



Report of the Cabinet Member for Supporting Communities

Poverty Reduction Policy Development Committee – 28 June 2021

Promoting Affordable Credit Draft Policy

Purpose:	To adopt a policy which embeds the promotion of affordable credit.
Policy Framework:	Swansea Council's Tackling Poverty Strategy Welsh Government's Financial Inclusion Strategy Wellbeing of Future Generations (Wales) Act 2015 Socio-Economic Duty 2021
Consultation:	Access to Services, Finance, Legal.
Recommendation(s):	It is recommended that: 1) To further scope the implications of the draft policy with Credit Unions. 2) To further explore the barriers to accessing affordable credit and identify a range of affordable credit options. 3) To carry out an IIA Screening / Full IIA prior to a draft policy report going to Corporate Briefing.
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1. Introduction and Background

- 1.1 The Poverty Reduction Policy Development Committee (PDC) examined the issue of High Cost Lending during the Municipal Year 2018-19 and agreed to develop a Promoting Affordable Credit Policy which aims to end the targeting of High Cost Credit, prevent High Cost Lending and promote access to equitable and Affordable Credit for all residents of Swansea. The development of a Promoting Affordable Credit Policy will

help to ensure that the approach is embedded in the Council's policy framework.

- 1.2 Borrowing is a necessity for many people on low incomes, simply to 'make ends meet' or as a result of 'pinch points' such as Christmas, or 'life shocks' such as bereavement. The Covid-19 pandemic has also impacted low-income households disproportionately resulting in an increase in the number of people and households using credit to pay for everyday essentials such as food, clothing and utilities. Prior to the Covid-19 pandemic, the Step Change Debt Charity estimated that 8.8 million people use high cost credit for every day household expenses. High cost credit companies often target those who might have poor credit and low financial resilience. This can lead to debt, default and insolvency, as residents might take on too much High Cost Credit. A number of residents targeted by high-cost credit providers are also sometimes vulnerable and we have a duty to ensure they are supported to make well-informed borrowing choices.
- 1.3 A draft of the Promoting Affordable Credit Policy (Appendix A) was presented to Corporate Management Team on the 4th November 2020 where it was agreed that the development of the policy could progress to public consultation prior to progressing to Corporate Briefing and being adopted as policy.
- 1.4 The Draft Promoting Affordable Credit Policy Public Consultation launched on the 26th April 2021 and ran for a period of four weeks, closing on the 23rd May 2021.
- 1.5 The consultation was promoted to the members of the Swansea Poverty Partnership Forum, Financial Inclusion Steering Group and Swansea Food Poverty Network. A list of members of these groups can be found at Appendix B)
- 1.6 This report summarises the consultation findings and the recommended next steps.

2. Summary of Consultation Findings

- 2.1 The Promoting Affordable Credit Draft Policy Consultation was introduced as follows: 'In Swansea Council, we want to change how we work when we realise that someone has money worries, even if they don't actually say so, and provide support to those people. Anyone can fall into financial difficulty, and an individual's money problems don't just affect them. Our local community thrives when people can afford healthy lives, support the local economy and avoid the stress of money worries. We want everyone who represents the council to understand this, and to know how to ensure people with money worries can get free, independent help if they want it. There are very expensive ways of borrowing money. Some shops sell things with easy repayment plans, but the total cost is very high. Some lenders will come to your home to

take repayments in cash, but again, the cost of these loans is very high. High costs take money out of people's pockets. So instead we want to make sure people know about better ways to borrow money, also known as affordable credit options, if that's what they need. This policy should help Swansea Council staff to make sure such options are promoted within Swansea, so we would like you to let us know whether you feel clear about what it aims to do. Your views are very important to us, so please spare a few minutes to complete this questionnaire.'

- 2.2 A total of five responses were received, three of which were from third-sector organisations. All respondents had read the draft policy. A full summary of the consultation findings can be found at Appendix C.
- 2.3 80% of respondents agreed or strongly agreed that the policy was easy to read and easy to understand. 20% tended to disagree. 100% agreed or strongly agreed that the policy is well laid out and is an appropriate length.
- 2.4 80% of respondents agreed or strongly agreed that the aims of the policy are appropriate, achievable and are going to make a difference to the people of Swansea and will achieve our aims.
- 2.5 80% felt that the policy is a good idea.
- 2.6 Four of the five respondents provided comments as to why they were interested in this consultation as follows:
 - 2.6.1 'I believe that having this policy is essential in doing more to get across the message that there are alternatives to loan sharks, both legal and illegal. I have always felt, and always will, that it is a gross injustice that those with little money are so often duped into wasting their limited resources.'
 - 2.6.2 'As I specialist debt adviser I have to deal with clients suffering the consequences of high cost credit.'
 - 2.6.3 'My job means I work with vulnerable people affected by poverty, etc. who are often targeted for credit.'
 - 2.6.4 'I am Interested in what the council spends money on because I pay a high amount of council tax.'
- 2.7 Two comments related to Swansea Bay Credit Union:
 - 2.7.1 'Does Swansea Credit Union have the capacity to take on a large number of new customers?'
 - 2.7.2 'A large number of people will not go into credit unions, because it involves being interviewed and looking at their finances, checking what they spend money on etc. The reason people use doorstep lenders or payday loan sites is because its quick and simple no questions asked. So on that basis, I think the promotion will have minimal effect and will not be cost effective.'

2.8 Two comments were negative:

2.8.1 'I don't agree with the proposed promotion I think its a waste of public money. However Isn't a bit discriminatory that it is only aimed at council tenants, they are not the only people that get into difficulty.'

2.8.2 'This is not something I think the council should be involved with. I know a number of people who have got into debt, even helped them out myself. The usual reason is because they purchase expensive products they can't afford eg: I phones, expensive TV's, £60 for a bottle of mascara, £90 for perfume. I believe a better approach would be to discourage/educate people how to live within their means and resist the temptations of product advertisers, preventing people from getting into debt in the first place. If you can't afford it, you can't have it.'

3. Recommendations

3.1 Whilst the responses from the respondents were for the most part positive, recommendations can be drawn from the consultation as follows:

3.1.1 To further scope the implications of the draft policy with Credit Unions.

3.1.2 To further explore the barriers to accessing affordable credit and identify a range of affordable credit options.

3.1.3 To carry out an IIA Screening / Full IIA prior to a draft policy report going to Corporate Briefing.

4. Integrated Assessment Implications

4.1 The Council is subject to the public sector duties relating to equality and socio-economic inequalities as prescribed by the Equality Act 2010 , the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure 2011, and must in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Acts.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.
- Deliver better outcomes for those people who experience socio-economic disadvantage
- Consider opportunities for people to use the Welsh language
- Treat the Welsh language no less favourably than English.
- Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.

- 4.2 The Well-being of Future Generations (Wales) Act 2005 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.
- 4.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.
- 4.4 An IIA Screening / Full IIA will be completed prior to a draft policy report going to Corporate Briefing.

5. Financial Implications

- 5.1 Whilst there are no direct financial implications arising from this report, it may lead to decisions being taken at a later date that may have costs attached. Any such costs will need to be managed within departmental resources at that time with due regard to the Council's medium term financial plan.

6. Legal Implications

- 6.1 The Council must have due regard to the Public Sector Equality Duty under s149 of the Equality Act 2010 as well as its duties under the Equality Act (Statutory Duties) (Wales) Regulations 2011 .

Appendices:

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| Appendix A | Draft Promoting Affordable Credit Policy |
| Appendix B | Public Consultation Targeted Group Members |
| Appendix C | Consultation Results Summary |