



Northern Ireland
Assembly

**COMMITTEE FOR
FINANCE AND PERSONNEL**

**OFFICIAL REPORT
(Hansard)**

Payment of Rates by Credit Card

21 April 2010

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Ms Jennifer McCann (Chairperson)
Mr Jonathan Craig
Mr Fra McCann
Mr Mitchel McLaughlin
Mr Adrian McQuillan
Ms Dawn Purvis

Witnesses:

Ms Joleen Cunningham)
Ms Alison Donnelly) Consumer Council
Ms Julie McCurley)

The Chairperson (Ms J McCann):

I welcome Julie McCurley, head of money affairs in the Consumer Council, and Joleen Cunningham and Alison Donnelly, who are both senior consumer affairs officers in the Consumer Council.

We are trying to keep the meeting as short as possible because of the quorum. We just have a quorum at the moment, and I know that you have to go somewhere else afterwards as well.

Ms Julie McCurley (Consumer Council):

Thank you for the opportunity to give evidence on the payment of rates by credit card. We are grateful for your continued interest and support on the matter, and for your letter to the Minister

requesting him to defer his decision to allow the Committee more time to review and consider the key issues. The Consumer Council is keen that we should do all we can to ensure that consumer needs are at the heart of all decision-making processes, and we are disappointed that the Minister has decided to continue with the decision to accept credit cards for the payment of rates bills.

Today we want to discuss what can be done to ensure that consumers are fully protected. We have been in contact with Land and Property Services (LPS), which has asked for our comments on the information on its website. You will be pleased to hear that LPS has added information making it clear that there is a handling fee for credit card payments, and that there is an advisory notice for consumers who are struggling on where to get help from independent organisations.

Ms Alison Donnelly (Consumer Council):

We would like the Committee's help in pressing LPS to collect data on which it can review the policy and its impact on consumers. During last week's Committee meeting, John Wilkinson committed to forwarding information to the Committee as soon as he had it. The Consumer Council has also asked LPS to provide it with data and is awaiting a response on what data it will be able to collect.

Our briefing note outlines the kind of information that we would like, so that we can assess the impact of this policy decision on consumers: the proportion and number of consumers paying by credit card; the profile of those consumers; the true cost for those consumers; and the experience of those consumers. At present, credit card payment is only available online. If it was to be accepted over the phone, what would be the impact of that? Do consumers feel under pressure? Is the consumer making a positive choice that it is the best thing in their interests to pay by credit card, or, as we think is more the case, do they end up feeling pressured into paying by credit card because they have no other choice to pay their bill?

Related to that, the Consumer Council wants to raise consumers' level of financial capability. If consumers were able to use credit cards wisely, decide which credit card is best for them, pay them off so that they do not pay interest, and make judgements on when to use credit cards and when not to use them, this would not be such an issue. However, consumers in Northern Ireland have the lowest levels of financial capability in the UK. Financial capability means understanding the importance of money and having the skills and confidence to manage and use money wisely. It means being prepared for a rainy day. Consumers need to understand that they

need to have money saved in case something goes wrong, to have it in a safe place and to make the judgement that having it under the mattress is not as safe as having it in a credit union or bank account. It means consumers getting all the financial help that they are entitled to, including benefits; having appropriate insurance cover in case the worst happens; being prepared for retirement; and knowing how to get independent financial or debt advice if it is needed.

If all consumers were savvy about using credit cards, this would not be such an issue. We strongly recommend the use of the dormant bank account moneys for financial capability initiatives, and we would greatly appreciate the Committee's support in that. There has been a lot of discussion about which groups should be able to access that money, and the Consumer Council has no particular preference. However, we strongly support a proposal to make financial inclusion and capability a spending priority in order to raise levels of financial know-how, and it seems sensible to use that money as it has been forgotten about by consumers, which indicates the level of their financial capability.

We have two other recommendations. We would like LPS to work with us and other stakeholders to improve its communication with consumers. It has started a process, but we would like your support to ensure that it continues to do that. We would also like to ensure that vulnerable consumers are not offered the option of paying their rates by credit card. The only way that LPS can do that is to ensure that those who are currently indebted to LPS, or who have been in the past, are not offered the option of paying by credit card.

The Chairperson:

We recognise that there has to be a balance of choices offered to people in how they can pay their bills, but that there will be people who will be vulnerable. Your paper illustrates that. Credit cards have an average 18.8% interest rate, and there are fees that people will be charged over and above their rates bill if this is open to them. The Committee has discussed the issue before. I suggest that the Committee sends the paper to the Department of Finance and Personnel (DFP) and asks the Department how it could respond positively. Some of the recommendations are quite good. In light of the Minister's decision not to defer this, we could ask him to respond to those positive recommendations.

Mr McLaughlin:

You have identified a serious issue. The overall pattern of debt in these circumstances indicates

that there is a real possibility that vulnerable households will use that option, not to manage their money but to manage the pressure of having insufficient household income to meet the range of bills.

The Minister has made a valid point about the half million bills and leaflets that have already been prepared. I appreciate that you are not pressing the argument that they should just have to be pulped and started over again. Apart from the Chairperson's suggestion, I think that your propositions will attract support insofar as people will feel that they can respond. It is essential that the Committee reinforces the argument for analysis and monitoring. If that established that your fears are well grounded, we would at least be in a position to ensure that, if the information is insufficient, the material is amended to reflect fact rather than concern or conjecture. We should strongly support the proposition that LPS captures the information so that we can take an objective perspective on the impacts.

Ms Purvis:

I apologise for being late and missing the start of your presentation. What type of data would you like LPS to collect? Initially this is going to be through online payments, with telephone payments suggested for later in the year. Do you have a specific list of data that LPS should be collecting? For example, if a customer goes online to use a credit card payment facility, should there be a form that they have to populate before they go through a process of adding their card details and making that payment?

Ms Donnelly:

That would be useful, but LPS should be able to link the information on who is paying by credit card with the households. LPS should be able to carry out an analysis based on what we know about those households, the cost of their rates and their payment history.

Ms Purvis:

But you would like to see a form before the payment?

Ms Donnelly:

Yes.

Ms Purvis:

Are you aware of any other Departments offering this method of payment? The child maintenance enforcement division offers people in arrears with their child maintenance credit card facilities to pay off those arrears, which I think is an absolute disgrace.

Ms Donnelly:

Our policy is that regular household bills are not appropriate for payment by credit card because a credit card, by its nature, is for short-term borrowing and is not meant to be used to pay off bills in the long term. As the Committee knows, we have a statutory remit for energy companies, and Phoenix and NIE do not accept payment by credit card. We wholeheartedly support them in that policy.

Ms Purvis:

Have you had discussions with any other Departments?

Ms McCurley:

No; that is our overall policy with the energy companies and the rates. It is our general position that regular household bills should not be paid by credit card. If you have any instances that you would like to share with us, we will look at that.

Ms Purvis:

I suggest that the Hansard report for today's session and the Consumer Council recommendations be forwarded to the Department.

The Chairperson:

OK.

Mr McQuillan:

I agree with the suggestion to forward all the information to the Department. The website should state that the average interest rate for a credit card is 18.8% and contain an example of how long it takes to pay off a £600 bill. That might make people sit up and take notice before they do the deed.

Ms Donnelly:

You are right. We recommended that LPS put that information on the website, including the average handling fee, because 2% is quite hard for people to understand. When they realise that it could be £15, they get quite a shock. We are happy that LPS has put the 2% and the £15 example on the website.

Mr McQuillan:

It would be good to put an example of a bill on the website. What do you think about the dormant bank accounts? How could they help and how could we use the money?

Ms Donnelly:

We want financial capability to be one of the spending priorities so that groups can apply for that money to raise levels of financial capability. Julie has some examples of how other organisations are promoting financial capability at the moment.

Ms McCurley:

The Consumer Council leads the financial capability partnership in Northern Ireland, which brings together banks, building societies, community and voluntary organisations and government. There really is a lack of funding to help people to manage their money. That could entail work in schools and the community to take people through budgeting, how to shop around for insurance and how credit cards work. That could link back to this. People who have credit cards should understand how they work and that they will be charged for using them. They should understand the risks of using cards to make payments and what they will be getting into. We are not saying what groups the money should go to, but the overall priority should be to spend it on inclusion and financial capability and to help people manage their money.

Mr McQuillan:

Have you ever looked into how easy it is to get a credit card? Some people can go online and get a credit card with a limit of a couple of grand within a couple of weeks and go on a spending spree for a week. We need to do something to relieve that fear and make that a wee bit harder. I was online last week, and I was to fit to get three credit cards within 20 minutes if I had wanted. That is ridiculous.

Ms McCurley:

As well as helping consumers to manage their money better, there could be improvements on the regulation side. The Government is looking at how to improve the situation with credit cards and store cards at the moment. We have fed into that process.

The Chairperson:

We are due to have an oral briefing from DFP shortly about the priorities for the dormant accounts scheme. If you like, we can keep you informed when that is up and coming.

Mr Craig:

My question has been partially answered, and I thank you for your submission. It says that we are bottom of the league in the UK for financial savvy. I will be the first to admit that I have used and abused the 0% cards for my own benefit. However, from what you are saying, it is clear that others in society do not have the sense to do that or the sense to manage their situation.

I am interested in what you said about the dormant accounts. What exactly would you use them for? Are you really talking about an educational use? How would that work? In my experience, the lower-paid in society are, generally, extremely difficult people to access. How do you intend to access those people to educate them?

Ms McCurley:

Our research shows that consumers in Northern Ireland are the worst in the UK when it comes to managing money. Some people pick up a credit card just because their bank offers it to them or because they receive a letter through the door. Therefore, it is about giving people the skills to make sure that they choose appropriate products, shop around, and are able to make the most of their money.

Voluntary and community groups across Northern Ireland work with vulnerable consumers on a one-to-one basis and in groups to try to educate them so that they are able to make those decisions. They talk consumers through their financial situation and explain what they can do to improve it. They make sure that consumers have all the money in their pockets that they need, can work out a budget based on what is coming in, what is going out and where it is going, and are choosing financial products that meet their needs, such as bank accounts, credit unions, credit cards, loans and appropriate insurance that they can afford, which we will talk about later. Quite

a lot can be done to help educate consumers, and that will benefit people's individual personal circumstances and society.

Mr Craig:

That is one side of the argument. However, the other side is one that I see on a daily basis in my office and concerns the elderly, who have the opposite attitude. They do not have credit cards, or any cards, and often do not even have a bank account. They are generally penalised by government Departments, because they cannot set up direct debits or pay bills online. Would the consumer education that you envisage tackle that huge issue?

Ms McCurley:

Definitely. The financial capability partnership works with consumers of all ages through the education sector, youth sector and groups for older people. At our recent money week in Fermanagh, a lot of older consumers came along to events in libraries to ask about savings, individual savings accounts, benefits, what they should put their money into, how to make sure that they have as much money in their pockets as possible, and how to find out what they are entitled to. It is important to say that this is for all consumers across the spectrum.

The Chairperson:

I am not sure if it is still the case, but it used to be that people could not pay their rates by cash at a local post office but could pay by cash at the rates office in the town. Has that changed? It is a problem when people deal only in cash and do not have bank accounts; they find it difficult to pay their bills in cash.

Mr Craig:

They are generally penalised for doing that.

Mr F McCann:

It is a double-edged sword in many ways. On one side there is a problem with credit cards and on the other there is the issue that Jonathan raised. Departments and organisations should have a responsibility to fund good debt advice services and educational campaigns to ensure that people are fully aware of the difficulties and problems that they may face in paying bills. Like Adrian, I have been concerned for quite a while about the level of advertisement and promotion that there has been for credit cards, offering not only deals but prizes and various other things. Most people

are probably not like Jonathan, who has moved from a zero interest option to another credit card, which shows shrewd financial dealings on his part. Most people with credit cards use them for anything and put the bill that comes a month down the line to the back of their minds.

I asked LPS how it advises people and who it works with to ensure that its message is getting across. In your dealings with LPS, how have you found the response on this issue? Has LPS taken on board the possibility of including in its advertisements some of the pitfalls and some of the questions that consumers need to ask?

Ms McCurley:

We have met, and written to, LPS about that issue on a number of occasions. LPS allowed us to see the website information before putting it on. We were disappointed at the decision to accept credit card payments for rates, but LPS is willing to work with us to ensure that the wording of the information provided to consumers was correct — the £15, rather than just the 2% — and to provide the names of independent advice organisations for those who find themselves in debt. We are waiting to hear back from LPS about what information it will be able to collect in the review that it has agreed to undertake. We are keen for the Committee to support us in that.

Mr F McCann:

Are there any other ways in which LPS could educate the public, especially vulnerable consumers? A number of Committee members have raised the issue of people who fall into arrears and debt. The easy option is to fill in a form on the Internet to get a credit card in order to pay off their debts. Every day, we hear about people doing that.

Ms McCurley:

Much more can be done, and we are keen to work with LPS to ensure that it takes on board consumers' views about how bills are laid out, what way it is on and, even, LPS's debt-chasing policy. We are keen to work with LPS on that.

Mr F McCann:

Will you keep us informed about those negotiations and your ideas on making it easier for consumers?

Ms McCurley:

Yes.

The Chairperson:

There were a number of recommendations there for what the Committee can do, and we will follow up on those.