

High cost of credit sends a growing number of Britons into poverty

Campaigners call for a crackdown on lenders who charge exorbitant interest rates
By Jonathan Owen and Brian Brady



Karen Sheppard pictured at her home in Surrey Keys, London

Rising levels of poverty are putting millions at risk from spiralling debts, with the Government facing renewed calls to crack down on lenders who make large profits by exploiting the poor. Those on benefits and the working poor are at greatest risk, according to new government figures which show that the number of payouts to people forced to appeal for emergency financial help from the Government has almost trebled in only five years.

Poverty-stricken adults from some of the most vulnerable groups in the community applied for more than 3.6 million "crisis loans" in the last financial year – up from 1.3 million in 2005-06. The situation is likely to worsen, with continuing cuts, job losses and a VAT rise next month. A rise in interest rates could cause serious financial hardship to thousands of homeowners.

Jenny Chapman, a Labour MP, will call next week for protection for people on low incomes targeted by loan companies when she introduces a bill demanding tighter controls on "easy" credit advertising on television and radio.

"When public-sector redundancies, housing-benefit and general-benefit reductions kick in, as fuel costs continue to escalate, and when the interest rates go up, it is likely that as many as one in 10 homes in the UK will soon be in serious debt," said John Franks, the operations manager at the charity Community Money Advice. "It's a national crisis."

The number of mortgages deeply in arrears has been more than a quarter of a million since 2008, according to a report by the Joseph Rowntree Foundation, released this month. It warns: "The potential exists for a sharp rise in numbers [of repossessions] at some point in the future if lenders deem that to be in their interest." . In a further sign of growing poverty, the Government confirmed yesterday that job centre staff will start issuing vouchers for people to exchange for emergency food supplies. The scheme will begin next month and roll out nationally in April.

A record 2.1 million working families are living below the poverty line, and controversial reforms to welfare and taxes will push almost a million more people into poverty by 2014, according to the Institute for Fiscal Studies. Families are being urged to resist the temptation of taking out expensive loans over Christmas.