

FOUNDATION FOR CREDIT COUNSELLING: WRITTEN EVIDENCE INITIAL SUBMISSION: JUNE 2004

About CCCS

The Foundation for Credit Counselling is Britain's largest debt charity with a staff of nearly 200 helping some 180,000 people a year.

Currently over 35,000 clients are making debt repayments to their creditors through CCCS.

The average indebtedness is over £20,000 consisting of an average of ten unsecured debt.

FCC is funded by asking creditors to repay a proportion of the sums they receive through the charity.

The start-up funding in 1992 came from Barclays, GE Capital, Registry Trust* and Leeds Permanent Building Society.

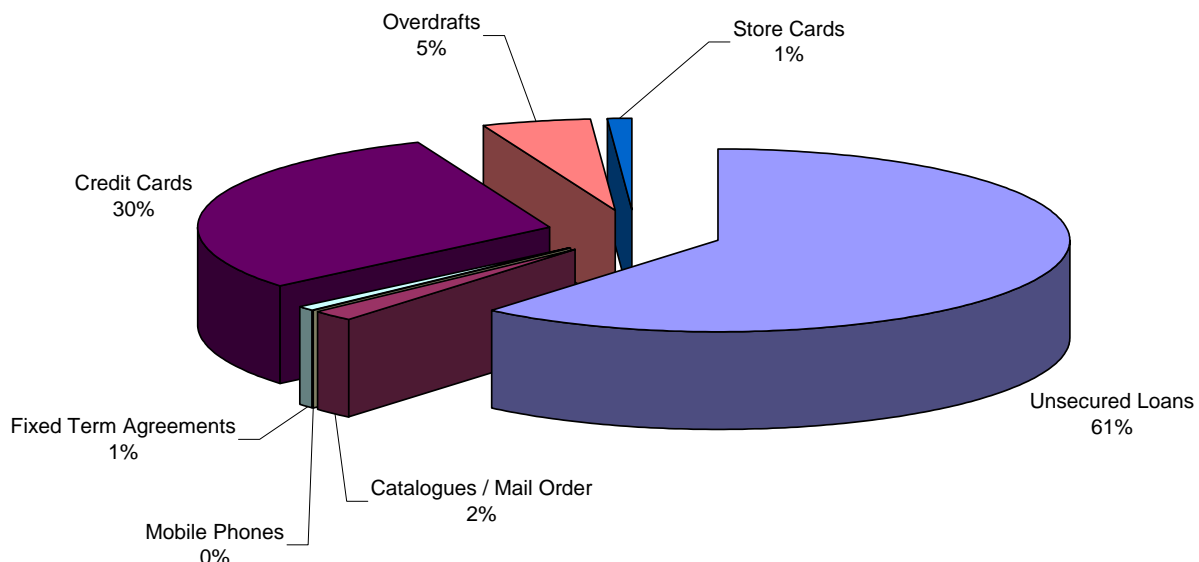
*Registry Trust is non-profit and is also chaired by Malcolm Hurlston, the Chairman Foundation for Credit Counselling. It operates the registry of county court judgments

Store cards in the context of overindebtedness

From the start CCCS has had experience of working with all categories of unsecured lender. This comes both from the one hour interviews conducted by its counsellors and from the establishment and maintenance of Debt Management Plans (DMPs) which give us a unique insight into the totality of indebtedness and the contribution by lending sector.

The CCCs have observed the change over time and can give perspective to the categories of lending and their impact on the total picture of over indebtedness.

The chart below makes the point.



The chart shows that store cards, despite wide ownership, are insignificant in terms of the problems caused to the seriously over indebted.

The CCCS believe there are three reasons why this is so:

1. average store card balances are low
2. store card providers use sophisticated credit grading techniques
3. through electronic authorisation at point of sale, they keep their customers out of debt trouble for the most part.

CCCS experience with store card issuers

The experience of CCCS with store card issuers and their customers is positive.

- The major issuers, GE Capital and Marks & Spencer, refer individuals with multiple debts for advice as soon as they identify the problems;
- At our request, they freeze interest and collection charges, which enables individuals repaying their debts to see an improving situation, in turn motivating them to repay;
- They stop all collection activity once a CCCS debt management plan is in place;
- They make the full fair share contribution to CCCS.

In effect the store card is more a loyalty card with a credit option than a credit card of narrow utility. Because of the closer link between customer and lender, store card providers are likely to be more friendly to people in difficulty.

The relative insignificance of APRs

The APR charged by store card issuers is typically higher than that charged by credit card issuers. However the costs are far more transparent and often more beneficial to people on the margin since credit card issuers and loan granters make collection, overlimit and penalty charges. APRs are only part of the story from our perspective

Indeed APRs are

- irrelevant to people who repay monthly
- partially relevant to people in difficulty
- substantially significant to regular borrowers and repayers