

LENDING CODE FOR SMALL CASH ADVANCES



Consumer
Finance
Association

This is a Code of Practice for businesses that offer small cash loans (sometimes referred to as “payday” loans) from high street outlets, by telephone (including text) or online.

This type of loan allows customers to borrow a relatively small amount of money (usually between £50 and £1000) which they repay over a short period (typically one or two months). This loan is not designed for longer term borrowing, but to improve short term personal cashflow.

This Code is in addition to all legal requirements, Office of Fair Trading regulatory guidance see <http://www.oft.gov.uk/OFTwork/credit/> and the Code of Practice of any Trade Association to which a lender may belong.

WE WILL...

1. Treat all customers fairly and with care, correcting any mistakes quickly and courteously, and compensating customers for any reasonable losses we may cause.
2. Never encourage customers to borrow more than they need, and seek to establish that they can afford to repay considering their ability to meet other expenses or loan repayments. We will conduct credit checks, consider any previous payment history with us, and/or use credit reference and/or specialist data sharing agencies and publicly available data to make our lending decision based on customers' circumstances, and to guard against fraud.
3. Explain in clear language the terms and conditions of our service, and offer help if there is anything that applicants do not understand.
4. Always show applicants the total cost of repayment clearly and prominently before they apply for a loan. There will be no hidden fees or charges.
5. Agree a loan amount and a repayment date with applicants if we offer a fixed term loan.
6. Set an appropriate credit limit for customers if a running account agreement is offered. This will be reviewed periodically based on credit history enquiries, including how individuals have used our service or services similar to ours in the past.
7. Clearly explain the costs and consequences of late or non repayment. If customers' circumstances change for the worse, and repayment cannot be made in full on the contracted date(s) we must be contacted before payment is due. We may charge a default fee and take recovery action if customers do not repay on time and have failed to contact us before the repayment date to make mutually agreed alternative arrangements.
8. Give customers a reason why, if we cannot offer them a loan.
9. Assess applications in our usual manner if customers request a further loan. A successful application for one loan is not an indication that a further loan will be agreed.
10. Offer a modified repayment schedule that will pay down the outstanding debt in a manageable manner for those customers who encounter significant repayment difficulties, and give details of free advice services that can help customers who have financial difficulties or repeatedly delayed or missed payments.

Free, clear, unbiased advice to help people manage their money, including comparison tables and decisions about credit, is provided by the Government's Money Advice Service: <http://www.moneyadvice.service.org.uk>

Customers have a right to take any complaint to the Financial Ombudsman Service. They should however contact the lender in the first instance and may be able to seek assistance from any trade association to which the lender belongs. See the Ombudsman's online leaflet for further details, or call 0300 123 9 123:

<http://www.financial-ombudsman.org.uk/publications/consumer-leaflet.htm>