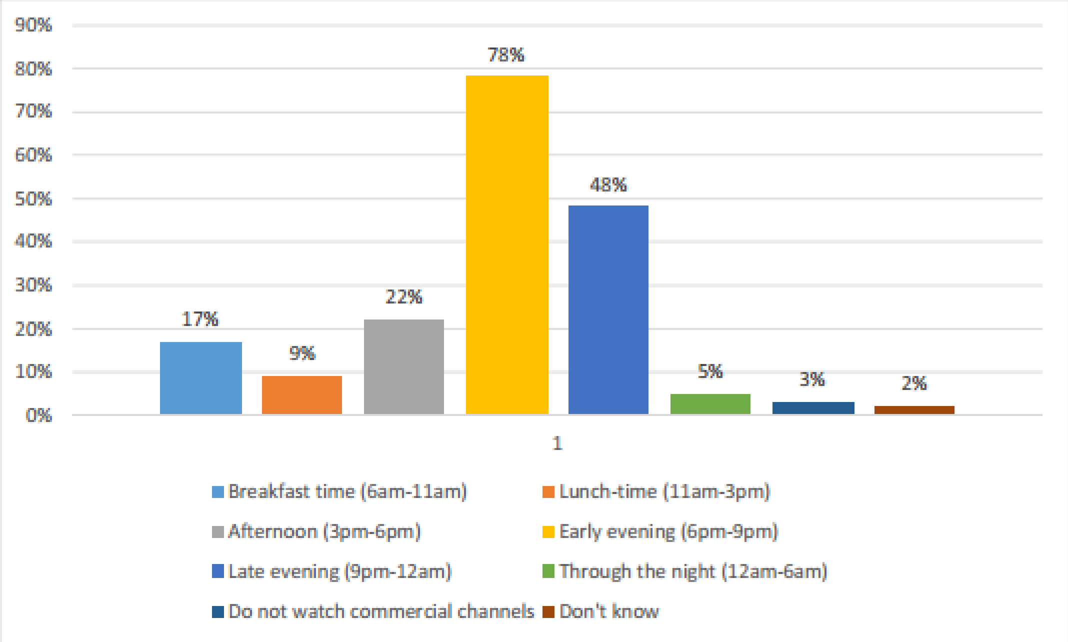
Viewing habits

Any discussion about potential scheduling restrictions needs to consider the viewing habits of children.

Consumer groups and other commentators conflate day time television and children's television. Ofcom research found that 80% of payday loan advertisements were shown before the watershed, a figure often quoted by campaigners. In reality 55% aired between 09:30 – 16:59, 15.6% aired between 17:00 – 20:59 and 10.2% aired between 06:00 – 09:29. The viewing population in these timeslots is not exclusively children, for example 39% of people watch television while working. Between the hours of 9am and 3.30pm many children are in school. Indeed, according to Ofcom's figures over a quarter of television watched by 4 to 15 year olds is broadcast after 21:00 (the watershed).

Research conducted for the CFA found that when at home children's television viewing is spread right across the day:

Figure 8: Children's television viewing



Unweighted Base: 700 children aged 13 – 17 responding to the question 'At which times of day, if any, do you tend to watch most television on commercial channels (e.g. ITV, Channel 4, Five, Sky 1, Food Network)?'

Much of the recent concern about advertising originated with The Children's Society's research, which found that nearly three quarters of children aged 13–17 had seen or heard at least one payday loan advert in the previous seven days.

To a degree, the amount of advertising seen by children and young people depends on the amount of television they watch, how they watch it and the availability of devices on which to watch television. Research conducted by Childwise7 found that children are spending more time in front of a screen, with children aged 5 – 16 spending 6.5 hours in front of a screen a day on average, compared with around 3 hours a day in 1995. The research also found that children are 'multi-screening' or using more than one device at a time.

While most television viewing by children continues to be via a traditional television (98%), the use of tablet computers has increased. Tablet viewing among 5 to 12 year olds increased from 14% in 2012 to 42% in 2013. And in 2013 just under half of children (45%) used another device, such as a PC or laptop, to watch television alongside traditional viewing methods, an increase of 11% on 20128. These numbers are likely to continue to grow as falling costs of electronic devices increase their availability. One of the impacts of this is that fewer children are watching terrestrial channels with children watching more content on demand and on specialist channels.

Research for the CFA found that 41% of children aged 13-17 has seen a payday/short term loan advert on television in the last week. Unsurprisingly the proportion of children who said they had seen an advert for a payday loan/short-term loan is highest when there are a larger number of televisions in the child's household. Where households had 5 or more televisions, 50% of children reported seeing an advert for short-term loans in the previous week.

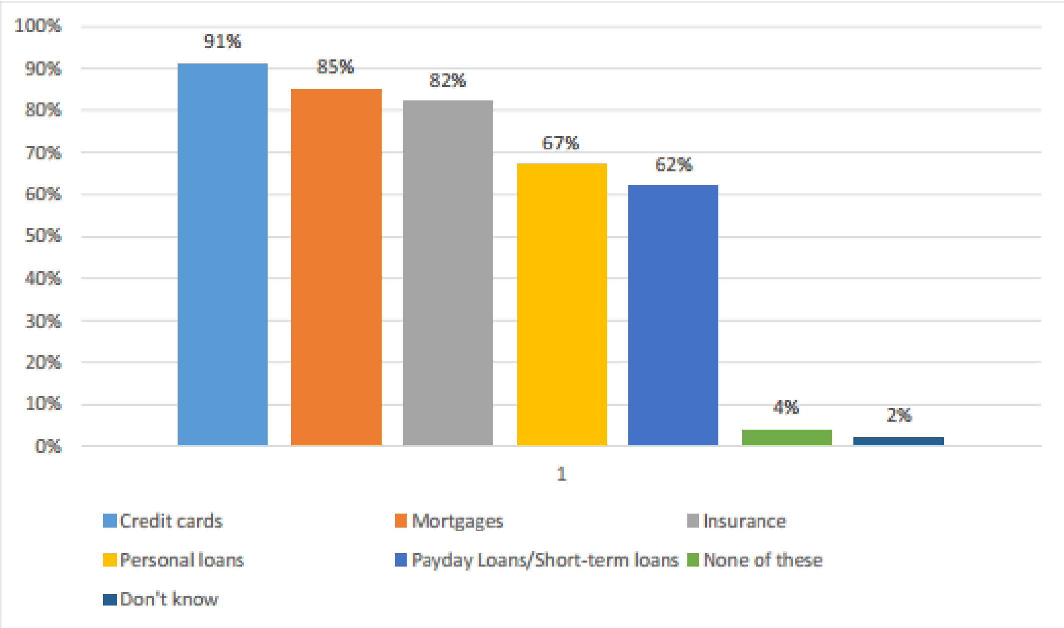
The CFA believes that in the context of children's changing television viewing habits, increased restrictions on the scheduling of advertising could have only a limited effect and would be an attempt to find an easy solution to a complex problem.

Appetite for use of loans by under 18s

In the consultation paper, BCAP raised a question about the number of children who said they would not take out a short-term loan in any circumstances and suggested children's awareness of the potential harm from short-term loans might be an area for further research.

The CFA commissioned Ipsos MORI to carry out supplementary research with children to understand more about children's views and understanding of different financial products. The research found that 62% of children said that, before the interview, they had heard of payday loans/short-term loans. This is lower than the number of children who had heard of other financial products such as credit cards (91%) and mortgages (82%).

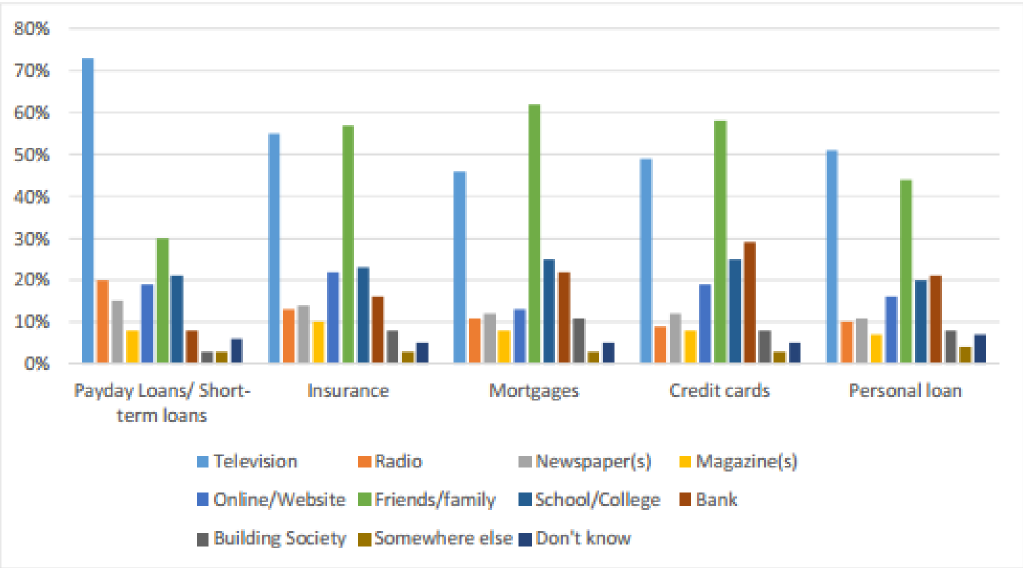
Figure 9: Children's awareness of financial products



Unweighted base: 700 children responding to the question 'Which, if any, of these financial products have you heard of before today?'

The research also showed that children heard about these financial products from a variety of different sources.

Figure 10: Where children hear about financial products



Unweighted base: 436 (payday loans/short-term loans, 572 (insurance products), 595 (mortgages), 637 (credit cards), 474 (personal loans) responding to the question 'From where have you heard about financial products?'

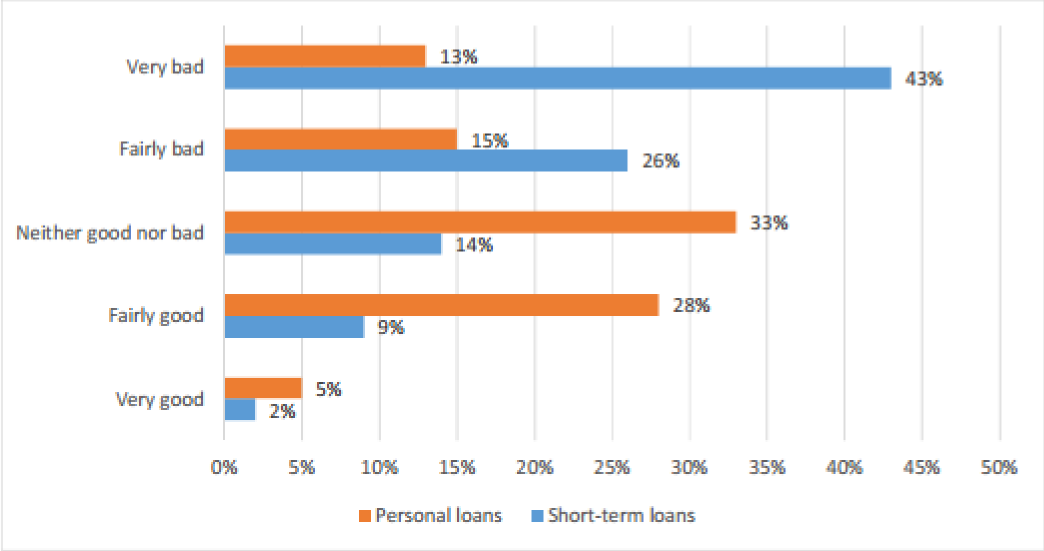
Children were asked what they had heard about payday loans/short-term loans in particular. 28% of children said they had heard about interest/high interest rates, APR and repayments, 19% of children said they had heard that short-term loans were bad/not a good idea and should be avoided and 13% said they had heard that short-term loans were expensive/cost a lot/they charge a lot.

Selected verbatim responses from children responding to the question 'you said you had heard of payday loans/short-term loans, what have you heard about them?':

> *"That I shouldn't use them"*
>
> *"They are for when you want money quickly but they charge a lot of interest so are not always a good idea."*
>
> *"Fast loans, high interest payments back."*
>
> *"That they cost more than you think to pay back."*
>
> *"I have heard that they are negative things that have very large interest percentages and generally generate even more debt."*

These views are also reflected in children's responses when asked about whether payday loans/short-term loans were good or bad for people who had taken them out. Personal loans are viewed in a more positive light by children, as illustrated in figure 11 below.

Figure 11: Are short-term loans and personal loans good or bad for people?



Unweighted base: 700 children aged 13 – 17 responding to the questions ‘On balance, to what extent do you think that Payday loans/short-term loans are good or bad thing for the person taking out the loan?’ & ‘On balance, to what extent do you think that personal loans are good or bad thing for the person taking out the loan’.

Children gave a variety of reasons for saying that loans were either good or bad for the person taking out the loan.

Selected verbatim responses from children responding to the question ‘you said that you thought, on balance, payday loans/short-term loans are a good thing for the person taking out the loan, why do you say that?’:

> *“In emergencies they would be helpful however the interest would be costly.”*
>
> *“Sometimes you need a loan to get you by for a few weeks.”*
>
> *“Help people in tough situations.”*
>
> *“If you know you need money and can afford it its ok.”*
>
> *“If you need money quickly they can be very good to have.”*

Selected verbatim responses from children responding to the question ‘you said that you thought, on balance, payday loans/short-term loans are a bad thing for the person taking out the loan, why do you say that?’:

> *“The interest is really high.”*
>
> *“If you are so hard up that you need a loan until the end of the month, how are you going to pay back that loan and the interest and have enough money for the next month, before you know it you’re borrowing every month and paying interest all the time.”*
>
> *“Never a borrower or a lender be.”*
>
> *“A person could get into debt if they cannot repay the loan.”*
>
> *“Because I believe that if you do not have the money for something, you should save up until you do. It’s a waste of money paying huge sums in interest.”*

Concluding evidence

The evidence submitted previously to BCAP by those calling for restrictions does not reflect changes in the market and changes in lenders' approach to advertising.

Research carried out by Ipsos MORI on behalf of the CFA provides a more up-to-date and robust picture of the potential impact of advertising for short-term loans.

Adverts for payday loans/short-term loans are seen by around two-fifths of parents and children, but adverts for other products are also seen by many parents and children.

41% of children reported seeing an advert for payday loans/short-term loans in the previous 7 days, compared with 53% of children who reported seeing ads for cars in the previous 7 days.

40% of parents said they had seen an ad for payday loans/short-term loans in the previous 7 days.

But seeing an advert does not always equate to financial detriment or over-indebtedness. There are many stages of filtering between seeing an advert and securing a loan, aside from the fact that it is illegal to lend to anyone under 18 and lenders have rigorous lending criteria that adult borrowers must satisfy.

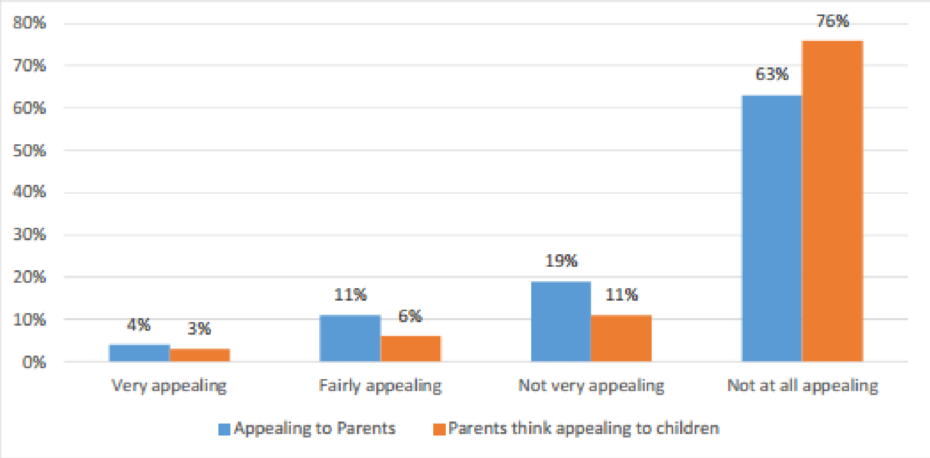
Moreover adverts for short-term loans are not the most memorable adverts. Campaigners claim that children know the names of short-term lenders and this is cited as evidence of harm. But there is some confusion among children about which adverts are actually for short-term loans and which companies are actually short-term lenders.

As part of research on behalf of the CFA, children who said they had seen an advert for payday loans/short-term loans were asked 'What specific brands or companies were the advert/adverts for?' 65% of children who had seen a payday loan/short-term loan ad in the last week mentioned a payday loan/short-term loan company. 7% of children named a guarantor lender and 19% of children said they didn't know. 10% of children didn't answer the question.

There was also some confusion among parents about the specific brands or companies the adverts were for. Whilst 64% mentioned a payday loan/short-term loan company, 5% named a guarantor lender and 21% of parents didn't know which brand was advertised in the adverts they saw.

As discussed above, adverts for payday loans/short-term loans are generally not seen as fun by the majority of adults or children. In general, the majority of adults do not find the adverts appealing themselves or think the adverts are appealing to their children.

Figure 12: Do parents think adverts for payday/short-term loans are appealing



Unweighted Base: 393 parents who had seen an advert for payday loans/short-term loans. responding to the questions
Q. Overall thinking about each category in general, in the last week to what extent, if at all, are the adverts appealing to you personally?-
Payday loans/Short-term loans
Q. Overall thinking about each category in general, in the last week to what extent, if at all, are the adverts appealing to your child?-
Payday loans/Short-term loans

CFA Position

As BCAP notes, the FCA has not made rules on advertising schedules for short-term loans and Parliament has decided against restrictions on scheduling. Scheduling should only be restricted if there is evidence of harm. There is no evidence that restrictions would reduce harm because there is no evidence that adverts for short-term loans are inherently harmful.

As we have demonstrated to the Committee, lenders ensure that adverts are not shown during children’s programming or during programmes likely to appeal to children and young people in accordance with the 120-index. This is set out in the commitments CFA members have made on advertising and marketing, commitments that go over and above the requirements placed on lenders. This approach is reflected in the advertising schedules provided to BCAP by individual lenders.

Short-term loans are used by many families as a financial management tool and short-term lenders do not target vulnerable people. Short-term loans are increasingly becoming part of the financial toolkit used by consumers to manage liquidity. For example, consumers use loans to manage unexpected expenditure during the month.

Compliant short-term loans are a legal, heavily regulated, product. This is recognised by BCAP in the consultation paper. Used responsibly, loans are not inherently a cause of harm. Short-term loans are legitimate products that help consumers smooth the peaks and troughs of their finances. Objections about features of the product are clearly a matter for the body that regulates the industry, the FCA.

Therefore, based on the independent evidence, the CFA does not believe that the imposition of additional restrictions, including 120-index scheduling restrictions is necessary or proportionate. In this submission we have provided unequivocal evidence that adverts do not encourage irresponsible use of short-term loans and lenders ensure that adverts are not shown during children’s programming or during programmes likely to appeal to children and young people.

Consumer Finance Association
December 2015

Annex

CFA Research

Ipsos MORI carried out the research in August 2015. 1,000 parents and 700 children were questioned about a range of issues:

The research was conducted over the summer of 2015 to allow comparisons to be made with the research conducted on behalf of The Children's Society over the same period in 2014.

The supplementary research was commissioned by the CFA in response to the questions posed, and the evidence gaps identified, by BCAP in the consultation document. This research was conducted by Ipsos MORI in November 2015.

The survey questionnaires used and a summary of results are available on the CFA website.

The CFA believes the independently compiled research is extremely robust and complies with professional research standards. It provides a realistic insight into what children and parents think about advertising for short-term loans and the impact of advertising.

More detail on the results of the research used in this paper is set out below. The results are set out in the order they are used in the response. If required, more detail is available from the CFA.

Summer 2015 Research – parents and children

Viewing habits

Q1A - At which times of day, if any, do you tend to watch most television on commercial channels (e.g. ITV, Channel 4, Five, Sky 1, Food Network)? (Children)

UNWEIGHTED BASE	700
Breakfast time (6am-11am)	17%
Lunch-time (11am-3pm)	9%
Afternoon (3pm-6pm)	22%
Early evening (6pm-9pm)	78%
Late evening (9pm-12am)	48%
Through the night (12am-6am)	5%
Do not watch commercial channels	3%
Pre-watershed (NET)	85%
Don't know	2%

BASE: ALL CHILDREN AGED 13-17

Adverts seen in the previous week by parents and children
Q2-3 - Which, if any, of the following categories or products or services have you seen adverts for on live TV? - Past week

	Parents	Children
UNWEIGHTED BASE	1000	700
Cars	50%	53%
Breakfast Cereals	41%	44%
Fast food	41%	45%
Payday loans/ Short-term loans	40%	41%
Insurance products	39%	35%
Satellite or Cable Television	39%	39%
Holidays	36%	37%
Bingo clubs/online bingo	33%	36%
Alcoholic drinks	30%	28%
Fizzy drinks	28%	36%
Perfumes and fragrances	26%	29%
Theme Parks	24%	23%
Credit cards	23%	21%
Video games	21%	23%
Mortgages	20%	15%

Base: 1000 parents of 0 - 18 year olds & 700 children aged 13 - 17

Brand awareness

Q4 - You said you have seen an advert on live TV for pay day/short term loans below in the past week. What specific brands or companies were the advert/adverts for? (parents and children)

	Parents	Children
UNWEIGHTED BASE	393	285
Payday/short-term lender 1	38%	39%
Payday/short-term lender 2	14%	13%
Payday/short-term lender 3	12%	10%
Payday/short-term lender 4	11%	12%
Guarantor lender	5%	7%
Payday/short-term lender 5	4%	4%
Payday/short-term lender 6	1%	1%
Payday/short-term lender 7	1%	1%
Other	7%	4%
Don't know	21%	19%
No answer	7%	10%

BASE: ALL PARENTS OF 0-18 YEAR OLDS WHO HAVE SEEN AN ADVERT FOR THE PRODUCTS/SERVICES ON LIVE TV IN THE LAST WEEK & ALL CHILDREN AGED 13-17 WHO HAVE SEEN AN ADVERT FOR THE PRODUCTS/SERVICES ON LIVE TV IN THE LAST WEEK

Whether advertising is fun or boring

Q5 - Overall thinking about each category in general, in the last week how much, if any, of the advertising that you have seen for each category is fun? (parents)

	Payday loans/ Short-term loans	Holidays	Theme Parks	Alcoholic drinks	Fizzy drinks	Fast food	Breakfast Cereals	Insurance products	Cars	Bingo clubs/ online bingo	Video games	Mortgages	Credit cards	Perfumes & fragrances	Satellite or Cable Television
UNWEIGHTED BASE	393	352	249	288	265	387	401	385	494	322	204	199	223	253	396
All of it/ Almost all	5%	19%	29%	8%	14%	11%	15%	5%	7%	10%	17%	10%	6%	9%	8%
More than half	6%	22%	23%	17%	17%	17%	19%	9%	11%	15%	23%	6%	5%	11%	16%
About half of it	14%	25%	24%	30%	24%	28%	29%	20%	29%	21%	26%	19%	23%	28%	32%
Less than half	16%	14%	7%	16%	16%	16%	13%	21%	20%	15%	6%	21%	19%	20%	16%
Hardly any / None of it	55%	15%	12%	21%	19%	21%	17%	39%	26%	35%	21%	39%	43%	29%	22%
Don't know	4%	5%	4%	8%	10%	8%	7%	6%	6%	3%	7%	5%	4%	4%	7%

BASE: ALL PARENTS OF 0-18 YEAR OLDS WHO HAVE SEEN AN ADVERT FOR THE PRODUCTS/SERVICES ON LIVE TV IN THE LAST WEEK

Q5 - Overall thinking about each category in general, in the last week how much, if any, of the advertising that you have seen for each category is fun? (children)

	Payday loans/ Short-term loans	Holidays	Theme Parks	Alcoholic drinks	Fizzy drinks	Fast food	Breakfast Cereals	Insurance products	Cars	Bingo clubs/ online bingo	Video games	Mortgages	Credit cards	Perfumes & fragrances	Satellite or Cable Television
UNWEIGHTED BASE	285	257	157	189	253	315	304	241	367	250	154	106	140	200	267
All of it/ Almost all	3%	18%	31%	7%	9%	12%	12%	3%	8%	9%	32%	1%	3%	7%	5%
More than half	4%	26%	32%	19%	24%	22%	20%	6%	9%	11%	24%	9%	6%	12%	15%
About half of it	8%	19%	16%	19%	27%	27%	29%	14%	22%	15%	17%	13%	12%	21%	23%
Less than half	14%	14%	6%	19%	16%	16%	17%	19%	23%	15%	13%	17%	22%	15%	19%
Hardly any / None of it	64%	17%	12%	31%	19%	17%	18%	53%	31%	42%	11%	53%	53%	40%	32%
Don't know	6%	6%	2%	5%	5%	5%	3%	4%	6%	8%	3%	8%	4%	6%	6%

BASE: ALL CHILDREN AGED 13-17 WHO HAVE SEEN AN ADVERT FOR THE PRODUCTS/SERVICES ON LIVE TV IN THE LAST WEEK

Q6 - Overall thinking about the product in general, in the last week how much, if any, of the advertising that you have seen for each category is boring? (parents)

	Payday loans/ Short-term loans	Holidays	Theme Parks	Alcoholic drinks	Fizzy drinks	Fast food	Breakfast Cereals	Insurance products	Cars	Bingo clubs/ online bingo	Video games	Mortgages	Credit cards	Perfumes & fragrances	Satellite or Cable Television
UNWEIGHTED BASE	393	352	249	288	265	387	401	385	494	322	204	199	223	253	396
All of it/ Almost all	47%	12%	9%	15%	14%	15%	14%	29%	17%	26%	17%	28%	32%	20%	15%
More than half	14%	8%	9%	11%	9%	9%	10%	23%	16%	14%	9%	22%	19%	17%	16%
About half of it	17%	23%	19%	19%	26%	20%	26%	24%	22%	17%	18%	22%	23%	22%	23%
Less than half	6%	20%	19%	25%	19%	24%	20%	10%	21%	19%	19%	9%	10%	19%	21%
Hardly any / None of it	12%	32%	41%	22%	23%	24%	23%	10%	19%	18%	30%	12%	13%	17%	19%
Don't know	4%	6%	3%	7%	9%	7%	7%	5%	6%	6%	7%	6%	4%	6%	7%

BASE: ALL PARENTS OF 0-18 YEAR OLDS WHO HAVE SEEN AN ADVERT FOR THE PRODUCTS/SERVICES ON LIVE TV IN THE LAST WEEK

Q6 - Overall thinking about the product in general, in the last week how much, if any, of the advertising that you have seen for each category is boring? (children)

	Payday loans/ Short-term loans	Holidays	Theme Parks	Alcoholic drinks	Fizzy drinks	Fast food	Breakfast Cereals	Insurance products	Cars	Bingo clubs/ online bingo	Video games	Mortgages	Credit cards	Perfumes & fragrances	Satellite or Cable Television
UNWEIGHTED BASE	285	257	157	189	253	315	304	241	367	250	154	106	140	200	267
All of it/ Almost all	59%	12%	8%	25%	11%	13%	12%	49%	22%	39%	9%	46%	46%	28%	22%
More than half	19%	17%	9%	15%	14%	13%	13%	23%	22%	18%	12%	23%	24%	14%	21%
About half of it	10%	14%	13%	19%	21%	24%	26%	10%	22%	17%	10%	11%	10%	18%	20%
Less than half	6%	25%	18%	25%	29%	24%	24%	9%	16%	11%	25%	7%	10%	20%	20%
Hardly any / None of it	4%	28%	51%	13%	21%	22%	22%	5%	15%	11%	42%	6%	7%	17%	12%
Don't know	3%	4%	1%	3%	5%	4%	3%	3%	4%	4%	2%	7%	3%	3%	5%

BASE: ALL CHILDREN AGED 13-17 WHO HAVE SEEN AN ADVERT FOR THE PRODUCTS/SERVICES ON LIVE TV IN THE LAST WEEK

Other types of adverts that are appealing

Q8A - Overall thinking about each category in general, in the last week to what extent, if at all, are the adverts appealing to you personally? (parents)

	Payday loans/ Short-term loans	Holidays	Theme Parks	Alcoholic drinks	Fizzy drinks	Fast food	Breakfast Cereals	Insurance products	Cars	Bingo clubs/ online bingo	Video games	Mortgages	Credit cards	Perfumes & fragrances	Satellite or Cable Television
UNWEIGHTED BASE	393	352	249	288	265	387	401	385	494	322	204	199	223	253	396
(4) Very appealing	4%	23%	19%	12%	10%	10%	12%	3%	9%	4%	19%	8%	5%	14%	11%
(3) Fairly appealing	11%	40%	47%	43%	41%	38%	47%	24%	44%	23%	39%	29%	24%	41%	41%
(2) Not very appealing	19%	21%	20%	24%	25%	31%	24%	36%	25%	25%	17%	29%	33%	26%	29%
(1) Not at all appealing	63%	13%	12%	19%	20%	19%	15%	36%	20%	46%	22%	32%	36%	17%	16%
Don't know	2%	2%	1%	3%	4%	2%	3%	1%	2%	2%	4%	2%	2%	2%	3%

BASE: ALL PARENTS OF 0-18 YEAR OLDS WHO HAVE SEEN AN ADVERT FOR THE PRODUCTS/SERVICES ON LIVE TV IN THE LAST WEEK

Q8A - Overall thinking about each category in general, in the last week to what extent, if at all, are the adverts appealing to you personally? (children)

	Payday loans/ Short-term loans	Holidays	Theme Parks	Alcoholic drinks	Fizzy drink s	Fast food	Breakfast Cereals	Insuranc e products	Cars	Bingo clubs/ online bingo	Video games	Mortgage s	Credit cards	Perfumes & fragrance s	Satellite or Cable Television
UNWEIGHTE D BASE	285	257	157	189	253	315	304	241	367	250	154	106	140	200	267
Very appealing	3%	30%	46%	10%	20%	22%	15%	3%	11%	5%	36%	4%	5%	17%	11%
Fairly appealing	7%	34%	34%	30%	46%	45%	47%	10%	33%	15%	40%	16%	13%	36%	31%
Not very appealing	16%	17%	11%	25%	23%	18%	23%	29%	27%	22%	16%	28%	28%	23%	32%
Not at all appealing	71%	15%	7%	33%	9%	11%	13%	55%	27%	56%	6%	49%	51%	20%	22%
Don't know	2%	3%	3%	2%	3%	3%	2%	3%	2%	2%	3%	3%	4%	4%	4%

BASE: ALL CHILDREN AGED 13-17 WHO HAVE SEEN AN ADVERT FOR THE PRODUCTS/SERVICES ON LIVE TV IN THE LAST WEEK

Q8B - Overall thinking about each category in general, in the last week to what extent, if at all, do you believe the adverts are appealing to your child? (parents)

	Payday loans/ Short-term loans	Holidays	Theme Parks	Alcoholic drinks	Fizzy drinks	Fast food	Breakfast Cereals	Insurance products	Cars	Bingo clubs/ online bingo	Video games	Mortgages	Credit cards	Perfumes & fragrances	Satellite or Cable Television
UNWEIGHTED BASE	393	352	249	288	265	387	401	385	494	322	204	199	223	253	396
Very appealing	3%	20%	41%	5%	18%	23%	18%	3%	9%	3%	38%	5%	3%	10%	10%
Fairly appealing	6%	37%	35%	16%	36%	38%	43%	6%	20%	9%	27%	7%	9%	17%	28%
Not very appealing	11%	18%	10%	19%	15%	15%	18%	14%	20%	15%	10%	11%	17%	19%	22%
Not at all appealing	76%	21%	10%	51%	22%	17%	17%	72%	45%	68%	19%	75%	66%	52%	37%
Don't know	3%	5%	4%	10%	8%	7%	4%	5%	7%	5%	6%	3%	4%	3%	4%

BASE: ALL PARENTS OF 0-18 YEAR OLDS WHO HAVE SEEN AN ADVERT FOR THE PRODUCTS/SERVICES ON LIVE TV IN THE LAST WEEK

Normalisation

Q10A - To what extent, if at all, do you agree or disagree that TV adverts for the following products and services suggests that they are products or services that people typically have these days? - Summary table

	Payday loans/ Short-term loans	Holidays	Theme Parks	Alcoholic drinks	Fizzy drinks	Fast food	Breakfast Cereals	Ins products	Cars	Bingo clubs/ online bingo	Video games	Mortgages	Credit cards	Perfumes & fragrances	Satellite or Cable Television
UNWEIGHTED BASE	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000
Strongly Agree	15%	18%	14%	17%	18%	18%	24%	18%	21%	13%	16%	17%	19%	16%	20%
Tend to Agree	28%	40%	35%	37%	39%	38%	36%	39%	38%	27%	39%	37%	37%	38%	39%
Neither Agree nor Disagree	35%	31%	38%	32%	31%	32%	30%	31%	31%	40%	33%	35%	32%	34%	30%
Tend to Disagree	11%	3%	5%	5%	4%	4%	3%	5%	3%	9%	4%	3%	4%	4%	4%
Strongly Disagree	4%	*	*	1%	1%	1%	*	*	*	3%	1%	1%	1%	1%	*

UnWeighted base: 1000 parents of 0 – 18 year olds
*Small sample size

Use of short term loans

Q11 - And which, if any, of these financial products have you ever personally bought or taken out?

Q12 - And which, if any, of the following financial products would you personally consider buying or taking out new or renewing in the future? (results shown for payday loans/short-term loans only)

	Taken out in past	Consider using in future
UNWEIGHTED BASE	1000	1000
Payday loans/short-term loans	12%	7%

Base: 1000 parents of 0 – 18 year olds

Children's influence on parents' decisions

Q11A - To what extent, if at all does your child or children influence your decision to make purchases in the following areas? - Summary table

	Buying financial products	Where to shop for groceries	Choosing a holiday provider	Making a big purchase for your household	Deciding on venue to go to on a day or evening out as a family	Purchasing household entertainment items	Moving to a new home
UNWEIGHTED BASE	1000	1000	1000	1000	1000	1000	1000
A great deal	4%	5%	8%	6%	22%	9%	11%
A fair amount	8%	16%	24%	15%	43%	27%	24%
Not very much	17%	32%	28%	28%	17%	29%	24%
None at all	65%	44%	36%	46%	14%	31%	34%

Unweighted base: 1000 parents of 0 – 18 year olds

Supplementary research - Parents

Acceptability of advertising for payday loans/short-term loans before the 9pm watershed

Q1_1 - To what extent is it acceptable or not to show the following types of adverts before the 9pm watershed? - Payday loans/ Short-term loans

	All parents	Taken out payday/short-term loan	Would consider taking out a payday/short-term loan
UNWEIGHTED BASE	1000	72*	36*
Very acceptable	7%	15%	26%
Fairly acceptable	13%	23%	22%
No feelings either way	28%	29%	26%
Not very acceptable	22%	16%	15%
Not at all acceptable	27%	16%	7%

Base: 1000 parents of 0 – 18 year olds
72 parents of 0 – 18 year olds who had taken out a payday or short-term loan in the past
36 parents of 0 – 18 year olds who would consider taking out a payday loan in the future
*low base size, treat with caution

Views on a ban on showing adverts for short-term loans before the 9pm watershed

Q3_1 - To what extent would you support or oppose a ban on the following categories of advertising before the 9pm watershed? - Payday loans/ Short-term loans

	All parents	Taken out payday/short-term loan	Would consider taking out a payday/short-term loan
UNWEIGHTED BASE	1000	72*	36*
Strongly support	31%	25%	17%
Somewhat support	18%	15%	10%
Neither support nor oppose	37%	38%	46%
Somewhat oppose	6%	10%	14%
Strongly oppose	4%	6%	6%

Base: 1000 parents of 0 – 18 year olds
72 parents of 0 – 18 year olds who had taken out a payday or short-term loan in the past
36 parents of 0 – 18 year olds who would consider taking out a payday loan in the future
*low base size, treat with caution

Supplementary research – Children

Children's awareness of financial products

Q1 - Which, if any, of these financial products have you heard of before today?

UNWEIGHTED BASE	700
Credit cards	91%
Mortgages	85%
Insurance	82%
Personal loans	67%
Payday Loans/Short-term loans	62%
None of these	4%
Don't know	2%

BASE: ALL CHILDREN AGED 13-17

Where children hear about financial products

Q2 - And from where have you heard about this financial product?

	Payday Loans/ Short-term loans	Insurance	Mortgages	Credit cards	Personal loan
UNWEIGHTED BASE	436	572	595	637	474
Television	73%	55%	46%	49%	51%
Radio	20%	13%	11%	9%	10%
Newspaper(s)	15%	14%	12%	12%	11%
Magazine(s)	8%	10%	8%	8%	7%
Online/Website	19%	22%	13%	19%	16%
Friends/family	30%	57%	62%	58%	44%
School/College	21%	23%	25%	25%	20%
Bank	8%	16%	22%	29%	21%
Building Society	3%	8%	11%	8%	8%
Somewhere else	3%	3%	3%	3%	4%
Don't know	6%	5%	5%	5%	7%

BASE: ALL CHILDREN AGED 13-17 WHO HAVE HEARD OF EACH PRODUCT

What children have heard about payday loans/short-term loans

Q3 - You said that you had heard of Payday Loans/Short-term loans, what have you heard about them?

UNWEIGHTED BASE	436
Interest / high interest / APR / repayments (more than personal loan)	*28%*
Bad / not a good idea / to be avoided	19%
Expensive / cost a lot / they charge a lot	13%
Ads / TV ads	8%
Borrow till pay day / pay back when you get paid	7%
Short-term loans / have to be paid back in a short time	6%
You can get into debt / more debt / get into trouble because of them	5%
Loan sharks / rip off	5%
Quick / quick money	4%
TV (general mentions)	4%
Easy / easy to get cash	4%
For emergencies / when you need money urgently / if you're desperate	4%
Small loans / small amounts of money	3%

BASE: ALL CHILDREN AGED 13-17 WHO HAVE HEARD OF PAYDAY LOANS/SHORT-TERM LOANS

Whether short-term loans and personal loans are good or bad for people

Q4 - On balance, to what extent do you think that Payday loans/ Short-term loans are good or bad thing for the person taking out the loan?

Q7 - On balance, to what extent do you think that Personal loans are good or bad thing for the person taking out the loan?

	Payday loans/ Short-term loans	Personal loans
UNWEIGHTED BASE	700	700
Very good	2%	5%
Fairly good	9%	28%
Neither good nor bad	14%	33%
Fairly bad	26%	15%
Very bad	43%	13%

BASE: ALL CHILDREN AGED 13-17

Technical note
Ipsos MORI was commissioned by CFA to conduct an online survey amongst parents and children into Payday Loans.
The first wave of research was conducted in August 2015 and the second wave of research in November 2015.

Parents
Questions were asked of 1000 parents of children aged 0-18 years old across United Kingdom. Fieldwork ran from 20th-27th August 215 for wave 1 and 12th-23rd November 2015 for wave 2. Quotas were set on gender, region, social grade as well as gender and age of children in the household. If there was more than one child in the household, the child who had their birthday most recently was selected.
The survey data were weighted by age, region, social grade, working status and presence of children to be nationally representative of parents in United Kingdom.

Children
Questions were asked of 700 children aged 13-17 years old across United Kingdom. Fieldwork ran from 20th August- 2nd September 2015 for wave 1 and 12th-27th November for wave 2. Quotas were set on gender, age and region.
The survey data were weighted by gender, age, region to be nationally representative of children aged 13-17 in United Kingdom.

2 – The BCCA

About the BCCA

The BCCA is a trade association formed in 1994. We represent firms offering alternative financial products, such as short term lending. Our members range from small family businesses to some of the larger alternative consumer lenders. They operate both online and on the high street.

Our view

We consider the imposition of additional restrictions, including 120-index scheduling restrictions as not necessary or proportionate.

There has been limited evidence of advertising-related harm. The key complaint from the Children's Charity is that advertising may normalise payday advertising and the possibility that it might lead to the pestering of adults.

This clearly comes from a concern about the nature of the payday product. We understand that this is based on historic market conditions.

However, a payday loan is a legitimate financial service, now regulated by the Financial Conduct Authority. There may have been issues with how the market previously operated but new regulations have led to major changes.

These changes are reflected in the way that the sector now uses advertising. A review of the current set of adverts will show that they could not be accused of promoting irresponsible borrowing for unsuitable expenditure.

Whilst adults may be pestered to buy the latest toys, the modern payday advert is more likely to talk about fixing a broken boiler or repairing the car. These are hardly playing to the wishes of children.

The Introduction of new regulation includes the requirement to include a warning on all advertising that promotes High Cost Short Term Credit – more commonly known as payday loans.

1: Is there a problem with payday borrowing?

Payday lending has changed, and even within the last year the payday lending environment has been radically altered by commercial and regulatory pressures.

Much of this is down to the transfer of regulatory authority to the Financial Conduct Authority, which has resulted in new rules that it could be argued have tackled the worst practices.

There were concerns about the cost of the loans; that the loans were often extended because they were unaffordable and that the customer's funds could be taken out of bank accounts.
The introduction of a price cap closed the option of excessive interest charges, and indeed of unreasonable default fees.

The new rulebook, introduced during 2014, delivered restrictions on rollovers or loan extensions and reduced the use of Continuous Payment Authority to take payment from bank accounts.

There are a number of indications that this has had an impact on the consumer experience. For example, Citizens Advice data shows that they have seen a 40% reduction in cases over the last year.

2: Payday advertising has changed

There were never that many companies that were involved in broadcasting advertising, but public perception was shaped by the then market leader. In attempting to break with the norm in financial services they developed an approach that was more light-hearted.

Current payday lending advertising is much different. That same firm now has a broadcast campaign focussed on the theme of responsibility. Their adverts are more in line with traditional financial services.

The industry now has a body of guidance derived from ASA, or from their decisions on complaints against payday adverts.

The BCCA welcomes a constructive relationship with the ASA. We recently held a session at our Annual Conference where we heard about a number of their investigations and the lessons we could all take from their work.

Of course one of the rules brought in by the FCA was the requirement to include a warning on all products defined as High Cost Short Term Credit.

> *"Warning: Late repayment can cause you serious money problems. For help, go to moneyadviceservice.org.uk."*

This makes clear that these products do have issues that the consumer should be aware of when making a decision, in particular the there is a risk if you are unable to repay on time. Even that risk is less than it might once have been with the introduction of a price cap.

Summary

In conclusion, we believe that the nature of payday lending has changed and no longer has many of the issues that so concerned those petitioning for further restrictions.

We also believe that payday advertising has changed. It is more aware of the need to promote responsible borrowing but also carries warnings developed by the regulator.

There is no reason for further restriction.

Jason Wassell
Chief Executive
14th December 2015

3 – The Children's Society

In September last year The Children's Society launched their Playday not Payday report which looked at the effect of advertising of high-cost short-term credit on children and families. This response outlines our evidence on the harm caused to children by advertising for high cost short term credit, and the action needed to protect children from this.

At the time of submission, The Children's Society Debt Trap campaign had facilitated over 500 people to submit a response to the consultation with many giving their own stories of why they believe adverts for high-cost short-term credit should be restricted. During this many members of the public shared their thoughts on this advertising, several of which are included below:

> *"Please ensure that children are safe when watching TV. There is too much poverty in hard-working families without creating the illusion that borrowing at exploitative interest rates is an answer to anything."*
>
> *"I see the lives of families damaged by debt and it is important that children are not exposed to these adverts so that they don't learn the wrong messages about money management."*
>
> *"It's the same as showing children adverts that promote gambling."*
>
> *"It gives children a totally wrong impression about money and budgeting."*

The Children's Society Statement on Advertising of High-Cost Short-Term Credit, Including Payday Loans

We know that children in the UK are exposed to promotions for high-cost short-term credit on a regular basis. Payday loans and other forms of high cost short term credit can – and often do – have a detrimental effect on a person or family's financial situation. We believe that payday lenders use advertising techniques which attract children and young adults into thinking payday loans are an acceptable way of managing money. We are concerned that this has long been impacting on children's development and making it more likely that they will use high-cost short-term credit as adults.

The irresponsible nature of payday loan advertising has brought significant attention to not only these adverts but the advertising market as a whole. We hope the committee will provide clear regulations restricting both the content and scheduling of payday loan advertisements.

Background

The practices of providers of high-cost short-term credit (also knows as payday lenders) havedominated the mainstream media in recent years, eventually leading to regulation from the Financial Conduct Authority that has significantly changed the way in which they operate.

The Children's Society therefore began a further piece of research into the advertising of payday loans – Playday not Payday: Protecting children from irresponsible payday loan advertising. The research involved surveying 680 children aged 13-17 and 1065 adult parents of children aged 18 or under about their perceptions and experiences of advertising and payday loans. This report exposed the frequency with which children were seeing payday loan advertisements, with almost three quarters saying they had seen at least one payday loan advert in the last week.

Advertising practices did not escape scrutiny either, which is why in November 2014, following amendments to the now The Consumer Rights Act, supported by The Children's Society, the government agreed that action needed to be taken to limit the impact these adverts were having.

> *"The Government share the concern that payday lenders' advertising can encourage irresponsible borrowing and cause consumers real harm."*
> - Baroness Jolly, Baroness in Waiting

We surveyed children who told us how often they were seeing loan advertisements. The results were startling with over half (56%) of children aged 10-17 reporting seeing loan advertisements 'often' or 'all the time'.

We are concerned that this will re-enforce a partial view of the relative benefits and dangers of credit use among the next generation of borrowers. MoneySavingExpert.com research has previously found that 14% of parents say that when they have refused to buy something for their child who is under 10, they have been 'nagged' to take out a payday loan for it.

This was of particular concern when looked at in conjunction with the other findings from research conducted by The Children's Society and Stepchange Debt Charity. For instance, when we asked parents struggling with debts how their creditor was treating them, payday lenders were found to be more likely than other lenders to be treating vulnerable parents badly with 42% saying they were treated "badly" or "very badly".

The report also exposed worrying attitudes towards these adverts, with a third of children aged 13-17 saying they thought they were "fun, tempting or exciting".

The publication of Playday not Payday marked the launch of our campaign to raise awareness of the effects of payday loan advertising and influence the Consumer Rights Bill to see changes to the scheduling of these adverts to restrict them before the 9pm watershed. The campaign created a lot of political momentum in the House of Lords, with tens of thousands members of the public writing to members of the House of Lords; gaining support from peers from right across the house.

Following this widespread outcry, the government supported an inquiry into both the content and scheduling of payday loan advertisements and BCAP agreed to extend an existing inquiry into this issue. The Children's Society believes that this was the right step and urged the advertising regulator to take action. The Minister agreed that once a decision is made this will be debated in both houses of parliament.

Questions

The consultation asks a number of questions and for views on various proposals including views on the implications of the new BARB data they have provided. The substantial question within the document is copied below which we hope this response will answer:

> *Please tell us which of the following statements you agree with. Please explain your reasons.*
>
> *1. The imposition of additional restrictions, including 120-index scheduling restrictions is not necessary or proportionate;*
>
> *2. The introduction of 120-index scheduling restrictions to prevent HCSTC ads from being appearing in or adjacent to programmes commissioned for, principally directed*

at or likely to appeal particularly to audiences below the age of 16 is necessary and proportionate; or

3. The introduction of 120-index scheduling restrictions to prevent HCSTC ads from being appearing in or adjacent to programmes commissioned for, principally directed at or likely to appeal particularly to audiences below the age of 18 is necessary and proportionate.

BCAP will consider responses in the light of the information provided in this consultation document. Please bring to our attention any evidence that might support your preferred option that is not set out in the document.

The Children's Society supports the implementation of option 3. We support option 3 over option 2 as it would bring advertising of high cost short term credit more in line with regulation of gambling adverts, another financial product. Also, 16 and 17 year olds are the closest to the age which can take out a payday loan and it's important to make sure they receive the necessary protections.

Does advertising have a harmful impact on children?

The advertising regulator has already taken steps to restrict both the scheduling and content of advertising of certain products that are considered to risk causing harm to children including alcoholic drinks, gambling and food high in fat, salt or sugar.

This section explores the reasons why it has been argued that advertising has a harmful impact on children, and the extent to which such harm may be caused by advertising of high cost short term credit.

i: The impact of advertising on children

There is already evidence that young children do not question television messages. Evidence shows that the younger the child is, the more likely they are to believe that advertisements always tell the truth. Other research has found that only 1% of 4- to 5-year-olds realised that the goal of an advertisement was ''to try and make you buy things'', rising to 28% in 6- to 8- year-olds.1 This means that many young children are unaware of the intent of advertisements and therefore more susceptible to being misled by their messages.

One study by Pine and Nash (2002) found that increasing amounts of commercial television watched by young children were matched by an increase in the overall amount of toys requested. In other words, there is a general effect of advertising on children's desires and evidence of young children's susceptibility to the persuasive intent of commercials. However, with the exception of two well-established products, there was an overall lack of a relationship between the branded products requested and the frequency of televised advertisements for them. Pine and Nash interpreted this to mean that advertisements may not have an individual impact on the under-7s, but may simply contribute to a general increase in desire for the advertised product.

Research in 2011 by the Department for Children, Schools and Family and the Department for Culture, Media and Sport commented on the potential harm of 'pester power' and its potential harm to family structures and wellbeing: "Research suggests that watching television advertising is associated with making more purchasing requests, which in turn is associated with conflict between parents and children."

Further research by the Money Advice Service found that children's money habits are set by the age of seven years old. This is because by the age of seven most children have grasped how to recognise the value of money and to count it out; and by this age they will also have come to understand that money can be exchanged for goods, as well as what it means to earn money and what income is.

Money Advice Service research also said that by the age of seven, most children in the UK are capable of complex functions such as planning ahead, delaying a decision until later and understanding that some choices are irreversible; but children under eight years old have not developed an understanding of the difference between 'luxuries' and 'necessities'.

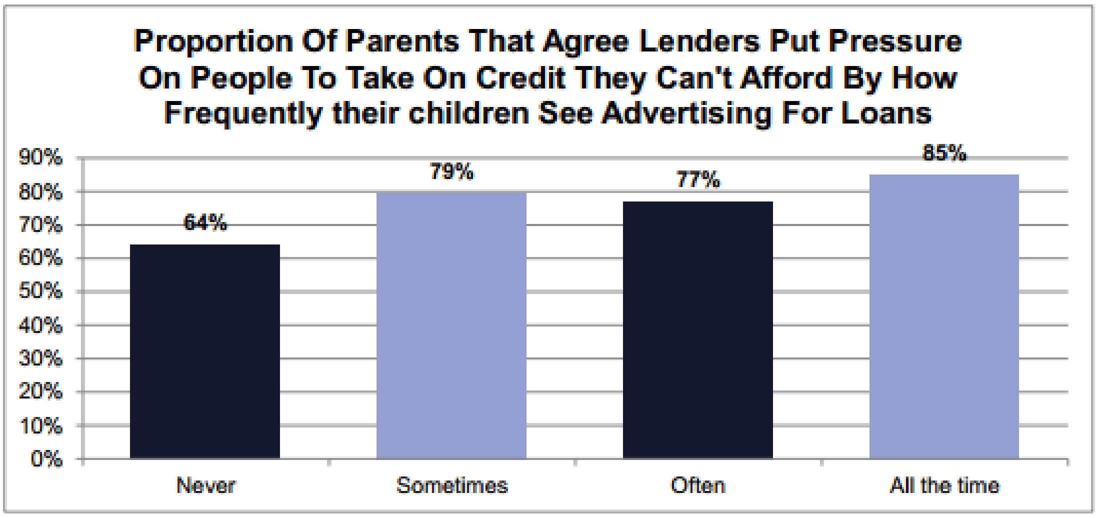
This is of great concern given that over half of children recognise the name of at least 3 providers of high-cost-short-term credit and almost 9 in 10 (89%) recognise the name of at least 1 provider. Alongside this, a third of children told us that they think payday loan advertisements are 'fun', 'tempting' or 'exciting'.

We are concerned that children – who develop their money habits at such a young age – are being exposed to adverts for high-cost-short-term credit with such inappropriate content and high frequency, making this form of credit seem like a normal way of managing money.

ii: Loan advertising and the impact on children and families

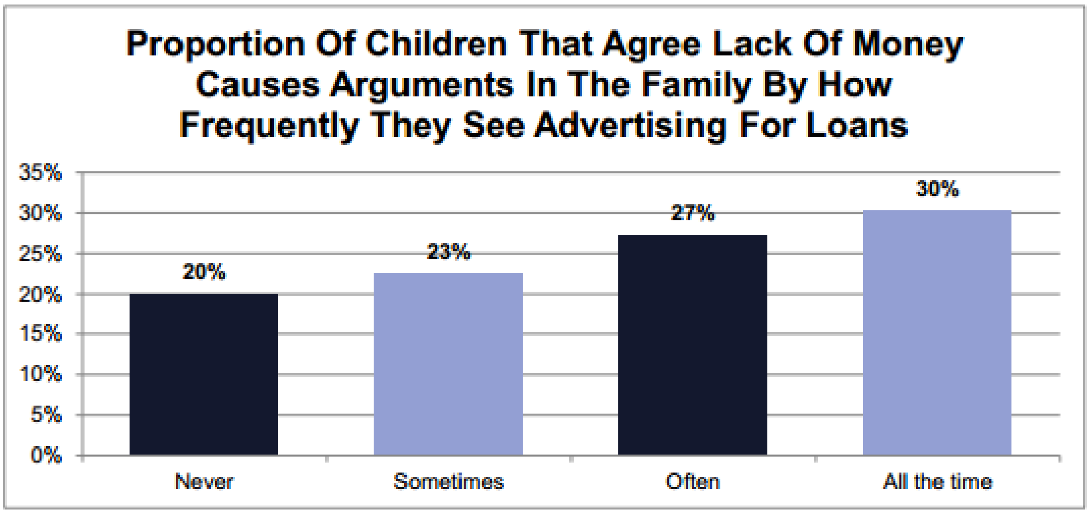
Further analysis of The Children's Society and Stepchange survey conducted for The Debt Trap report revealed how advertising of loans may have an impact on children's purchasing requests.

Analysis found that there was an association between the frequency which children see adverts for loans, and the likelihood that their parents are to say they believe lenders put pressure on people to take on credit they can't afford:



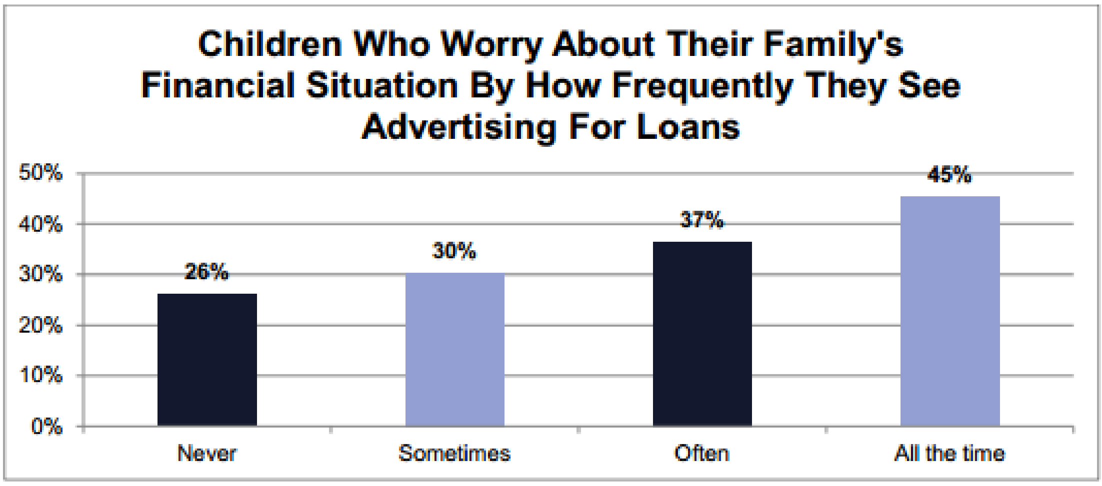
N=2003, p=0.000

Similarly, analysis also suggested an association between children seeing loans advertised, and arguments in the family caused by lack of money. One reasonable interpretation of these results is that advertising of loans causes discontent about financial circumstances, which has a harmful impact on family relationships.



N=1996, p=0.000

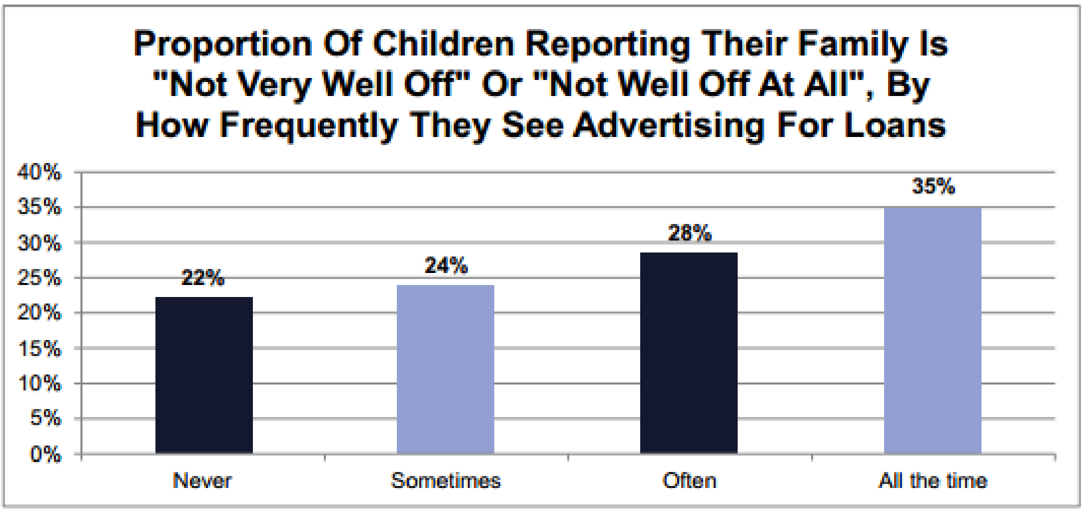
Further to this, when we asked children aged 10-17 if they worry about their family's financial situation and looked at it in correlation with the rate at which they were seeing adverts for loans, we found that children who see these adverts "all the time" were almost twice as likely to be worried about their family's financial situation. This may suggest that repeated viewing of these adverts can put adverts pressure on some children and be associated with them experiencing anxiety about debt.



N=1996, p=0.000

Finally, analysis also found that children seeing high levels of loan advertisements were more likely to consider their family not to be well off.

All of the above findings are despite our survey finding only small (and not statistically significant) variations in actual household income between families, depending on the frequency with which children in those households saw advertising for high-cost short-term credit. This further suggests that loan advertising may have an impact on children's perceptions of family wealth.



N=1999, p=0.002

Given these findings, it is understandable that parents would be concerned about the frequency with which their children are seeing advertising for loans. In 2010, Sarah Tether, as Children's Minister commissioned Reg Bailey of the Mothers Union to hold an Independent Review of the Commercialisation and Sexualisation of Childhood. The report of the review said: *"The most effective way to ensure that broadcasting, advertising, goods and services are appropriate for children is to pay closer attention to parents' views".*

The Children's Society echoes this point. Our own research has found that around three quarters (74%) of parents of children aged 18 or under think payday loan advertisements should be banned from television and radio before the watershed. We also found that over 6 in 10 of the parents we surveyed believe that seeing payday loan advertisements make children believe these are a normal way to manage money.

Content of adverts

Furthermore, it is disappointing that in its recent response to its consultation on content of high-cost short-term credit advertising, BCAP found that no new rules were needed to prevent the inappropriate content of payday loan adverts. For instance, it found that adverts featuring a "satsuma singing a song which included the lyrics 'How do I get you alone'" and another which showed "children's toys being unwrapped at Christmas" were not likely to appeal to children.

This was a decision made by the advertising committee, with no consultation with children or young people. Understandably, it might not be appropriate to share the advert with children directly but concepts or sound clips could allow children and young people to share their perspective on whether these adverts have undue appeal to them.

Given that we remain concerned that the content restrictions on advertising of high-cost short-term credit are not at the same level as other products which pose harm to children such as gambling or alcohol, we are keen to see restrictions to scheduling to reduce the exposure of children to these types of adverts.

Is the frequency of payday loan advertising seen by children significant?

In December 2013, Ofcom produced a report that looked at the Trends in Advertising Activity of Payday Loans advertisements. This found that, in 2012, the number of adverts for payday loans being seen by children aged 4-15 was 596 million, which breaks down to about 70 payday loans per child for that year. Considering continued growth in the payday loan industry in 2013 and 2014, it may be likely that these numbers will continue to have grown for the years of 2013 and 2014.

The data presented by Ofcom shows a 64% increase in the number of payday loan advertisements between 2011 and 2012 alone. This would explain figures from our survey which found that almost three quarters (72%) of children aged 13-17 say they have seen at least one payday loan advertisement in the last week and over two thirds (68%) say they had seen one on television.

The Children's Society believes that this is because of the high proportion of adverts for high-cost short-term credit that are shown at times at which children are likely to be watching TV. For instance, Ofcom reported that in 2012 55% of payday loan adverts were shown from 9am to 5.30pm with a further 25% being shown between 5.30pm and 9pm.

Previous research by MoneySavingExpert.com which found more than one in three people with children under-10 have heard their kids repeat payday loan slogans from television adverts. This suggests that the frequency and content of the adverts is significant enough to have a lasting effect on children's memory and perceptions of payday loans.

Children themselves tell us that the number of adverts they are seeing is high. We are greatly concerned about the effect this is having on attitudes to family wealth, as well as children's long-term attitudes to debt and money management.

BCAP have helpfully provided new data and analysis of the number of payday loan adverts being shown. Their data shows that, even after the cap on payday lenders which has significantly reduced the number of organisations operating in this field, the number of adverts being seen by people has only dropped by 7%.

The Consumer Finance Association's response to the previous consultation, outlined that the payday loan market was at its peak in 2012, when the Ofcom research was undertaken, and that by the 2nd January the market had already reduced by 40-50%. Following this, their expectation was that the number of adverts would fall to similar levels. This is clearly not the case.

Despite the number of payday lenders operating in this area, the number of advert impacts has remained relatively constant. This would suggest that viewers, including children, are seeing a similar number of adverts, but the same adverts more often. This poses a potential risk to children who, even more than adult consumers of advertising, are susceptible to repetitive advertising.

Furthermore, given that all advertising regulations have to be proportionate and responsible, there were concerns that scheduling restrictions would have an unfair economic and financial impact on the industry. The Children's Society are very happy to see that scheduling restrictions based on under-18's would reduce the impacts seen by this age group by almost 15%, while only 30% of the revenue from adverts shown during these shows would be completely lost.

The Children's Society view is that the BARB data shows that proposed changes to advertising, particular those to restrict to under-18s, would have a more positive effect on children's lives than negative effect on the economy of the relevant advertising and financial sectors.

Are payday loan advertisements significantly more harmful to children than advertisements for other products? If so, why?

In 2013 (the latest figures available), StepChange Debt Charity experienced another substantial year-on-year increase in the number of people seeking its help with payday loan debts. They reported 66,557 people with payday loans sought the charity's assistance, in 2012 that figure was 36,413, an increase of 82%.

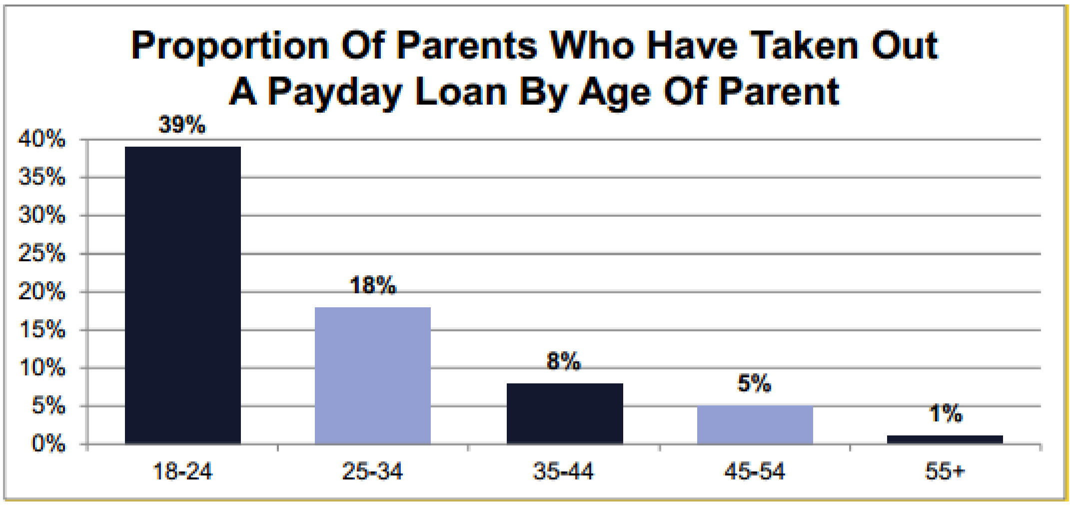
We know from our own research that payday lenders are the most likely to treat vulnerable parents negatively with up to 42% of parents who had struggled with bills or credit commitments saying that they were treated 'badly' or 'very badly'. This is supported by figures from Stepchange, who recorded more complaints about Payday lenders than any other source. Two of the five most complained-about companies were payday lenders.

There is evidence that children are putting pressure on their parents to take out payday loans. For instance, we found a high correlation between the number of parents taking out loans and those who said their children has asked them to take out a payday loan. Our research found that 27% of parents who have used a payday loan have had their child pester them to take out a payday loan. This drops to 3% for those parents who have never taken out a payday loan.

A parent support worker contacted us about our campaign telling us about his own experience of advising families before Christmas last year. One parent told him that she had explained to her children that money was tight and probably couldn't have all they were asking for; her eight year-old responded "you'll have to get a Wonga then". Another mother contacted us and told us that her own nine-year-old was constantly suggesting before Christmas that she 'get a Wonga loan'. This is of great concern.

A more recent example came from a financial blogger's experience of their own children engaging strongly with the culture promoted by payday loan advertising. Most worryingly they quoted their child as saying "Mum, I just want you to know that if the car ever breaks down and you don't have the money to fix it then you don't need to worry, you just need to pick up the phone and call ………. and they'll put the money you need into your bank right away". This is just one of many anecdotal pieces of evidence that have been collated by organisations and media representatives over the past few years.

Playday not Payday found that young parents aged 18-25 are the most likely age group to have taken out a payday loan. Almost 2 in 5 (39%) of parents aged 18-24 in our poll have used payday loans, compared to just 18% of 25-34 year olds, and 8% of 35-55 year old parents. One reason that parents are particularly likely to use payday loans could be as a result of having grown up in an environment in which the use of payday loans is increasingly normalised, with advertising on the television increasingly common.



Problem debt results is associated with both parents and their children experiencing significant anxiety, depression, mood swings and feelings of loneliness.

Are there appropriate comparator products when considering child related restrictions on the advertising of payday loans?

The main products of which child-related content and scheduling restrictions are in place that we consider being comparator products are gambling; food that is high in fat, sugar or salt (HFSS); and alcohol. These are all items of which it is appropriate for adults to use but which are associated with a risk of harm, and therefore aren't appropriate to be targeted at children.

Gambling

BCAP Code 17 regulates the advertising of gambling with the stated principle of ensuring "gambling advertisements are socially responsible, with particular regard to the need to protect under-18s and other vulnerable persons from being harmed or exploited by advertising that features or promotes gambling."

The scheduling rules for gambling follow this principle and under Code 32.2 says that gambling must not be advertised "in or adjacent to programmes commissioned for, principally directed at or likely to appeal particularly to audiences below the age of 18".

Food High in Fat, Sugar or Salt

The advertisement of food is one of the most highly regulated. These rules are laid out in BCAP Code 13 and lay out the role of advertising of food: "Commercial product advertising cannot reasonably be expected to perform the same role as education and public information in promoting a varied and balanced diet but should not undermine progress towards national dietary improvement by misleading or confusing consumers or by setting a bad example, especially to children"

Again, the scheduling rules follow this principle under Codes 32.5 and 32.5.1 which prevent the advertising of HFSS food "in or adjacent to programmes commissioned for, principally directed at or likely to appeal particularly to audiences below the age of 16."

Alcohol

Under the BCAP Codes, advertisements for alcoholic drinks should not "be targeted at people under 18 years of age and should not imply, condone or encourage immoderate, irresponsible or anti-social drinking."

The scheduling restrictions on alcoholic drinks containing 1.2% alcohol or more by volume "may not be advertised in or adjacent to programmes commissioned for, principally directed at or likely to appeal particularly to audiences below the age of 18".

Overview

Like gambling and alcohol, payday loans are not legal for children aged under-18. However, similarly to gambling and alcohol they risk normalising behaviour which may be harmful to them in adult life. However, unlike payday loans, advertising of gambling is still heavily regulated both in scheduling and content to prevent the potential future financial harm that it may cause.

We agree with the principle of the advertising regulation on food, food supplements and associated health or nutrition claims which states that the advertising of such products should not undermine the good work towards improving, in this case, the national diet, by misleading or confusing consumers or by setting a bad example, especially to children. We believe that this same principle could be applied to the advertising of payday loans which risk undermining better financial attitudes encouraged through financial education in schools which the government has recently made compulsory for all secondary school pupils.

As our research finds, children are more likely to say they are seeing adverts for credit "often" or "all the time" than say they are getting access to a decent financial education from their school. We believe that children should get their financial education from their school and their parents, not from advertising on the television. The high frequency of payday loan advertising undermines this and is doing a disservice to young consumers.

Would regulating the content of payday loan advertising be sufficient to protect children, or does there need to be limits on scheduling?

The guidance for gambling advertisements regulates the content of gambling adverts in such a way that advertisers are prevented from such advertising techniques as use of cartoon or licensed characters; appeal to children or young persons, especially by reflecting or being associated with youth culture; use of super heroes and celebrities popular with children. These rules are similar to those in the guidance covering the advertising of alcohol and foods high in fat, salt or sugar. We believe these content rules should be applied to the advertising of high-cost, short-term credit.

However, the effective regulation of alcohol, gambling and HFSS advertising only works because the content restrictions are used in conjunction with scheduling restrictions. This must be imposed for HCSTC advertisements because:

1: HCSTC advertising too often breaches content guidance – there are numerous examples of payday loan advertisements being banned following breaches of ASA guidance. By the point at which these advertisements are prohibited, the harm has already been done.

2: HCSTC advertising is harmful to children as a result of the frequency with which they are seen – we are very concerned about the sheer frequency with which children see advertisements for payday loans on the television. As highlighted previously, there is evidence that this normalises positive attitudes to what can be a very high risk product. The goal of scheduling restrictions in part should be to reduce the frequency with which children are exposed to these messages.

We very much hope that BCAP will find that the codes should be changed to restrict both the content and scheduling of these adverts to protect children. The codes regarding scheduling of adverts should be changed to restrict advertising of HCSTC on television before the watershed, or at the minimum, should restrict adverts from being shown in or adjacent to programmes commissioned for, principally directed at or likely to appeal particularly to audiences below the age of 18.

This would ensure that both content and scheduling restrictions to the advertising of high-cost, short-term credit to fall in line with other products such as gambling, advertising and HFSS food.

Recommendations

Restrict the scheduling of adverts for high-cost-short-term credit to prevent advertisements aired before the watershed, or at least to “restrict adverts from being shown in or adjacent to programmes commissioned for, principally directed at or likely to appeal particularly to audiences below the age of 18”.

4 – Institute of Practitioners in Advertising (IPA)

Introduction to the IPA

The IPA is the professional body for advertising, media and marketing communications agencies based in the United Kingdom. We have over 300 agency brands within our membership.

As a not-for-profit membership body, the IPA's role is two-fold: (i) to provide essential core support services to its corporate members who are key players in the industry; and (ii) to act as the industry spokesman.

The IPA is a member of BCAP.

The issue

HCSTC products have triggered much public debate because they are perceived as unsuitable for vulnerable people who may not fully appreciate the potential harm in using them. There has also been concern that children seeing television advertisements for these products might pressurise their parents into taking out unaffordable loans and that children might come to view HCSTC products as a normal way of obtaining credit.

The IPA fully supports the need to ensure that vulnerable members of society are protected from advertising where there is evidence of likely harm. We, therefore, fully support BCAP's consultation to consider whether scheduling restrictions are necessary to protect against any potential harm of advertising HCSTC products on television.

BCAP's stated policy objectives include creating rules that are "transparent, accountable, consistent and targeted only where regulation is needed". It should also be noted that HCSTC products are lawful and regulated by the FCA.

To summarise, this issue concerns the need to protect vulnerable members of society from potentially harmful advertising on the one hand, and the right for those offering HCSTC products to advertise those products on television without scheduling restrictions, on the other. Evidence that the current rules are inadequate is necessary for any restrictions to be introduced.

No evidence of a need for restrictions

As noted in BCAP's consultation paper, the general content rules of the BCAP Code already contain provisions protecting society against the potential harm of advertising, including for HCSTC products. And under FCA rules, all advertisements for such products must carry a risk warning.

BCAP's content review in 2014 concluded that no change was needed to the BCAP Code content rules in respect of HCSTC advertising. In particular, the review did not find that these advertisements appealed inappropriately to children or sought to encourage children to ask their parents to take out loans. BCAP's guidance of earlier this year then rightly made clear that HCSTC advertisements must not trivialise the nature of HCSTC products.

Ofcom's audience research of 2013 demonstrated that children had only limited exposure to TV advertising for payday loans.

BCAP's call for evidence, following its content review, raised issues of normalisation, pester power and disapproval of HCSTC products. Following the explanations set out in BCAP's consultation paper, it seems that none of these three issues demonstrates a need for television scheduling restrictions.

Providers of HCSTC products do not sell them to children. Hence, they do not advertise those products to children. The FCA has not seen it necessary to introduce rules as to the scheduling of advertisements for HCSTC products and neither has Parliament.

BCAP's consultation paper explains that scheduling restrictions should be introduced "if there is evidence of harm, or a real potential for harm" and that "they must be a proportionate means of achieving a legitimate aim; and regard had as to whether there are less restrictive alternative means of achieving the aim."

Conclusion

Whilst mindful of the need to protect vulnerable members of society - children, in particular - from potentially harmful advertising, the IPA does not believe that there is sufficient evidence to merit the introduction of a television scheduling restriction in respect of HCSTC advertisements. In answer to the question posed in section 9 of BCAP's consultation paper, we would suggest, for the reasons given above, that the imposition of additional restrictions, including 120-index scheduling restrictions, is not necessary or proportionate.

Richard Lindsay
Director – IPA Legal & Public Affairs

5 – Money Advice Trust

About the Money Advice Trust

The Money Advice Trust is a charity founded in 1991 to help people across the UK tackle their debts and manage their money wisely.

The Trust's main activities are giving advice, supporting advisers and improving the UK's money and debt environment.

We help approximately 1 million people per annum through our direct advice services and by supporting advisers through training, tools and information. We give advice to around 200,000 people every year through National Debtline and around 40,000 businesses through Business Debtline. We support advisers by providing training through Wiseradviser, innovation and infrastructure grants.

We use the intelligence and insight gained from these activities to improve the UK's money and debt environment by contributing to policy developments and public debate around these issues.

Introductory comment

We welcome the joint guidance *"Trivialisation in short-term high-cost credit advertisements"* issued by BCAP and CAP in June 2015. We value the recognition that *"light-hearted, jovial treatment in ads do have the potential to trivialise the seriousness of taking out HCSTC, and that such treatments could and have breached the social responsibility rules."*

We believe that the guidance does help to be clear about the rules for HCSTC advertisements particularly where a company might be contemplating a light-hearted campaign with catchy jingles and featuring animations or puppets which might be expected to appeal more to children.

We did respond to the BCAP call for evidence which considered whether further restrictions should be placed on the scheduling of payday advertising. We would agree that an advertising restriction on payday advertising is both necessary and proportionate to protect children.

We do not have any additional new evidence to present in this consultation response. However, as a debt advice charity, we are of course witness to the effect on households of HCSTC products daily. It is not easy for debt charities to commission and pay for our own research as our remit is to deal with the debt situation for that individual at that time.

As you will appreciate due to the nature of our work, many clients will contact us for help once they are already in debt and experiencing problems with payday loans and other debts. It is difficult at this point in the client journey for us to identify and investigate the history of the loan, or to research where and how the client obtained the loan originally or where they saw it advertised. Our service has to concentrate on helping the client to deal with their debt situation as it presents itself.

The paper suggests that there has been no evidence supplied that demonstrates the normalisation of irresponsible use of HCSTC (e.g. for holidays and so on). It may be a suitable research topic to try to identify why consumers took out HCSTC products and whether advertising influenced their decision. However, it is a topic for independent research and not something we are able to supply.

We would suggest that if the outcome is still uncertain, that further independent research is commissioned to try to answer some of the outstanding questions. For example, in the paper it is stated that no causal links have been found between HCSTC advertising and normalisation or pester power, but does identify areas of correlation which could be further researched. There are also findings about public attitudes such as the reasons 75% of parents would support a pre 9pm watershed ban on HCSTC advertising, which could be explored further.

Responses to individual questions

Please tell us which of the following statements you agree with. Please explain your reasons.

1. *The imposition of additional restrictions, including 120-index scheduling restrictions is not necessary or proportionate;*

2. *The introduction of 120-index scheduling restrictions to prevent HCSTC ads from being appearing in or adjacent to programmes commissioned for, principally directed at or likely to appeal particularly to audiences below the age of 16 is necessary and proportionate; or*

3. *The introduction of 120-index scheduling restrictions to prevent HCSTC ads from being appearing in or adjacent to programmes commissioned for, principally directed at or likely to appeal particularly to audiences below the age of 18 is necessary and proportionate.*

It is difficult for us to make a judgement in this area as we are not familiar with the workings of the 120-index scheduling restrictions and the topic is particularly opaque.

We would tentatively support the proposal to introduced scheduling restrictions to prevent HCSTC adverts from appearing in or adjacent to programmes commissioned for, principally directed at, or likely to appeal to audiences below the age of 18. We feel this would be both a necessary and proportionate response.

This approach appears to allow for a more nuanced approach than a straightforward pre-watershed ban. There is some merit in the argument that a pre-watershed ban does not assess whether children are likely to see a specific ad. However, treating HCSTC adverts as a product category such as gambling and spread betting, which must then be kept away from certain programmes that are judged according to the index to have particular appeal for those within specific age groups, could result in a more efficient way of limiting under 18s exposure to HCSTC adverts.

We would, however, reserve judgement about how effective this approach would be, as a pre-watershed ban may need to be put in place if this approach does not show demonstrable effects. It is unclear how BCAP intends to monitor the outcome of any provisions put in place in future. We would suggest that such monitoring would be crucial to assessing the effectiveness of any approach adopted.

Clearly, television advertising is not the sole focus of work around the regulation of HCSTC. We note that the FCA has launched a consultation on implementing the CMA market study remedies. There will be further research into credit broking market for HCSTC and we would hope that unsolicited marketing calls, texts and so on will also be subject to further scrutiny. However, effective control of HCSTC adverts and how they affect under 18s forms an integral part of the picture.

6 – Chartered Trading Standards Institute (CTSI)

About The Chartered Trading Standards Institute

The Chartered Trading Standards Institute (CTSI) is a professional membership association founded in 1881. It represents trading standards officers and associated personnel working in the UK and also overseas – in the business and consumer sectors as well as in local and central government.

The Institute aims to promote and protect the success of a modern vibrant economy and to safeguard the health, safety and wellbeing of citizens by empowering consumers, encouraging honest business, and targeting rogue traders.

We provide information, evidence, and policy advice to support local and national stakeholders.

We have also, as part of our recently revised remit, taken over responsibility for business advice and education concerning trading standards and consumer protection legislation. To this end, we have developed the Business Companion website (www.businesscompanion.info).

The CTSI Consumer Codes Approval Scheme, launched in 2013, has superseded the OFT scheme.

CTSI is a member of the Consumer Protection Partnership, set up by central government to bring about better coordination, intelligence sharing and identification of future consumer issues within the consumer protection arena.

We run events for both the trading standards profession and a growing number of external organisations. We also provide accredited courses on regulations and enforcement.

A key concern for CTSI is that of resources. UK local authority trading standards services enforce over 250 pieces of legislation in a wide variety of areas. They have suffered an average reduction of 40% in their budgets since 2010 and staff numbers have fallen by 50% in the same period.

Response

The Chartered Trading Standards Institute represents professionals who help promote higher standards in trading practice. In the private sector members are engaged in promoting good practice. Members in the public sector also promote good trading practice and attempt to eliminate bad practices through consumer and business protection measures enshrined in legislation.

We operate within the broad framework of the “Confident Consumer” agenda which has 10 basic principles of consumer protection. These principles include:

- Buy what you want, where you want
- If it doesn’t work take it back

It implies an aspirational market place in which consumers should feel safe, where goods and services are reliable and accurately described, and where if goods and services are not as such then the consumer can get their money back. This seems somewhat Utopian, but the nearer Society moves to this goal, the more the quality of life of our citizens improves and the fewer the burdens placed on health and council services.

CTSI recognises that our work impacts directly upon debt and nutrition, two factors fundamental to the health of the nation. In relation to debt, we have regulated credit since 1974 and have specialist teams searching out loan sharks. We are keenly aware of the effects debt can have on some consumers if stress leads to depression and mental health problems. We have actively promoted financial inclusion policies and credit unions to help avoid the pitfalls of debt and provide alternatives to higher risk products in the lending market. The harm experienced by some payday borrowers has been well documented by ourselves, Citizens Advice and debt counsellors. CTSI is therefore aware of the impact advertising can have when presenting a product or service associated with risk in such a way as to create the impression that the product or service is quite normal.

This consultation provides research about daytime advertising of payday loans on television. Children (defined as persons under the age of 18) are not able in law to engage in loan contracts. However, the study notes that early learning has a greater impact on a person than learning after the age of 18. The research reaffirms that not only are advertisements for loans not child-related but also that children do pick up on the advertising and, when parents say things are unaffordable, are apt to suggest that payday loans might be a solution.

The comprehensive research in the consultation also notes that a significant number of children and young persons watch television after the 9pm watershed and thus should action be necessary to avoid influencing young persons, the use of this watershed alone would be insufficient to avoid such influence.

The consultation then offers three statements.

> *1. The imposition of additional restrictions, including 120-index scheduling restrictions is not necessary or proportionate;*
>
> *2. The introduction of 120-index scheduling restrictions to prevent HCSTC ads from being appearing in or adjacent to programmes commissioned for, principally directed at or likely to appeal particularly to audiences below the age of 16 is necessary and proportionate; or*
>
> *3. The introduction of 120-index scheduling restrictions to prevent HCSTC ads from being appearing in or adjacent to programmes commissioned for, principally directed at or likely to appeal particularly to audiences below the age of 18 is necessary and proportionate.*

Respondents are invited to select one statement and justify the choice on the evidence presented in the consultation. Based upon the well-researched consultation and upon the policy arena in which our members work, CTSI opts for the third statement as that representing the position most in line with our objectives. CTSI actively engages in and encourages consumer education both within schools and post-school. It tries to present a balanced view of the market place and alternatives for products that may contain unforeseen risks. As only persons 18 and above can engage in payday loan contracts, CTSI wishes to avoid that balance being disturbed during an impressionable period in one's life by over-emphasis on just one approach.

7 – Incorporated Society of British Advertisers (ISBA)

About ISBA

ISBA – the Voice of British Advertisers is the representative body for UK advertisers. We have more than 400 members in all business sectors as well as not for profit, charity and public service advertisers. We are the advertisers' representative member of CAP and BCAP as well as the ICC global marketing and advertising commission.

ISBA membership includes financial service providers, including those offering HCSTC products and those with a repayment periods and interest rates lower than the accepted definitions.

Background

High-cost short-term credit (HCSTC) or Pay-Day loan products have been a cause for concern. Campaign groups have raised the issue, the ASA Council looked at the content rules, and more widely society has been concerned that taking a loan may have been trivialised in the marketing. ISBA therefore has welcomed this consultation. It is important that adults should not be misled and that the under 18s should not be targeted.

Adult product

However these are products that have a place in a range of financial services and which may be legitimately communicated to an adult audience; an audience that has every right to know about the products. It is important to consider the need for access to loans from those who are considered subprime. The alternatives to these loans can be much more dangerous territory for consumers.

Consumer protection

Not only is the protection of consumers and especially children mandated in law but advertisers support self-regulation that goes beyond the law. In particular responsible advertisers help write code content rules with restrictions on not advertising in a way that may be attractive to children under 18.

The imposition of additional restrictions, including 120-index scheduling restrictions is not necessary or proportionate

There is insufficient evidence to warrant the introduction of a 120 index scheduling restriction. And even less evidence that a 9pm watershed, called for by the Children's Society, would help protect children.

ISBA fully accepts the concerns expressed by the Society centring on the impacts on families of the take up of unaffordable loans. The FCA has properly reviewed the product regulations and created a regulatory structure and a licensing regime covering the products and lenders. An effect of this Government and FCA action has been a cost cap on payday lenders and a big reduction in the number of lenders. But evidence of avoiding the harm of children seeing the ads is weak.

The survey publicised by the Children's Society is from 2014;

- the methodology has been questioned;
- the material facts of advertising content have changed since that time, especially the use of content that may appeal to children.
- A more recent IPSOS MORI from 2015 clearly shows that children are not being disproportionally reached or targeted. The small % recoding that the adverts are appealing are the same for other financial service products and are low.
- The BARB figures quoted in the consultation document for Q1 2015 do not support the idea that companies are targeting the under 16s

Advertisers seek to avoid programming with high viewing figures for the under 18s. The target audience is adult. Given the relatively small budget for TV advertising in this sector it is very unlikely that any rational business would throw money at non-consumers. Even the larger advertisers in this sector have an annual TV advertising budget lower than just one retail advertisers Christmas ad campaign.

8 – Leeds City Council (LCC)

Introduction

The Broadcast Committee of Advertising Practice (BCAP), author of the UK Code of Broadcast Advertising (the BCAP Code), is consulting on whether to introduce scheduling restrictions on the television advertising of high-cost short-term credit (HCSTC), a category of product more commonly referred to as payday loans.

Payday loans have given rise to much public concern, including about their advertising. BCAP is committed to ensuring that the BCAP Code and any associated guidance, which already regulates HCSTC advertisements, is sufficiently comprehensive to prevent HCSTC advertisements from leading to harm, particularly by exploiting the vulnerable, for example families who are facing difficult financial circumstances or children or young people.

BCAP express concern throughout their consultation that they want to ensure that scheduling restrictions are not seen as the automatic response to concerns about advertising for a sensitive product; and that scheduling rules are a tool with a specific purpose.

BCAP had previously issued a call for evidence on the need for scheduling restrictions. The call for evidence was prompted by calls for change relating to TV advertising only: radio advertising was not considered and is not addressed in this consultation. The call for evidence set out the calls for change BCAP had received, along with the potential harms that respondents identified as arising from that advertising. BCAP asked that the evidence presented throughout their consultation document be considered in forming a response to their consultation.

BCAP Payday Loan Consultation Questions

BCAP consultation question required a reasoned response to one of three statements:

1. *The imposition of additional restrictions, including 120-index scheduling restrictions is not necessary or proportionate;*

2. *The introduction of 120-index scheduling restrictions to prevent HCSTC ads from being appearing in or adjacent to programmes commissioned for, principally directed at or likely to appeal particularly to audiences below the age of 16 is necessary and proportionate; or*

3. *The introduction of 120-index scheduling restrictions to prevent HCSTC ads from being appearing in or adjacent to programmes commissioned for, principally directed at or likely to appeal particularly to audiences below the age of 18 is necessary and proportionate.*

BCAP state they will consider responses in the light of the information provided in their consultation document. They ask that respondents bring to their attention any evidence that might support the chosen statement that is not set out in the document.

LCC Response

From the options available, Leeds City Council (LCC) would be inclined to agree with statement 3 set out in the questions. Although we would prefer BCAP to take a stronger stand against HCSTC advertising we would accept that the introduction of option 3 will have the most impact of the three options.

A 120-index scheduling restriction on payday lenders would prevent them from advertising during or around programmes that are popular with an under-18 age group. We have chosen this option to ensure the maximum amount of restriction possible is applied to payday lenders. Statement 2 was not suitable as that would only restrict the ads from audiences under 16 and Statement 1 was not a suitable option as that disregarded scheduling restrictions all together.

We were surprised to see BCAP have not agreed to a 9.00pm pre watershed ban as one of the options. Our preference would have been an option for a pre-9.00pm ban in addition to scheduling restrictions for programmes after 9pm.

LCC Position

LCC is committed to tackling high cost lenders in its city and through its actions is leading the way in tackling the impact of high cost lending. For this reason we were disappointed to read that BCAP did not fully acknowledge the dangers of payday lending. It was surprising to read that BCAP could not agree that advertising payday products normalised their use and pass such responsibility to the Financial Conduct Authority (FCA) as regulator of the product.

It was also surprising to see that BCAP disregarded their collected evidence as not being a robust indicator of harm. This was due to part of the research being conducted during the summer holidays, and assuming the children surveyed were watching more television ads than during term time. We would raise questions over this assumption and ask BCAP to consider whether children really do watch any more television over the school summer holiday period than in the winter months. We believe that the opposite is probably true.
In November 2013 the Chancellor of the Exchequer announced that the government was ready to introduce a cap on high cost short term loans. The cap was imposed through a legal duty on the FCA, who took over the regulation of the consumer credit industry on 1st April 2014. The FCA already had the power to impose a cap, but was forced to do so by government after interest charges and fees had become more excessive and there was increasing evidence of harm emerging.

In anticipation of the FCA's cap proposals, LCC undertook research into the impact of credit caps in international markets. Evidence from France, Germany, Australia, USA and Japan revealed that international interest rate ceilings range from 24% to 300% APR (including fees). The UK cap is set in the region of 1300% APR (0.8% per day). The research found that the UK cap was set much higher than in other countries and therefore there is still a great need for protection against this form of lending.
In July 2014 the FCA published their proposals for consultation on the level at which the cap will be set. Also in July 2014, BCAP noted how the advertising carried out by payday lenders was found to be light hearted, jovial and trivialised the seriousness of taking out a payday loan which breached social responsibility rules. LCC understand that BCAP have made changes to the way payday lenders can advertise, and welcome the proposal to introduce scheduling restrictions, however more needs to be done to prevent the normalisation of payday lending.

LCC Evidence of Harm

LCC take the view that payday products themselves do cause harm, particularly to the poorer communities in society and evidence suggests that young people under 25 are also vulnerable to this form of lending. We have based our views on our independent research and the evidence provided from our partners in the advice sector who offer free independent advice to clients in financial hardship.

High cost lenders have the effect of draining capital out of communities, particularly poorer communities, which is then transferred into company profits much of which is not then invested in the local economy. LCC's research in 2004 estimated that the use of high cost lenders, as opposed to more affordable credit, cost the Leeds economy between £3-9.5million per annum. The value of this figure will have increased since that time. This money, which is only interest repayments, disproportionately affects the financially poorest households and communities. It reduces families' disposable income, which in turn reduces their children's life chances, and thus cuts the amount spent with local shops and businesses. This 2004 research was carried out on high cost doorstep lenders, charging interest in the region of 200% APR, and predates the impact of the payday loan market some of whom at their height, before being capped; charged APR over 5000%.

Further research undertaken by Salford University on behalf of LCC in 2009 looked at the Economic Impact of Financial Inclusion Initiatives. The investigation in this study measured the impact achieved resulting from initiatives including the delivery of affordable credit (primarily through credit unions) debt and benefits advice and work of Social Landlords in alleviating problems resulting from debt and rent arrears. The research showed that, in those three areas alone, the disposable income of families increased by £26million per year – and that most of this increased disposable income went to poorer communities.

The research also found additional benefits which would have positive impacts in economic as well as social terms:

- Half of both credit union and debt advice clients said their quality of life had improved following support.
- 41% of those who had benefited from debt advice reported that their health had improved.
- Over two thirds of people receiving debt advice reported that their stress levels had reduced.

This evidence makes clear that there are harmful impacts resulting from high cost lending products and a reduction in their prevalence has positive benefits on family health but would also see less demand on the resources provided by the health service for example. It is often reported that debt levels and the resultant stress can have significant impacts on family life. Individuals who have debts have also been shown to be far less likely to either obtain or sustain employment. The presence of high cost lenders in an economy is far more likely to have negative impacts on economic activity. Reducing the promotion of this market is likely to see positive and beneficial economic consequences as well as improvements in family life.

In addition to our own research, national debt charity, Step Change in the main findings of their Statistics Yearbook on Personal Debt in 2014 revealed the following:

- 64% of their clients with payday loan debt had two or more payday loans
- There was an increase in clients seeking debt advice in 2014 from clients aged under 25

- Younger clients were far more likely to owe money on payday loans (42.5% of their clients aged under 25 had payday loan debt, compared to less than 5% of clients aged 60 or over.
- From further surveying of over 1500 of their clients, 47% had visited their GP as a result of mental or physical health problems caused by their debts

The fact that under-25s find payday loans appealing and accessible provides evidence that the product is attractive to a younger age group. Although it is not legal for children and young people under 18 to acquire a high cost or payday product, they need to understand the risks associated with this type of lending by the time they turn 18. One way of tackling the risk is to not promote the product as a normal and useful product on a platform that they are growing up around.

Recently Leeds City Council and some of our partners were invited to attend 2 of the cities high schools to give a presentation as part of the schools work around the new curriculum measures on financial awareness and budgeting. We spent the whole day in both schools and presented to the whole of a year group – 300, 11/12 year olds in one school and 200, 13/14 year olds in the other. We covered many topics and included information about high cost and payday lenders. We showed a TV advert by WONGA and played a radio advert too. We then asked them how many children had seen or heard these adverts. In all the sessions all pupils put up their hands. If something is not done to rectify this, by the time these young people are 18 they will believe that these forms of loans are a normal part of life and potentially they will face adverse consequences as a result.

LCC Action against HCSTC lenders

As a public body LCC considered the evidence of harm outlined above justifies taking a firm stand against the advertising practices of high cost lenders. We have invested into a city wide marketing campaign to promote alternatives to high cost and payday products and warn communities about the dangers of the market. We have worked with commercial partners at our local rugby, cricket and football clubs to ban pay day advertising at the grounds and on players' sporting kits. We have blocked all payday adverts from coming through internet advertising on all publically available, council owned computers and council employee computers. We also work with our partners in the advice sector and affordable credit sector to ensure our communities are aware of the help needed if they are in financial hardship and who to turn to as an alternative to high cost lenders if they have been turned down for credit by their banks.

There are various community based financial institutions as alternative options to payday and high cost products, however they lack the advertising budgets to promote their services during popular television schedules and the messages about alternatives is drowned out by the proliferation of high cost advertising.

Conclusions

LCC understand that BCAP has to meet the needs of advertisers and broadcasters and have the loss of revenue to consider when taking decision to restrict ads. However BCAP's position is similar to that of the FCA's before July 2014, with their initial reluctance to introduce a cap out of concern for the industry. Up until now, BCAP have been reluctant to place HCSTC lenders into a restrictive category.

Having reviewed the data and conclusions from the impact research carried out by BCAP on estimating the loss of revenue if scheduling restrictions were to apply, it is evident that the loss of revenue would be mitigated by placing the ads into other time slots. Therefore LCC take the view that a scheduling restriction would not have an effect on the revenue of broadcasters that was disproportionate to its aim and believe this evidence supports a case for the restriction.

LCC also believe we have submitted more robust evidence on the harm caused by high cost and payday lenders, especially to young age groups and would urge BCAP to reconsider its decision and impose a pre-9pm ban in addition to scheduling restrictions after 9pm.

9 – MoneySavingExpert.com

About MoneySavingExpert.com

MoneySavingExpert.com is the UK's biggest consumer website dedicated to saving people money on anything and everything by finding the best deals, beating the system and campaigning for financial justice. It's based on detailed journalistic research and cutting edge tools, and has one of the UK's top ten social networking communities.

During November 2015 the site had almost 14 million users visiting the site over 24 million times and looking at more than 62 million pages. Almost 11 million people have opted to receive our free weekly email and more than 1.4 million users have registered on the forum.

Our response

MoneySavingExpert.com welcomes the BCAP consultation on the introduction of scheduling restrictions for television advertising of high-cost short-term credit.

We agree with the following statement, as suggested by the consultation, and we will explain our reasons why below:

The introduction of 120-index scheduling restrictions to prevent HCSTC ads from being appearing in or adjacent to programmes commissioned for, principally directed at or likely to appeal particularly to audiences below the age of 18 is necessary and proportionate.

By advertising during and around programmes likely to be seen by children, payday lenders are grooming children to grow up to be the next generation of high-cost borrowers. The inclusion of these adverts near children's programmes is an attempt to normalise, legitimise and mainstream this dangerous type of niche borrowing.

When the next generation leaves school and needs or wants money in a hurry, they will think of payday loans. Payday loan adverts are poor education and irresponsible. Action is therefore needed now – or in a generation's time the problems caused by these sometimes vicious loans will be even more destructive.

The advertising and marketing of these products is deliberately targeted to build a market that wasn't there before, so these companies can position themselves as 'necessary'. The payday loan industry insists it is not targeting children, but the results of a poll we asked our site users shows that parents are under undue pressure and kids are being dazzled by catchy tunes and cute puppets.

After being told by parents they were worried their children thought payday loans were normal everyday financial products the question we asked our site users was as follows:

> *"Do your kids nag you to get a payday loan? Payday loan adverts are, sadly, now even shown on children's TV as well as other channels. Have they filtered into your child's awareness?"*

Children being exposed to payday loan advertising is clearly a problem many of our website users have experienced. Almost 3,000 people responded to our poll, and the response was that more than one in three people with kids under 10 say their children have repeated payday loan ad slogans, with 14% saying that when they've refused their under-10 something, they've been nagged to get a payday loan to pay for it. The poll also found almost 70% of kids under the age of 16 have seen payday loan ads and almost one in three of the parents surveyed said their kids see payday loan adverts as fun.

It is simply wrong that a third of children can repeat payday loan slogans or tunes, and for children to pressure their parents to take out this form of debt.

While we accept, as stated in the consultation, that under 18s are not able to apply for these products this is a stronger reason to enact scheduling restrictions at this age. Why would a person of any age need to be shown detrimental adverts that are not suitable or available to them?

Adverts make payday borrowing look like a fun little transaction rather than a hardcore form of debt. Restricting them around programmes aimed at under-18s will go a long way to reversing the normalisation of this extreme kind of lending.

Appendix

MoneySavingExpert.com asked our forum users for their opinions on the BCAP consultation. Below are relevant comments from the forum discussion, but we encourage BCAP to read the full conversation thread.

User comments in favour of introducing scheduling restrictions for payday loan adverts:

- *As a maths teacher of children aged 11-18 I would say there should be restrictions regarding payday lenders aiming adverts at young people up to the age of 18.*

- *Obviously some of these will watch TV at all sorts of time of day but many 16-18 year olds, possibly looking at going to university need to be able to manage finances on a tight leash. We have all seen that horrendous advert for student-loans-payday-loan.*

- *Others in this age bracket may be going into some form of work will be drawn in with the temptation of quick, easy, same day money.*

- *With many essential financial services such as mortgages bank accounts (arguably cashback credit cards if used properly) now looking at payday loans as having a negative effect on someone's ability to obtain credit, young people may not be aware of the hidden consequences.*

- *Personally I would ban all payday loan adverts from TV, online and in magazines. People in real need of these products will find a way to find out about them, eg, a Google search.*

- *I strongly believe that all payday loan adverts should be banned.*

- *Ban them completely. Several adverts chained through a recent ad break at 9pm - I was nearly sick when I saw the interest rate. I am terrified that my adult daughter will see these as a quick fix. It's vile that these companies make enough money to afford TV adverts.*

- *I think the adverts should be banned completely. The interest rates are stupidly high, but regardless of that too many people end up in debt because they can't afford to pay the initial amount back, never mind about extra.*

- *The adverts aren't aimed at children and it's not like children can take them out. As a child I would have completely ignored the adverts because they're boring! What kid cares about loans? However, it's possible that something will stick in the back of their minds and later on they'll remember about payday loans and go in search of them. So at the very least they should be banned between any programmes aimed at those under 18.*

- *These awful ads should definitely be stopped from daytime viewing and before the watershed. I've heard mums talking and saying their kids have actually suggested they take out one of these loans when the mum's mentioned needing a new washing machine and can't afford it - the kids quote the adverts word for word - that is worrying and shows some parents may even be sent down the wrong road to taking out one of these thanks to their kids seeing these awful adverts. They should be banned altogether.*

- *I would ban the adverts completely and I would make it illegal to have such high rates of interest. Unfortunately too many people have no idea how interest works and don't understand how these loans work - perhaps any loan but short term ones seem to be harder with the people I've spoken to. As regards to education, I agree with Martin that we need more education in school on finances. I have educated my son in little bits over the years and I continue to do so but not all parents can do that. Pay day loan adverts are not needed to provide that education or show the downfalls of debt. There are lots of ways that that can be done.*

- *Obviously it's the effect it has on kids in the future rather than now. They can't take them out now but they will be able to when they're an adult.*

- *I think they should be banned completely. Getting into a payday loan cycle is almost as bad for your health as smoking and they ban those ads.*

- *The ads should definitely be restricted to over 18s.*

User comments not in favour of introducing scheduling restrictions for payday loan adverts:

- *No change. Kids can't take out these loans and isn't it common sense that you don't spend beyond your means or take out when you can't pay back? I prefer them to be shown more during the day when I'm at work so I don't have to endure them so much in the evenings.*

- *I don't think they should be banned, as another poster has said they are an ideal opportunity to discuss the downfalls of borrowing money. However I would point out that the APR is a bit confusing as it is based on fees added to fairly small short term loans so it does look higher the most loans. I think you need to point out to your children that longer term loans may show a lower APR, but it's really the overall interest that you have to pay that's more of an eye opener in my opinion.*

- *If we're talking about young children, if managed properly by the adult supervising, it could be a good way to explain to young people the power of advertising and the iniquity of these payday loan vendors at an early age.*

10 – The Money Charity

About The Money Charity

The Money Charity is the UK's leading financial capability charity.

We believe that being on top of your money means you are more in control of your life, your finances and your debts, reducing stress and hardship. And that being on top of your money increases your wellbeing, helps you achieve your goals and live a happier more positive life as a result.

Our vision is for everyone to be on top of their money as a part of everyday life. So, we empower people across the UK to build the skills, knowledge, attitudes and behaviours, to make the most of their money throughout their lives.

We believe financially capable people are on top of and make the most of their money in five key areas:

- Planning (including budgeting)
- Saving
- Debt
- Financial services products
- Everyday money (including wages, cash, bank accounts)

Response

1. Our work promotes a healthy attitude towards money management, which includes the appropriate and sustainable use of HCSTC products in certain circumstances. These products, though they are problematic for some consumers in certain situations, can be a useful financial decision for others.

2. Advertising which introduces people to certain forms of credit in an informative way can disseminate information and introduce people to forms of credit they may find useful. As such, we believe that advertising of credit products, provided the content is responsible and does not encourage dangerous use of credit, should be permitted.

3. Having said this, The Money Charity does worry that credit providers, certainly not limited to HCSTC are advertising in a way that is not informative, is seen by under-18s and does encourage dangerous use. The evidence outlined in the consultation paper does present a worrying picture of children seeing and misunderstanding television advertising and of pester power. But it is likely that similar results could be found across advertising in the wider credit sector.

4. So, if scheduling restrictions are to be imposed; we would want to see them introduced across the consumer credit sector. The danger of picking out one type of credit for advertising restrictions is that it implies that other forms do not carry the same risks. Given recent regulation, and worrying statistics from other parts of the consumer credit market, we think this is not an accurate message to send out.

5. Our statistics show that the average credit card debt per household is £2,349 and that credit card debt is more than 20 times larger than the total value of payday loans. When 8.9% of credit cards (5.1 million accounts) have current repayment patterns that, if continued, would take over 10 years to pay off the balance, it is difficult to argue that consumer risk is disproportionately located in the HCSTC market.

6. In the past few years, regulation of the sector has resulted in maximum daily interest of 0.8% and restrictions on total repayment to twice the sum borrowed. Particularly in this context, the dangers of HCSTC versus other forms of credit are not obviously greater. To single out this market for advertising restrictions picks one target while ignoring another, considerably larger one without a huge amount of justification. It would also risk preventing information about potentially useful forms of credit from reaching the public, leaving those in need of short term credit to look elsewhere, perhaps to providers such as loan sharks who pose a much greater danger to consumers.

7. All this is not to say that we would always oppose the idea of scheduling restrictions completely, just that regulation ought to look at the whole credit market, be based on evidence and take into consideration potential negative consequences.

8. If HCSTC does have scheduling restrictions placed on its advertising where other forms of credit do not, we would like to see justification of this decision in terms of potential consumer detriment.