

Summary:

Irresponsible lending – a scoping paper

October 2008

The Office of Fair Trading (OFT) is conducting a project to provide a clear OFT position on the test for irresponsible lending under section 25 of the Consumer Credit Act 1974. The Consumer Credit Act 2006 amended the 1974 Act to designate irresponsible lending as an unfair business practice that might affect a firm's fitness to hold a consumer credit licence, but does not explicitly define irresponsible lending. This consultation is intended to establish the overall scope of the project.

Key points and recommendations

1. Age Concern welcomes the Office of Fair Trading (OFT) decision to carry out a project on irresponsible lending. The current economic turmoil highlights the need to ensure that all future lending is based on clear principles of responsibility. Although older people tend not to be heavy users of credit, we have concerns that small groups of older people appear to owe very large amounts.
2. The debate around irresponsible lending needs to take age into account in a way which does not lead to the imposition of age barriers under the guise of 'responsible' lending. Age Concern accepts that age may have a role in assessing risk, provided that this can be objectively justified by evidence, but the decision to lend should be made on ability to repay, not on age alone.
3. Age Concern is campaigning for legislation that would ban age-related differences in treatment for goods and services. However, we would expect legislation to permit the use of age where this can be shown to be objectively justified by evidence. We believe that this would allow the use of age in credit scoring, for example. The OFT's 'irresponsible lending' project could be

extremely valuable in giving guidance on the use of age in lending, and we hope that it will build on, but refine, the FSA's existing guidance on *Mortgages running into retirement*.

4. We agree that the OFT project should cover all stages of a lending transaction. It should also look at:

- The impact of the ageing population and the need to achieve a balance between access to credit and protection against irresponsible lending, and more specifically, the impact of any European or UK legislation on use of age in lending.
- The vulnerability of particular groups, for example older people who are new to borrowing.
- Potential links between irresponsible lending and financial abuse.

Most of our policy responses and summaries are available to download on our website: www.ageconcern.org.uk.

All rights reserved. Third parties may only reproduce this paper or parts of it for academic, educational or research purposes or where the prior consent of Age Concern England has been obtained for influencing or developing policy and practice.

Policy Unit, Age Concern England, Astral House, 1268 London Road, London SW16 4ER. T: 020 8765 7200 E: policy@ace.org.uk. Registered charity no 261794.

Jane Vass/October 2008
Jane.vass@ace.org.uk