

ORGANISATIONS OFFERING CHEQUE CASHING FACILITIES

Additions and Notes – Anne Feeney

- **More detail added regarding payday loans and advances.**
- **Tenants loans and illegal Money lending added**
- **Trends – more ‘affluent’ now resorting to high cost credit as mainstream credit lines dry up.**
- **Cattles – better end of high cost credit at 200-300% (operate ‘Shopachek’) in financial trouble maintaining their loan book and reducing activity accordingly – this will drive customers to even more extortionate end of market.**
- **Public Authorities repeatedly send cheques to unbanked who resort to cheque cashing shops – often trigger to being drawn into high cost lending sector.**
- **High cost lending – no credit history, not related to risk or market is about securing a high proportion of vulnerable household income for life.**
- **Size of loan and arrangements suits customer - small amounts, weekly ‘affordable’ payment- no credit checks, simple procedures. Alternative affordable credit requires same features**
- **Increasing number of new high cost credit products on market**

Third Party Cheque Cashing

This facility is used by individuals who are unable to obtain a bank account or those who cannot wait for a cheque to clear through the banking system.

The way that third party cheque cashing works is that an individual will visit a cheque casher with, for example, a wages cheque made payable to them. The cheque casher, by virtue of the Money Laundering Regulations will make suitable checks to identify and verify the customer and, if satisfied that the person is who they say they are, may decide to cash the cheque. It is also likely that the cheque casher will make enquiries about the cheque with the employer (or whoever wrote the cheque). There is a charge for this service which is usually deducted from the face value of the cheque. The cheque casher pays the customer, less the fee, and the customer walks away with the cash in their hands. The cheque is then banked by the cheque casher and payment made by the person who wrote the cheque.

Cheque cashers will generally accept all cheques made out to individuals including cheques for wages, those issued by the Inland Revenue, insurance companies, Government, company refunds, loans and many more.

Most cheque casher companies charge a handling fee plus a percentage of the value of the cheque being cashed. The commission charge ranges from 4-7%; this is dependent upon the value of the cheque, the payer, amount taken immediately and the degree of risk. The handling fee is in addition to this and if a photographed ID card is required (usually if it is the first time the person has used the service) there is also a charge for this.

Personal Cheques

Personal cheques will also be accepted by cheque cashers, up to the value of the bank guarantee card. This allows individuals to take advantage of 2 to 3 deferred banking days. The commission charged for this ranges from 6-6.5% of the value of the cheque and in some cases there is also a small administration fee of around £2 charged.

Delayed Presentation of Personal Cheques

As above, however the presentation of the cheque is delayed by 30 days. To be eligible for this service you must be in full time employment and have wages paid directly into a bank account by BACS. The commission for this service is 13.64%, 12% on cheque value plus administration fee. This typically calculates to 374.2% APR for this service.

Personal Loans - After a series of delayed presentations lender may offer a loan to pay off debt accrued with them – typical 600-700% APR

Pay Day Loans

The general purpose of payday loans is to provide people with a cash advance until their next payday and they are usually up to 30 days in duration. However, in certain circumstances the customer can elect to 'renew' the loan for a fee and delay payment for a further agreed period of time. A typical fee for a payday loan is £25 for every £100 borrowed, payable in a single payment on pay day. This typically calculates to 1355% APR for this service. Payday loan companies ask people to bear in mind that it makes more sense to compare the cost of their loans to the alternative means of short term borrowing e.g. the cost of being overdrawn by just £100 for only 2 days could cost up to £60, this makes their rate seem more acceptable.

Business model is to 'flip' customer up to nine times. Each carried forward pay day advance is a new agreement (rather than renewal) and can be with a different lender each time. CU yesterday had example of a customer with pay day agreement started at £240 now owing £1,700. APR 88,000% (eighty eight thousand percent) – copy to hand

This type of money shop activity is banned in a number of American States.

After a series of delayed presentations I (flipped a few times) lender may offer a loan to pay off debt accrued with them – typical 600-700% APR

Other Services Offered

Pawn Broking

People can deposit items of jewellery with the pawnbroker who will value the jewellery and offer a loan up to the value of the jewellery. There is a charge levied on a monthly basis for this service and the pawnbroker retains the items of jewellery until the loan plus interest is fully repaid.

Logbook Loans

Loans secured against a car. The only security lenders require is for the person to own a car. Typical 439% APR.

Prepaid Credit Card

Individuals deposit money in their credit card account and can only spend up to the amount in their account. There is no fee for this service, people can top up for free by bank transfer, standing order, wages payment or at many locations including the Post Office.

Costs associated with prepaid cards – initial cost of card £4.95 ... monthly fee or cost per transaction depends on usage. £3 per bank transaction. Alternatively customers can get a loan that goes onto a credit card thereafter used as above - interest on loan in addition to above.

Tenant Loans/Advantage Loans (Brokers)

Leaflet drop deprived areas across Scotland at key times when extra money needed. Basic detail supplied by applicant and then they offer to broker a loan for £49.95 fee. Amount of loan or rate of interest not disclosed. Names of companies offering loans then sent to customer – small print states return of £49.95 is unable to get a loan within 6 months. Applicants are being advised in DWP growth fund areas to ask for a loan from a named credit union. CU's raised this with ABCUL and Consumer and Trading Standards

Illegal Money Lending

Unit in Glasgow serves whole of Scotland. Typical £75 per week for £250 loan running for over 2 years (actual case where action underway) Profile of customer different from England and Wales – much smaller loan values and more related to addiction.

