FINANCIAL CONDUCT AUTHORITY

FCA regulation of high-cost short-term credit (HCSTC)

The FCA has **significantly strengthened regulation of high-cost short-term credit (often known as 'payday lending')**, driving up standards across the sector

Authorisation
Scrutinised firms to ensure they meet our threshold conditions

Supervision
Taken action including delivering more than £300m in redress

Policy
Introduced a price cap, risk warnings, restrictions on rollovers and how recurring payments are collected

These changes have brought **substantial benefits for consumers**

HCSTC loans are cheaper – the cost of a typical loan has gone from over £100 to around £60, saving 760,000 borrowers a total of £150m per year

Firms are less likely to lend to consumers who can't afford to repay – default rates on HCSTC loans in 2016 were around a third of what they were in 2014, and firms' revenue from late payment interest and charges is about half of what it was

Fewer customers are experiencing HCSTC debt problems – StepChange saw a 30% drop in clients with HCSTC debt from 2013-2016, while Citizens Advice saw a 60% drop after 2014

63% of people we surveyed who had applied for HCSTC and been declined said that this was for the best

85% of people who applied for HCSTC and were declined chose not to take out an alternative credit product; 60% did not borrow at all, while those who did went mainly to friends or family. We have seen no strong evidence of a rise in illegal money lending because of the price cap