

End the Debt Trap Campaign

Our campaign in a nutshell

- Personal debt is skyrocketing, just as it did prior to the 2008 crash and crisis.
- The poorest households are worst affected. Many are caught in a debt trap in which they are forced to rely increasingly on borrowing to make ends meet and yet often pay the most in interest and other costs for their loans, forcing them to borrow more.
- This is leading to extreme financial hardship, emotional stress and mental health problems and risks destabilising the economy.
- Fundamental changes are needed so people don't have to borrow to make ends meet, and a write-off will likely be needed to free the poorest households from long-standing debts.
- We want Government and regulators to act now, just as they did to curb payday lenders in 2015, by **capping interest rates and charges** on all forms of consumer credit.

Britain's household debt crisis

Millions of people in the UK are suffering because household debt is now at record levels:

- Households in the UK currently owe £1.6 trillion in outstanding debts, which is 13 per cent higher than at the time of the 2008 great financial crisis.
- Unsecured consumer credit stands at £239 billion, also exceeding the pre-crisis peak by 4.6 per cent.
- People are paying an estimated £21 billion per year in interest, broadly the same as in 2008.
- The poorest are in the greatest financial difficulty. Just under half (44%) of all households spending more than a quarter

of their income on debt repayments have incomes of less than £15,000 per year.

With weak regulations governing how money is lent, welfare changes and cuts, falling real-terms wages, underemployment and precarious work, millions are becoming ensnared in the debt trap, having to take out high cost loans to pay off old debts and cover basic needs.

Caught in the debt trap

People become trapped in debt when it is both severe (because the repayments are very high relative to their income) and persistent (because the debt will take a very long time to pay off).

The poorest households who already face severe economic hardship may need to borrow to make ends meet and yet are often also forced to pay the most in interest rates and costs to borrow money. By contrast, households on higher and more stable incomes can often borrow for free, especially by using credit cards and clearing their balance in full at the end of the month.

High levels of personal debt are a risk to the wider economy and to local businesses, but they also have severe human consequences. The debt trap leads to increased poverty, deprivation, stress, and anxiety. The physical and mental health of individuals and their families suffer, with around one quarter of the 23,000 people admitted to hospital with mental illness estimated to be grappling with financial problems, as well as their relationships and working lives, with knock-on effects on community wellbeing and cohesion.

The debt trap is also a vicious cycle; the deeper people get into debt the more they are forced to rely on high-cost lending. So high are these costs that, over the period of a couple of years, they may total more than twice the amount of the sum originally borrowed.

Ending the debt trap

Ultimately, we need to build an economy in which people are paid living wages for good jobs and economic growth is driven by investment-rather than consumption and debt. But people also need to be able to escape the debt trap now.

As a result of campaigning, since 2015 payday lenders have been subject to a cost cap whereby people will never pay back more than double the sum they originally borrowed. There is currently no upper limit on the costs of other consumer credit products, such as credit cards, rent to own and doorstep lending.

The **End the Debt Trap campaign** is calling for **the costs cap imposed on payday lenders in 2015 to be extended to all forms of consumer credit**. It is unjustifiable, unfair and economically risky to continue to allow finance companies to impose unlimited, punishing and exploitative costs on the households least able to pay.

What you can do

Please join us. We are calling on NGOs, think tanks, trade unions, faith groups and other civil society organisations concerned with poverty and economic and social justice to lend your voice and support our campaign.

If you support us and give us permission to contact you, we will provide you opportunities to show your support, for instance by signing public letters or taking part in action.

End the Debt Trap Campaign

The End the Debt Trap coalition is a group of six organisations: Centre for Responsible Credit; Fair By Design; Jubilee Debt Campaign; New Economics Foundation; Research For Action; Toynbee Hall.

We have come together in response to the growing household debt crisis in the UK. Our overall goal is to tackle the build-up of unjust and unfair household debt in the UK economy and to prevent it from accumulating again in future. We believe that achieving this will require:

1. An end to predatory and exploitative lending, where the poorest people pay the most to borrow
2. A write-off of personal debt that has built up due to these lending policies and because of deep, structural economic injustice
3. Changes in economic policy that will reduce the need for people to rely on borrowing to make ends meet.

