



Don't worry little piggy, this won't hurt one bit...

Payday MAYDAY!!

It's the typical story – payday on Friday and by Monday you're skint. As paydays feel like they are getting further and further apart many of us are having to tighten our belts to make ends meet. But what happens when you know you are going to have a shortfall?

As many traditional lenders, like banks and building societies are being more cautious with their lending on overdrafts and loans, more people are having to turn to payday lending to help them through the month. But with interest as high as 4,000% borrowing money in the short term can come at a cost.

The Financial Ombudsman Service – the free service set up by law to look at financial complaints – is seeing more complaints coming in about payday loans than ever before. It received a record 350 complaints about payday lenders this year alone.

We spoke to the ombudsman to find out what all the fuss around payday loans is and what you can do to prevent a problem cropping up if you feel like you have to get one:

READ THE T&C'S – As our lives get busier it's easy to gloss over the small print but take the time to read the T&C's. The interest rate and charges on a payday loan can be much higher than a traditional loan which can mean you end up repaying more than you thought. Know what you're signing up to and what you are expected to pay to avoid any nasty surprises.

REGULATED – Check that the company you are borrowing money from is regulated by the Financial Services Authority (FSA). If they're not, you may find that you are unable to bring a complaint about them if something goes wrong. The good news is that most of the larger payday loans companies are regulated but be careful if you are using a smaller lender as they may not be.

DIFFICULTIES – If you have a payday loan that you are struggling to repay speak to the business who gave it to you, as they may be able to help. A business is required to do something to help a customer who tells them they are in financial difficulties. There is no set 'help' that the business should offer and while it isn't required to refund any charges it may be able to implement a repayment plan or suspend interest on the account.

DATES FOR YOUR DIARY – With the high interest and charges that apply, it can be easy to lose control if you miss one or two repayments so keep a note of when these are due. You should always aim to pay a loan back on the due date. Only a few lenders cap interest on a loan so the cost of rolling it over can be extortionate.

THINK TWICE – Payday loans should always be treated with caution, there are debt advice agencies that may be able to offer you help in finding a long term solution to your money worries. Organisations such as StepChange can offer this advice for free on 0800 138 1111 or you can visit your local Citizens Advice Bureau. 

We hope your money runs smoothly not just throughout the month but through the whole year too. If you do experience a problem with a payday loan – or any other financial product – contact the ombudsman on 0300 123 9 123 or www.financial-ombudsman.org.uk.