The Potential risks of taking out payday loans

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Abstract:
Payday Loans such as Wonga and Quick Quid constantly advertise payday loans as fast and convenient loans that can be taken out and approved in a short period of time. However, are these loans beneficial to people? If they are not people actually aware of the financial implications that can be caused by taking out these loans? Do they actually know about how these loans work? Payday loan companies earn $4.2 million a year offering high fees (Philips-Fein, 2008) and on average 400% annual percentage rate (APR) is charged by these lenders, (Bertrand and Morse,2011; White 2007; Weller, 2010; Brooks, 2006; Ann, 2000; Caskey, 2001). It was also found that low income earners are targeted (Schafter, Wong and Castleberry, 2009; Melzer, 2011; Pyper, 2007) and since they struggle to pay these loans it leads to them rolling over (Mendenhall, 2007). Due to rollover loans and interest rates it can take people at least 30 years to repay their loans (Dorling, 2011).

Considerable research has critiqued these loans and deemed them to be unbeneficial for people to use; this dissertation assesses this issue on whether the UK public aware of the effects of payday loans and the potential danger caused by these types of loans? The research has been conducted by using a sample of 196 UK based participants to assess the awareness and perceptions towards payday loans. This is an attempt to find out what the public knows and do not know about these loans and whether the public will still consider taking out these loans after finding out about the potential dangers of payday loan.

Declaration:
I certify that this entire dissertation is my own work and that no part of it has been plagiarised in any way. All external sources have been referenced according to the guidelines provided by Brunel University. Data has not been manipulated with any intention of improving the results; if any individual wishes to replicate this study and uses the same sample, he/she should find the same results.

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Chapter 1: Introduction

1.1 <u>Definition of Payday loans</u>

According to Johnson (2002) Payday Loans are "extremely high interest, short term loans offered to cash strapped customers", taken out when people are struggling to pay bills.

Payday loans are considered to be very popular, like any loan however, types there are risks attached to them. According to the Daily Mail (Oxlade, 2012) a man borrowed £250 and had to repay £90,000 which also resulted in him being unable to pay his mortgage and he tried to commit suicide. Another story involves a father who also tried to commit suicide when struggling to pay back his debt and his payday lender kept pestering him to make his repayments, as he was in a hospital bed making a recovery (Daily Mail Reporter, 2012). The payday lenders continued to take out money from the man's account, even though the man's wife called them to explain that her husband was in hospital and therefore was unable to make repayments (Daily Mail Reporter, 2012). Former Rugby Player Matthew Allot was found to be in £17000 debt for payday loans, which were taken out by him and by a friend on his behalf (Crossley, 2013). He struggled to payback his loans and in a "desperate" attempt, he ended up growing Marijuana in order to raise finance to clear the debt. When this failed he committed suicide (Crossley, 2013). Taking all these real life examples into account, payday loans seem to be a controversial issue which raises an important question, do payday loans cause debts as opposed to helping people?

1.2 The mechanics of Payday Loans

Payday loans work in two ways: firstly, the borrower writes a cheque to the payday lender, the lender then holds this before receiving cash payment from the borrower usually on actual payday (Greenbaum and Thakor, 2007; Stegman and Faris, 2003; Mayer,2003; Hayes, 2009). The second method is when the borrower has given authorisation to the payday lender to debit their account on a future date for the amount plus any financial charges (Greenbaum and Thakor, 2007). Wonga a relatively popular payday lender allows new customers to borrow up to £400 existing customers borrow up to £1,000 (WDFC UK Limited, No Date a), Quick Quid another payday lender allows new customers to borrow up to £1000 and existing customers up to £1,500 (CashEuroNetUK LLC, no date a) .

Loan applications are mostly processed online. Companies allow borrowers to choose how much they would like to borrow and for how long. The borrower then completes an application online filling in r personal details. Credit checks are not run (Baragar and Chernomas, 2012; Lundberg, 2007). An online decision to accept or reject the application is then provided by the payday lending company. Quick Quid also provides online applications to customers, where loans can be received 10 minutes on approval (CashEuroNetUK LLC, no date a). Pounds to Pocket (CashEuroNetUK LLC, no date d) is another short term lender which refers to payday loans as "unsecured loans", they claim to take only 5 minutes with fast approval within 10 minutes.

After applying for the loans and receiving cash approval by the loan companies, the borrower is able to utilise the money in any way. The online Payday Lenders then automatically take out monthly payments from the customer's account (CashEuroNetUK LLC, no date b; CashEuroNetUK LLC, no date e). If the customer is unable to make the repayments on time, a charge a late fee of £12 is charged (CashEuroNetUK LLC, no date c; (CashEuroNetUK LLC, no date f). If the payment obligations are not met Quick Quid (CashEuroNetUK LLC, no date c) states that the customer's credits score would be "adversely affected" as agreed with by Karger (2004) and Kobzar (2012). Pounds to Pocket (CashEuroNetUK LLC, no date d) claim to provide an easy designed payment system where they set up budgets for repayments and they claim not have any hidden fees and charges even though a £12 fee will be charged due to late payments. On examining the websites of Payday Loan companies, it was difficult to determine the fees charged to borrowers and this indicates that payday lenders are not as open to explaining fees and charges for the loans that they are providing.

1.3 Borrower traits:

According to Juster and Shay's (1984) model there are two types of borrowers, rationed and unrationed borrowers (Lawrence and Elliehausen, 2008). Ration borrowers are those borrowers that have a low or moderate income, who belong to a younger age range and have problems paying bills (Lawrence and Elliehausen, 2008). Furthermore, payday lenders are strategically located within low income earner territories so that payday lenders can purposely target them in order to help their business flourish (Schafter, Wong and Castleberry, 2009; Cambell et al, 2011,Graves 2003, Damar, 2009). Unrationed borrowers are those who belong to the middle aged age range (Potter, 2002; Peñaloza and Barhart, 2011), have a high income and have high savings and are sensitive towards APR (Lawrence and Elliehausen, 2008). High income earners using payday loans in Canada as explained by Pyper (2007) is significantly low for those earning $66000 than those earning between $400001 and $66000. Based on this information, payday lenders target low income earners who will take out loans and have difficulty with making repayments.

1.4 Research objective and problem:

To begin an investigation into payday loans it was necessary to have a clear definition of what was to be achieved by the author and hence the following **research objective was set**: Are payday lenders purposely turning their customers into debt slaves in order to make a profit?

The main research problem is: With the ever increasing popularity of the payday loan are people aware of the risks of this type of loan?

1.5 The purpose of my research:

The main purpose of my research is to investigate the risks of payday loans and to examine if the UK public are aware of these risks. By conducting this research I will have the answer to my set objective and can find out if payday lenders are indeed turning their customers into debt slaves. It can be clearly argued that Payday Loans are not designed to make people fall into heavy debt, however it is important to highlight that people may be falling in to debt when taking out these loans as they might be unaware of their implications. Payday loans are a convenient quick and easy method to help borrowers make ends meet. However, the alarming, high interest rates of payday loans can lead to people within the UK falling into heavy debt. This investigation will reveal, through perceptions and attitudes of the UK public, the truth behind payday loans. To reach a clear decision on whether the UK public are aware of payday loans, it is important to examine if the public understand the risks associated with taking out payday loans. The research can also provide a clear indication of whether payday lenders are in fact turning their customers into debt slaves, in order for them to profit.

Chapter 2: Literature Review

2.1 Introduction:

The author needs to research existing literature in order to gain an understanding of payday loans and their implications. To do this, it is important to examine the perceptions of academics on these types of loans and use this as a guide. The existing literature can also be used by the author as a foundation to assess what type of data should be collected and to determine the overall approach for the research. The literature will provide an insight into the approaches payday lenders take to attract customers and will also provide an insight into the risks and current awareness of these risks.

2.2 Payday Lender's approach to attract customers:

In the United States, low income borrowers are purposely targeted by payday lenders (Schafter, Wong and Castleberry, 2009; Phillps-Fein, 2008) they have a higher chance of becoming debt slaves due to the fact that they would need to take out further payday loans to payback their initial loans. These loans are both "attractive and injurious to those with low income" (Persky, 2007). Payday loans seem to be easy and convenient, low income earners are limited to the amount of credit they can take out and therefore these loans are used as an alternative. Payday lenders have also strategically set up stores in low income areas in order to gain more customers (Schafter, Wong and Castleberry, 2009). Melzer (2011) has found that 16% households in the US living 25 miles away from payday lenders are more likely to purchase payday loans and in 37 states payday loans are illegal due to the implications they cause.

Payday lenders are also located in areas that have limited or no bank, hence payday loans seem to be the best option (Cambell et al, 2011, Graves 2003, Damar, 2009). The author believes that setting up in stores near these areas purposely attracts borrowers who would struggle to make repayments as they don't have any other alternatives. Payday lending is the result of banks abandoning low income earners (Damar, 2009). In the author's opinion, this is because borrowers cannot afford repayments of the loans they provide, indicated by their credit scores. The services that banks provide are also not appropriate, having inconvenient operating hours (Brennan, McGregor and Buckland, 2011). Thus banks are pushing borrowers towards using payday loans (Damar, 2009).

Pyper (2007) explains, a survey found families with university degrees do not resort to using payday loans compared to those families having only a high school graduation (Caskey, 2001). People with a university degree earn more than people who only have a high school diploma, thus the author believes that payday loans may be unnecessary for higher income earners. Stegman and Faris (2003) states that it is hardworking, young middle class Americans (Potter, 2002; Peñaloza and Barhart, 2011) with families who have not reached their peak earning years are the prime targets for payday loans. The author thinks that they would find it hard to pay for living expenses since they are not earning enough. Hence, payday loans are driven by increase number of families with impaired credit (Kenneth, 2008). People in the USA with lower range of $25000-$50000 are purchasing payday loans (Spector, 2008; Hayes, 2009; Kurtzleben, 2012; Caskey, 2001), which when linked to Stegman and Faris (2003) shows that young families may not earn enough to deal with daily expenditure.

Pyper (2007) explains high income earners using payday loans in Canada is significantly low for those earning $66000 than those earning between $400001 and $66000. Thus, targeting a low income earner assists lenders to gain more profit by people taking out more payday loans. However, the author also believes that it is a misconception that only low income earners purchase payday loans and this will be investigated further. The US military are targeted by payday lenders (Mendenhall, 2007; Weller, 2010; Gallmeyer and Roberts, 2009; Graves and Peterson, 2005). Typically due to the fact young soldiers have less experience on debt (Phillps-Fien, 2008; Mendenhall, 2007). Young soldiers are unable to manage their finances when taking out payday loans, compared to those who have knowledge about debt management.

Han and Li (2011) state people who have filed bankruptcy are more prone to taking out payday loans than the non bankrupt. Payday loans are beneficial to an extent only for those facing unexpected financial distress and are in emergency situations (Morse, 2011). However, some use loans for day to day expenditure (Kurtzleben, 2012) which can be detrimental as the author believes that it can cause further money problems as several loans may be needed for daily expenditure causing more debt. The author believes that although used for emergencies, payday loans can still lead to further implications, bankruptcy fillers would have more debt and rollover loans can cause further heavy debt and can, in severe cases cause bankruptcy (Zywicki, 2010). However, the argument against this (Lefgren and McIntire, 2009), is not supported by the author as bankruptcy can be caused by payday loans.

Risks of payday loans

2.3 Risks of high interest rates and fees:

Payday loan companies made $4.2 billion a year from high fees in the USA (Phillps-fein, 2008). Johnson (2002) payday loans are short term loans and these "small loans negotiate high fixed costs and require higher interest rates" and Lewison (1999) refers to them as "usurers of modern age." Agarwal, Skiba and Tobackman (2009) and Tomkies (2008) state that Payday loans have an annualized interest rates of at least several hundred percent. Some have also claimed that payday loans have interest rates with triple digit figures (Peterson, 2012; Kaplan and Matteis, 1968; Moore, 2012; Giddings, 2010; Carradine, 2010; Lundberg, 2007; Hayes, 2009). Dorling (2011) suggests that payday loans both in the USA and UK could lead to a debt lasting up to 30 years, this may be the result of high interest rates where customers struggle to repay loans, the author also agrees and will incorporate this information into research in order to find out if UK public are aware of this.

Payday loans have an annual percentage rate (APR) interest that exceeds 400% (Bertrand and Morse,2011; White, 2007; Weller, 2010; Brooks, 2006; Ann, 2000; Caskey, 2001) and sometimes even higher (Mayer, 2013; Mayer,2003). The APR percentage may be high however the amount charged is not (Duggan, 2010). Hansen (2010) explains that for a common payday loan $25 is charged as interest per $100. This seems cheaper than actually calculating the APR using the percentage. However, on a $500 loan, $125 is additionally charged as interest (Hansen, 2010) which can be expensive. This is not unreasonable if the cost of setting up the loan and the default risk are taken into consideration (Duggan,2010) as these loans have higher fixed costs that require higher interest rates (Stegman, 2007). It is still evident to the author that some people may not fully understand the charges and fees applied to payday loans. Some of the websites for payday lenders show how the interest rate and APR is charged (WDFC UK Limited, no date a), hence for existing customers and new customers e there is some knowledge amongst the public of the rates that are applied. The author therefore takes this information into consideration and will use the information provided by Hansen (2010) to judge the awareness of the interest rates amongst the UK public and if the public will still consider purchasing a payday loan on the basis of these rates. It is believed that interest rates can be a form of financial slavery because of the debt it creates (Hudson, 2012). The author will investigate this in the research by using examples like Hansen (2010) to examine the opinions of the UK. The author also firmly agrees with Persky (2007), if charged at a lower rate payday loans would be purchased by all but the willingness to pay a higher rate is evidence that the public has knowledge of the higher rates charged and are happy to purchase the loans at that value.

Fees applied on payday loans vary and are usually $15-30 per $100 (Mayer, 2003; Stegman, 2007; Hansen, 2010; Edminston, 2011; Hayes, 2009; Kenneth, 2008; Stango, 2012). Although it can be said that high interest can indicate exploitation of their customers (Zwolinski, 2010), Mayer (2003) explains that “interest rates are not exploitation as it only indicates the true cost of making risky, short term loans.” This contradicts Kaplans and Matteis’s (1968) definition of a loan shark, “Loan sharking is the lending of money at high rates” charging interests from 200-2000% on small loans. The author does take this into consideration both Mayer (2003) and Kaplans and Matteis (1968) work, as short term loans are deemed to be more risky. However, is the UK public aware of this? The author will investigate this further to assess whether public perceptions indicate if “payday loans are indeed exploitive because lenders take advantage of borrowers who are in desperate traits” (Mayer,2003).

2.3.1 UK regulation and their response to the high interest rates and the US Governments response to payday loans

Moore (2012) states that Payday lenders charge up to 5000% and over, and the OFT has been criticised for not acting earlier against irresponsible lenders. The author believes that an awareness and regulation is needed to inform and protect the public from high interest which may cause a late response by the OFT.

Kyriakou (2013) states the FCA will be taking over the responsibility of 50,000 Payday lender's licences from the OFT to check that borrowers are able to afford the repayments. A survey conducted by the OFT found that "60% (1.2 million people) have struggled to payback payday loans due to hidden fees and high penalty charges applied on late payment" (Evans, 2012). The author also believes additional charges are also applied which borrowers may be unaware of and this requires further investigation. The OFT (2013b) requested for detailed information from 21 payday lenders (remained anonymous) and found on average the cost of borrowing £100 was £25 similar to Hansen's (2010) calculations. Respondents to this survey were anonymous so it is difficult judge from whom the data was collected from. The author's research will examine whether the public want to purchase payday loans on the basis of how they are calculated according to Hansen (2010) and acknowledging the OFT's information if they fully understand the risks associated and benefits from taking out such loans.

2.3.2 Actions government has taken/going to take:

The Office of Fair Trading (OFT) found problems with the way payday lenders attract and treat customers, they also face scrutiny from the Financial conduct Authority (FCA) (Sky news, 2013b). The author agrees with this since there have been many stories of mistreatment (Crossley, 2013; Daily Mail Reporter, 2012). Parliament also has concerns of the high interest rates and customer affordability (Aldohni, 2013). The author believes that credit checks are not required (Aldohni, 2013; Mayer, 2013, Kenneth, 2008; Karagar, 2004). A motion was placed ceiling interest rate charged by payday lenders (Aldohni, 2013). In the author's opinion, this would allow better repayments as a limit on interest rates will reduce the burden on borrowers when making repayments.

An update from the OFT (2013a) states that three payday lender's licences have been revoked since they are not complying with regulations, another four have been suspended and ongoing work is being conducted. The OFT needs to continue with its efforts of strengthening its regulations when it comes to payday lenders to ensure that borrowers not treated unfairly. OFT have stated that "the payday loan market is not working well for many consumers our review has found some evidence of wide spread non-compliance with the consumer credit act and other legislation" (Hodson, 2013) The information clearly indicates that payday lenders were treating borrowers unfairly since they were non compliant and not following regulations, thus turning borrowers into debt slaves (in the author's opinion).

The U.S Congress is debating whether to create a Payday Loan Reform Act to protect people engaging in taking up this type of loan due to high interest rates and the "unfair nature of payday loans" (Carradine, 2010). High interest rates justify the US government's decision to cap prices since it is difficult for low income earners to repay these loans (Stango, 2012; Zywicki, 2010; Mayer, 2013; Kenneth, 2008) and this is agreed by the author. As there are different states, each state has its own cap (Labat and Block, 2012) this is an attempt to reduce several different interest rates offered by lenders to prevent exploitation by federal regulators (Gartner and Schiltz, 2005). Canada provinces have also considered introducing price controls and ceilings to interest rates which assist borrowers to make more affordable repayments (Ramsey, 2010;   Kobzar, 2012).

2.4 Payday loans and their effects on mortgages:

Another risk that borrowers face is the banks rejecting mortgage applications from those who have taken out payday loans. Mortgage lenders feel that "payday loans are a sign of financial distress" (Womack, 2012; Bar-Gill and Warren, 2008) since borrowers only take this type of loan to meet monthly bills (Womack, 2012; BBC,2013; Nottingham post, 2014; Money Supermarket, 2013;). This indicates payday borrowers can also be rejected form gaining long term loans leaving "a wrong foot print on your credit report" (Womack, 2012). The author believes payday loans make it difficult for existing borrowers to apply for mortgages and awareness amongst the public remains undefined. Payday loans are being used to pay household expenses; however this debt can lead to borrowers getting into further debt by not being able to make mortgage repayments and they may lose their homes as a result (BBC, 2014) the author agrees this is a very high risk.

2.5 The dangers of payday loans rolling over:

Mendenhall (2007) defines rollover loans as a debt treadmill. “Payday loans become a never ending cycle putting consumers on a perpetual debt treadmill because the tremendously high interest rates make it difficult to repay the loan in full maturity.” This unique description of payday loans can visually represent implications of payday loans. Dorling (2011) suggests that payday loans in the USA and UK could lead to a debt lasting up to 30 years borrowers take out more payday loans to meet their needs, this can be the result of repeat borrowing (Kenneth,2008). White (2007) explains that “bankruptcy is caused by over borrowing which then grows into financial distress” the author believes that rollover loans can lead to bankruptcy as people fall in a never ending cycle of debt. The author will investigate this implication through the perceptions of the UK public.

Borrowers find it difficult to repay loans within a two week period (Schafter, Wong and Castleberry, 2009) this results in loan rollover. Further loans are therefore needed to repay the initial loan (Schafter, Wong and Castleberry, 2009; Kenneth, 2008). A survey conducted by the centre for responsible lending (2005) found 90% of payday borrowers took out five payday loans in order to pay their initial payday loan which totalled to 91% of the payday lender’s profits (Schafter, Wong and Castleberry, 2009). These borrowers become debt slaves as they find themselves locked in this cycle struggling to make repayments (Collins, 2013) and the author believes this to be true. Skiba (2012) also states that regulation for payday loans have actually changed within the United States from the 1990s. It is noticed that rollover caused 19 states to ban these loans since borrowers were unable to repay them and high interest payday loans should not be used (Skiba, 2012). The author agrees with this as it is necessary that all states have regulations to control rollover loans from payday lenders.

2.5.1 Financial conduct Authority (FCA) and their regulation towards Rollover loans:

The FCA (2013) capped the amount of rollover loans to only two loans which can be taken as rollover loans. This reduces new borrowers from taking out more rollover loans and falling into further debt. However, the FCA's (2013) regulation will only be applied from the 1st April 2014 and onwards. The FCA (2013) states "We need to gather more information before we can cap the cost of credit" The FCA is therefore unaware of the real dangers caused by rollover loans and needs further information to truly find the extent of the impact of this in the UK. Although this is a complex issue and further investigation is justified to access whether the cap will effectively work in the UK market (FCA, 2013). If the UK government is unaware of the risks of rollover loans and needs further information then this infers that the UK public is also unaware of this implication. It is important for the author to assess public awareness of this implication and attitudes towards rollover loans. The government has just recently found there are problems with regards to rollover loans.

Giddings (2014) conducted research into payday loans back in 2010, it was identified that payday loans are not the problem, rollover loans was the main issue, he also stated "Taking out payday loans are cheaper than an overdraft, it's not a problem of taking out a payday loan its paying it back", this is agreed with by Morgan, Strain and Seblain (2012). Giddings (2010) found on average payday borrowers are taking out 3.5 loans a year although it needs to be highlighted that it is unclear of what type of loans are being borrowed by payday borrowers (Giddings, 2010). When payday loans exceed five loans then it becomes a struggle for people to payback as borrowers have to pay the loan and the increasing interest rate charged on top (OFT, 2013b). The OFT (2013b) states that one in three loans rolled over accounts for 50% of payday lenders revenue and payday companies name these as 'profit drivers' and staff are encouraged to promote this. It is identified that rollover loans are causing problems for payday borrowers, but is the public aware of this? According to the author rollover loans are away in which payday lenders turn borrowers into debt slaves. To find out the perceptive of the UK public an investigation is needed to assess the awareness about the implication of rollover loans to truly judge if payday lenders are in fact taking advantage of their borrowers in order to make a profit.

2.6 A Politician's view towards payday loans:

Ed Miliband told stories of people that faced 'bullying' because they could not repay their loans (Sky news, 2013a). The Owner of Wonga has informed the press of twelve success stories in their defence (Sky news, 2013b). Wonga provided a biased view by only releasing success stories and nothing on failures (Sky news, 2013b). A company would protect their image to gain more borrowers; with that in mind, it is reasonable to assume that Wonga deliberately covers up any negative stories in order to maintain an image. The definition of "bullying" remains undefined, it is suggested by Mendhall (2007) "predatory lending is the practice of ....convincing borrowers to agree to unfair and abusive loan terms." Thus the author's research will look at the whether the UK public finds payday lenders are bullying clients. This would indicate if the public have negative feelings towards the treatment of lenders when purchasing and making repayments on payday loans.

2.7 Awareness of payday loans In the USA:

Ellis (2004) suggests that the public are advised not to take these types of loans; surely this means that people are aware of payday loans? Well the answer is Yes and No. The research is not based within the United Kingdom so it is justified that this research although is valid in showing customer awareness of payday loans, it is only valid to an extent as it does not show whether customers within the United kingdom know about the effects of payday loans. The journal is also limited in terms of its results as payday loans are legal and known in 37 states, the other 14 states have not legalised payday loans (Ellis, 2004). This research paper's title is Beware: Payday loans, it explains that it will be biased only showing the negative aspects of payday loans in the United States (Ellis, 2004). Folse's (2002) article for teaching sociology refers to payday loans as an exploitive industry where often clients are unable to pay their debts. Some people in the US are aware of the implications of payday loans where lenders use loans to make a profit. The author agrees with this but understands there is a lack of evidence for this in the UK and this will need further study.

According to Feeney (2010), “Payday loans are structured in a way that you can easily be trapped into paying fees for a very long time.” Feeney’s book (2010) is used as a guide to help people get out of debt. This recommendation about payday loans shows that payday loans should not be used. This information will be used within the author’s investigation to find out whether people agree with Feeney’s (2010) statement. Ultimately, this would help in achieving the research objective: Are payday lenders purposely turning their customers into debt slaves in order to make a profit? If payday loans trap people then it infers that the lenders purposely sell these loans so that they make a profit and borrowers have to payback more money in a longer time frame. If payday loans are such bad loans to use why are they being offered by companies such as Wonga? This research will enable the author to find the truth about payday loans and if these are “bad credit instruments” and should be avoided. Is the UK public aware of high interest rates charged when making repayments? Payday Loans are only explained briefly by Caroline (2010) but the author will use this information to find out whether people agree with this statement as well as agreeing with statements from Feeney (2010).

2.5 Conclusion:

In Conclusion the research found from existing academic literature will be used to help create a suitable methodology and questionnaire for data collection within this research. The academic literature will form a foundation upon which the author can contribute further and achieve a solution to the main research question which is ultimately the objective of the author’s research.

Chapter 3: Methodology

3.1 Introduction:

This chapter explains the approach to be taken in order to fulfil the gaps that where found within the literature review. The limitations and the sampling will also be discussed to explain how the study will be conducted.

3.2 Research Philosophy:

There are two main research philosophies, comprising of an interpretive approach and an explanatory approach; this study belongs to the former of the two. The information found links to past literature which would be reviewed with the results collected within this study (Cibangu, 2010). This study does not belong to a positivist point of view where quantitative data will provide hard facts to help find what the UK public truly feel about payday loans (Cibangu, 2010). However, statistics will be used to analyse public awareness of payday loans to argue the points found in existing research, theses can provide hard facts regarding the implications of payday loans.

3.3 Research Approach:

Primary research was deemed the most appropriate approach for conducting the research; in particular questionnaires and these were based on existing findings in the literature. The author's primary research is recent, up-to-date research collected from the public. To get a higher response rate the author handed out questionnaires online (shown in appendices 2 and 3) via the internet and offline. Questionnaires have a lower cost than setting up and running interviews (Jones et al, 2008). The author believes that interviews would not be a feasible approach owing to time constraints and confidentiality. The major advantage an online questionnaire has is that it is easy to spot the trends as certain websites offer data collection and analysis so these becomes easier to identify (Jones et al, 2008). Focus groups where not chosen as they are referred to as a non standard method of gathering data and where informal discussions taken place (Acocella, 2012). The author prefers questionnaires to focus groups as by using focus groups it can become difficult to manage situations. For example heated debates causing conflicts amongst the group (Acocella, 2012); a questionnaire eliminates the chances of this happening.

This study takes in account the UK public's perceptive and attitudes towards payday loans, a questionnaire helps achieve this and directly asks people for opinions to assess their feelings (Levin, 1983). A good size for a focus group is four to six people (Morgan, 1996) the author believes is a manageable size, however, this would be time consuming and impractical since several focus groups would be needed to get a high number of results and this would be costly.

The questionnaire was designed to be general, without particular demographic information. Descriptive research can help attain in-depth views and attitudes from the public (Saunders, Lewis and Thornhill 2009). This helps understanding how people feel about payday loans and how much knowledge they have about associated risks. Due to the lack of relevant data, explanatory research approach was not used as there were no demographics to explain the relationship between variables. Regressions are known as a "study of dependence" (Weisberg, 2005) meaning that regressions would need to test the relationship between two variables and at least one of those variables must be dependent on another. For example do low income earners purchase more payday loans than high income earners? To test the relationship between income earners purchasing payday loans the variable income needs to be known. Without a dependant variable, regressions cannot be run. The author's study is a general study on perceptions thus demographics where unnecessary, hence regressions where not run.

3.4 Sample range:

A sample of 196 questionnaires was collected, there was no specific age range used, however the questionnaire was based on adults aged 18 and over studying at Brunel University and also professionals. The aim was to find participants who had heard of payday loans. On sites such as Wonga (WDFC UK Limited, no date b) applicants were to be 18 and over, thus age range were based on mainly mature older people although a specific demographic was not used for my questionnaire and was not clearly set. Saunders, Lewis and Thornhill (2009) also explains that thirty is a good rule of thumb when collecting data in order to gain sufficient findings to analyse, the sample collected contained 196 participants and hence was sufficient. This is a better sample range for a general questionnaire as the larger the samples, the more data there is for analysis.

Ethical approval was acquired prior to data collection, the author has attached a participant information sheet explaining what is required and the ethical guidelines set.

3.5 Limitations:

It is difficult to judge the integrity of the responses as it is not clear under what circumstances the questionnaire was completed under, for example was the respondent in a quiet area where they can focus and concentrate on the questions being asked or where they in a noisy area and had time constraints. Asking university students to complete a questionnaire does not reflect the general UK population since different people have different occupations. They may also belong to a different age range, the reason why students where asked was because the author is also a student and hence could access data easily. Additionally, including citations of academics within the questionnaire arguably created biased results as people may be influenced by those with authority. The questionnaire however is based on the public opinions and these decisions are accounted. At the beginning of the questionnaire it is stated that research from academics has been used to create the questionnaire but results maybe influenced through the use of naming researchers.

3.6 Feasibility:

The sample of 196 is relatively large and allows the attainment of a large number of responses. Hence the results provide a reasonably good understanding of the attitudes towards payday loans and show the awareness of the risks associated. Arguably, this sample still can be considered small when attempting to represent the whole of the UK population. The author can use the sample results which can be compared to the existing literature in order to find similarities and differences. This highlights research that other academics have conducted and compares this to present day decisions of taking out payday loans.

3.7 Chapter summary:

This chapter explains that my research will involve an interpretive approach to analyse the data collected. A data sample of 196 participants was gathered to provide statistical data from the results of this sample. The data analysis does not run any regressions as demographics have not been included. The author's research was generalised towards the UK population to gain an understanding of public view to payday loans.

Chapter 4: Data analysis

4.1 Introduction:

This chapter analyses the results collected from the questionnaire designed by the author. The sample consisted of 196 participants and the information gathered from the results answer the main research problem.

4.2 Awareness of the implications caused by payday loans:

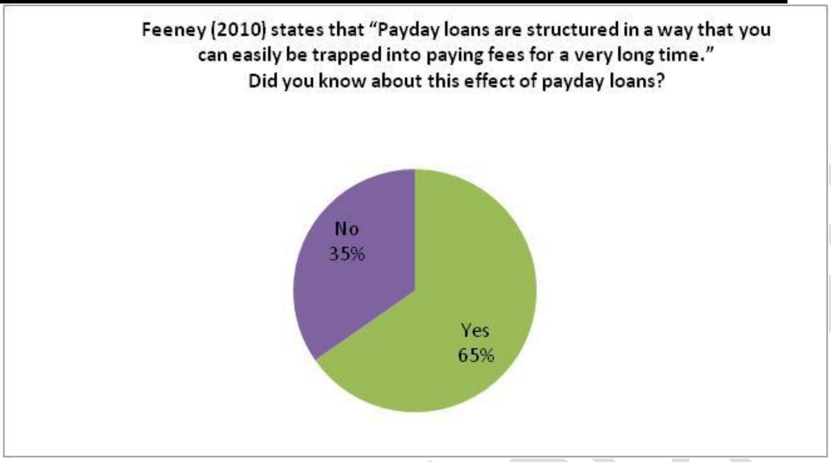


Figure 1

From the data that was collected, 65% of the sample knew that payday lenders can be seen to trap people into paying long term fees (figure 1). 35% of the sample had no knowledge about the affects of payday loans (figure 1). It can be stated that some people within the general public may still be unaware of the implications of payday loans. There should still be more awareness of the trapping effects of payday loans. Feeney (2010) stated payday loans trap people and the results clearly show that the UK public also agree with this statement, therefore reinforcing the implications of payday loans. The reason why there was some awareness amongst this sample could be due to people reading existing academic's work (Dorling,2011; Johnson,2002) as well as media exposure about this topic shown in newspaper articles (Oxlade, 2012; Daily Mail Reporter, 2012, Crossley, 2013) .

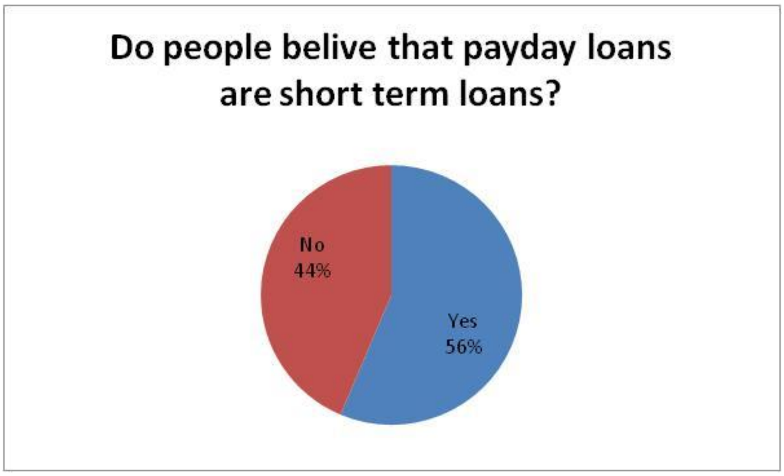


Figure 2

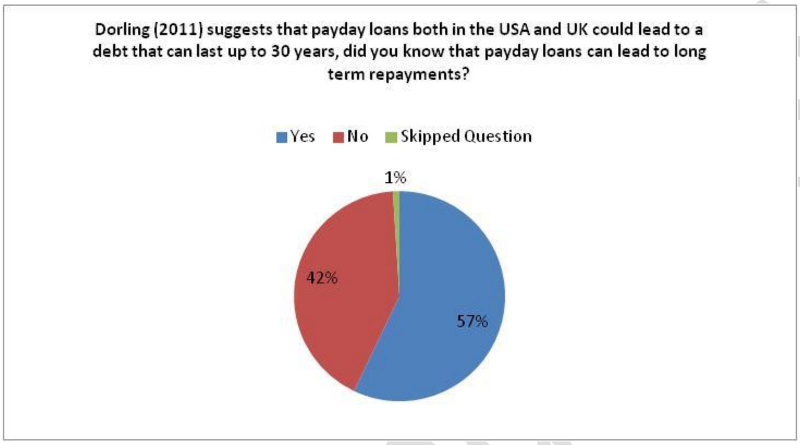


Figure 3

44% did not know that payday loans where short term loans (figure 2). This is because they may not understand how these loans work .The public may be confused when using this type of loan as they would not know if it can actually benefit them and their borrowing needs. Although 56% of the sample has stated that the do believe that payday loans are short term loans, 42% did not know that payday loans could lead to long term repayments that may last 30 years (figure 3). Payday loans are advertised as short term loans that are easily repayable therefore it can be easily assumed that payday loans do not have long term repayment effects. Furthermore there are problems with the way payday lenders attract their customers (Sky news, 2013b; Persky, 2007). Hence, issues with advertising could lead to the lack of awareness of the implication caused by payday loans.

A survey conducted in USA showed 11000 payday borrowers were in debt from taking out these loans for an average of 372 days (DeCanto, 2012), although it does not support Dorling's (2011) findings of debt lasting up to 30 years this still shows that payday loans do take a relatively long time to payback. Although 57% of the sample had stated they know payday loans had long term repayments it is necessary to highlight the fact that there still is a large amount of individuals within the population who may not know about this affect.41% of the sample did not know that payday loans had an interest rate of up to 1000% (see figure 4). These implications can be caused by the lack of advertising and the media not highlighting these implications.

40% of the participant's agree and 28% strongly agree that hidden fees and late payment charges cause people to struggle when repaying payday loans (Figure 5). 27% do not know about hidden fees. If people in the UK are not aware of these risks, due to the lack of awareness, it can be argued that some people do not understand how these loans can affect them in the long run.

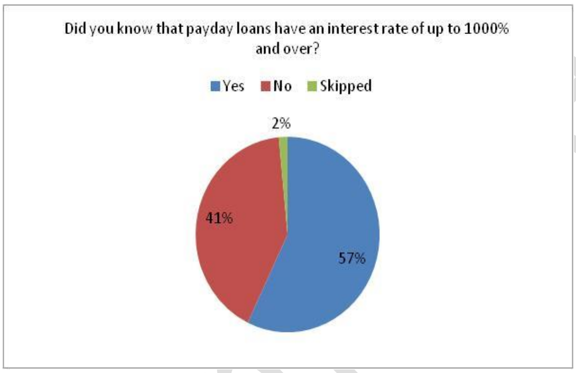


Figure 4

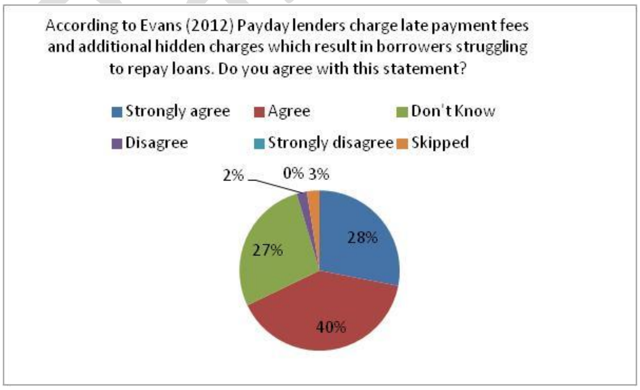


Figure 5

Additionally, 40% of the participants disagreed and 31% strongly disagreed on payday loans being helpful in the short run. This shows that most people believe payday loans are not helpful (Figure 6). 37% agreed and 45% strongly agreed with the fact that payday loans can cause people to fall into heavy debt (figure 7). This strongly suggests that the public is aware that payday loans can be harmful for people to use and can cause heavy debt because of the implications that arises from taking out these types of loans. Hansen (2010) explains that 25 dollars are charged per 100 dollars a person takes out; on this basis 97% of the sample does not think that payday loans are a good way of getting people out of debt (Figure 8). This shows there is some awareness on implications and risks of payday loans.

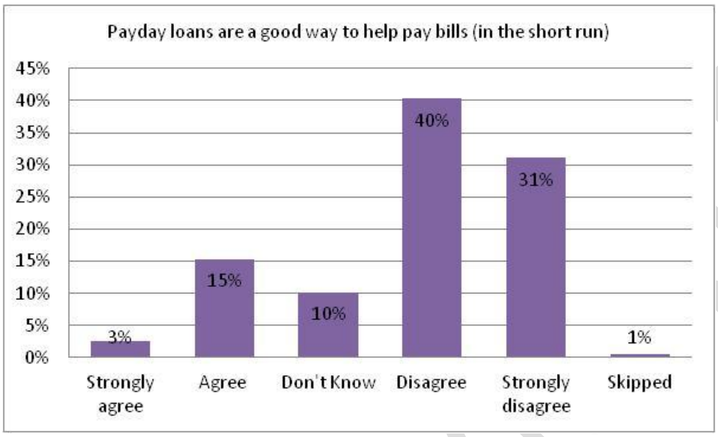


Figure 6

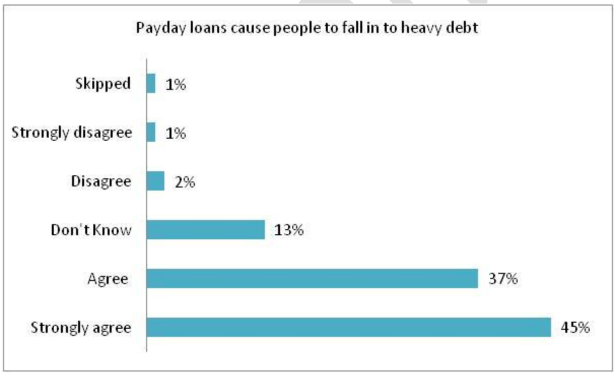


Figure 7

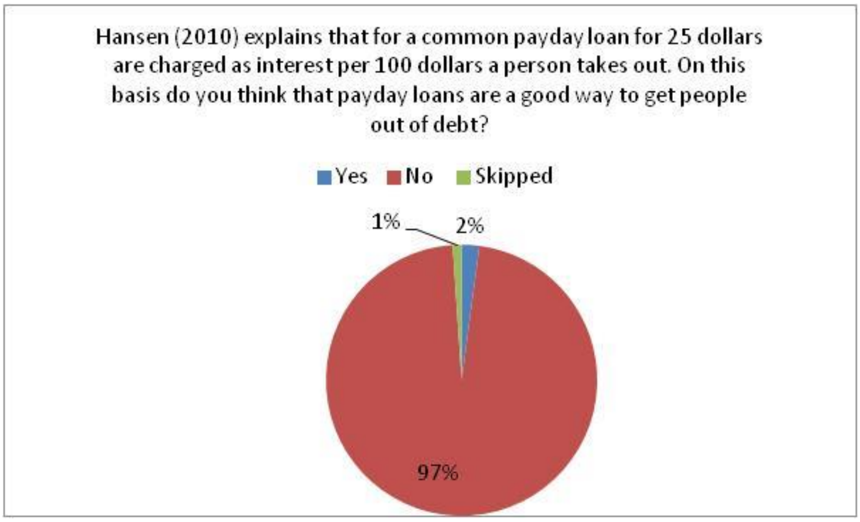


Figure 8

Figure 9 shows an alarming amount of the sample (70%) did not know that banks do not let people with payday lenders take out mortgages as it is a sign of financial distress which is evident due to their credit scores (Womack, 2012). This clearly shows that the sample does not understand that payday loans are deemed as an insufficient tool (Womack, 2012). Investors fear that borrowers may not be able to repay their mortgage. Although the public was recently informed via the news that mortgages applications are rejected due to taking out payday loans (Womack, 2012) it is still highlighted within the results of this study that people are still unaware of this implication. To resolve this, the author believes based on the findings that there is a need for stronger awareness that should be provided by the UK government. This is to ensure the public clearly understand the implications of payday loans and how these can affect credit scores when taking out a mortgage.

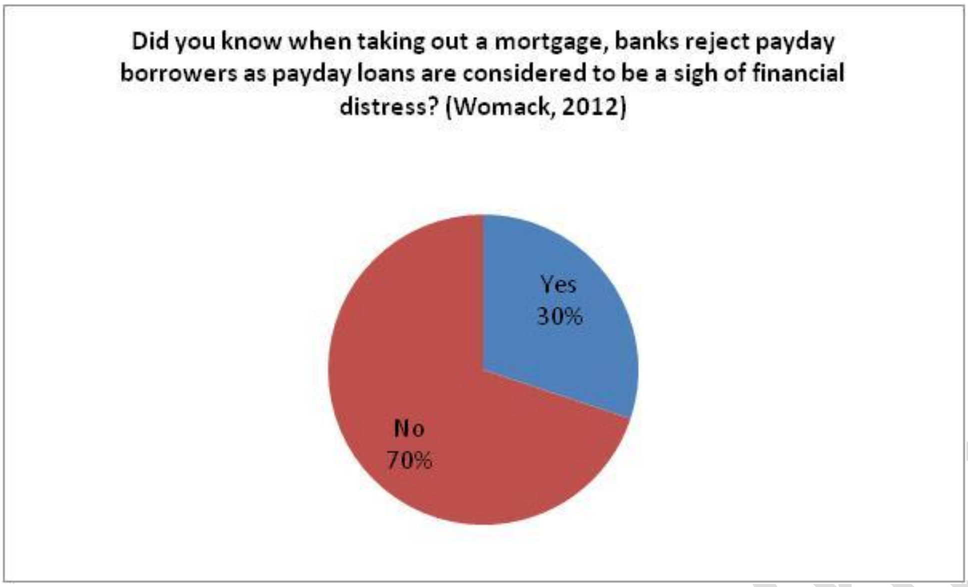


Figure 9

63% of the sample had strongly agreed and 26% agreed with the fact that payday loans are bad debt instruments (figure 10). 8% of the sample did not know whether payday loans are bad debt instruments and this may be due to the jargon used, since they may not know the definition of debt instruments. Ellis (2004) also states that the US public are not advised to take out this type of loan. Since payday loans have been in the media and academics suggest that it is a bad type of loan to take out (Feeney 2010; Ellis, 2004; Dorling, 2011; Mendenhall, 2007) the public has become aware of this fact. Due to high awareness it is inevitable that the sample had chosen to strongly agree with Carradine (2010) that payday loans are bad debt instruments.

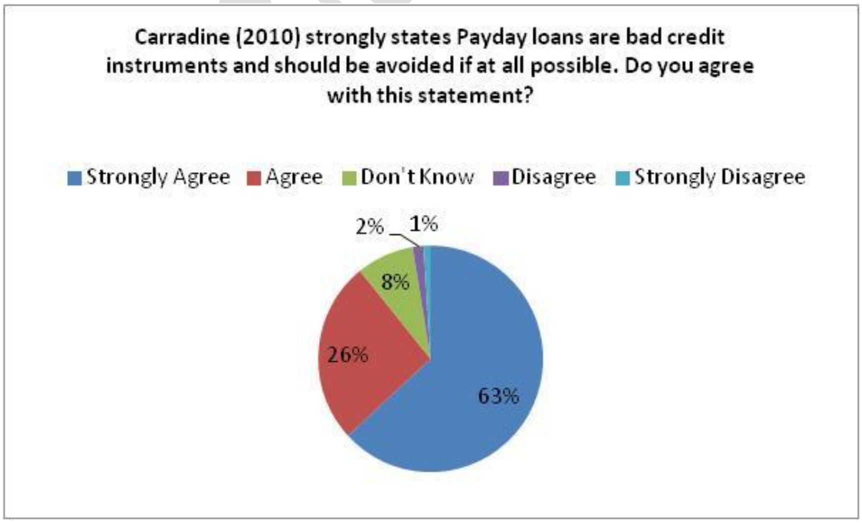


Figure 10

42% are unaware of the bullying that occurs with payday borrowers (figure 11). This suggests that they are unaware of the unfair and abusive terms that payday lenders apply when taking out these loans (Mendenhall, 2007). 30% of the sample strongly agrees with Milliband about the fact that payday loans bully their customers into making repayments (figure 11) indicating that the public also think that lenders treat borrowers harshly. This is because borrowers may struggle to make these repayments. 36% of the samples agree with the fact that there are problems with the way payday lenders attract and treat customers (figure 13).

According to the results, it is unknown (based on 42% of the sample shown in figure 11) whether borrowers are bullied by payday lenders as stated by Milliband (Sky news, 2013a). 42% of people strongly agree that payday lenders do not advertise properly (figure 12). This causes false assumptions that payday loans are easy and convenient and borrowers may not be aware of the implications face by payday loans. Another 16% do not know if payday loans are advertised properly (figure 12). This can be due to the lack of attention of payday loans advertising incorrectly. Bertrand, Mullainathan, Shafir (2006) states that payday loans have aggressive marketing campaigns, if there are problems with advertising then this needs to be addressed as borrowers rely on disclosures to understand if a payday loan is right for them and hence financial literacy is needed (Tomskies, 2008).

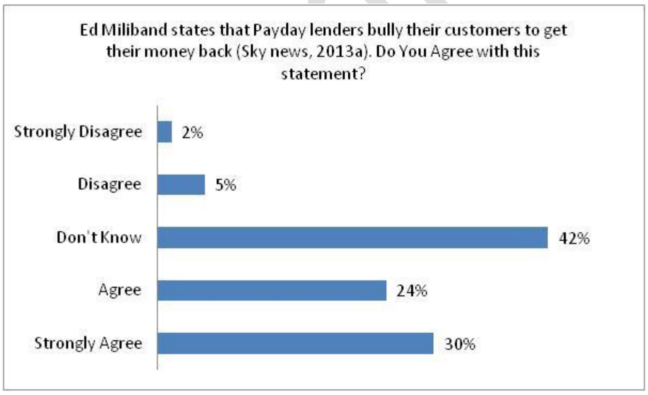


Figure 11

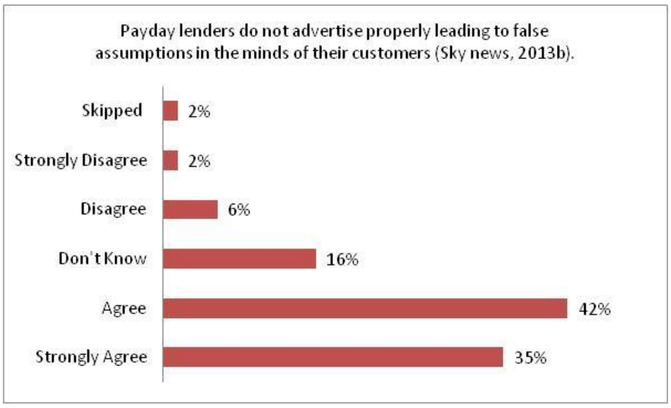


Figure 12

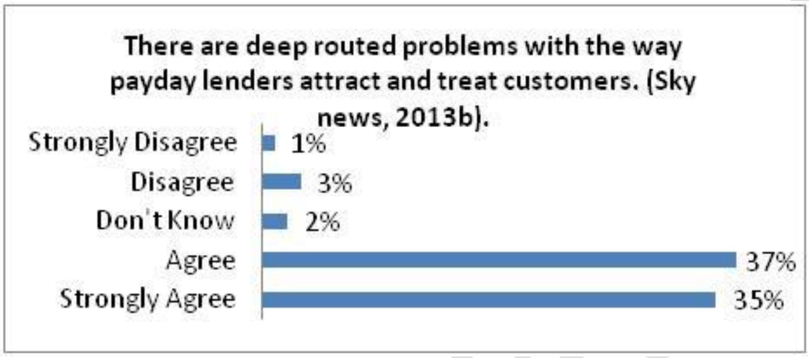


Figure 13

4.3 Awareness of targeted borrowers:

43% of the sample agreed and 27% strongly agreed that payday borrowers are low income earners (figure 14). 44% suggested that they did not know whether high income earners also purchased payday loans (see figure 15). This strongly indicates that the sample do believe that low income earners are targeted. However, their perceptions on high income earners using payday loans are unclear since they may not have heard of high income earners using this type of loan. Perhaps the media appears to only highlight people that are struggling to make repayments and falling into heavy debt. News about high income earners with payday loans are almost never highlighted and therefore the public may not be aware that high income earners also purchase payday loans.

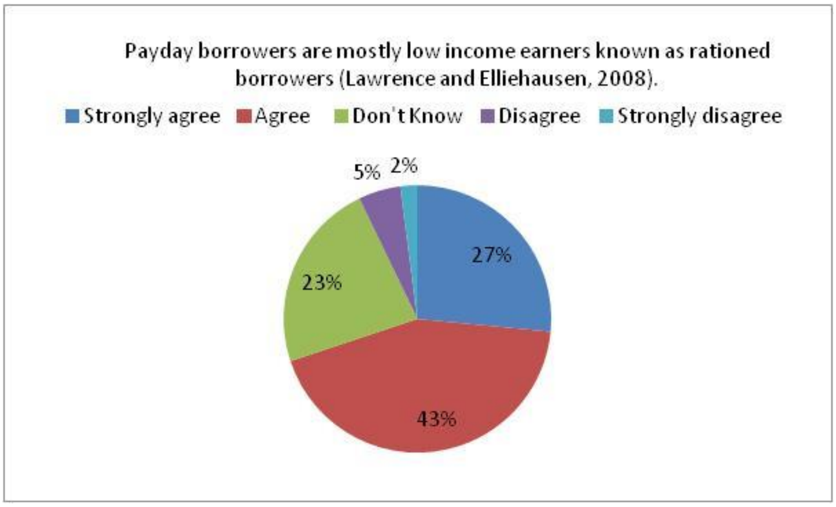


Figure 14

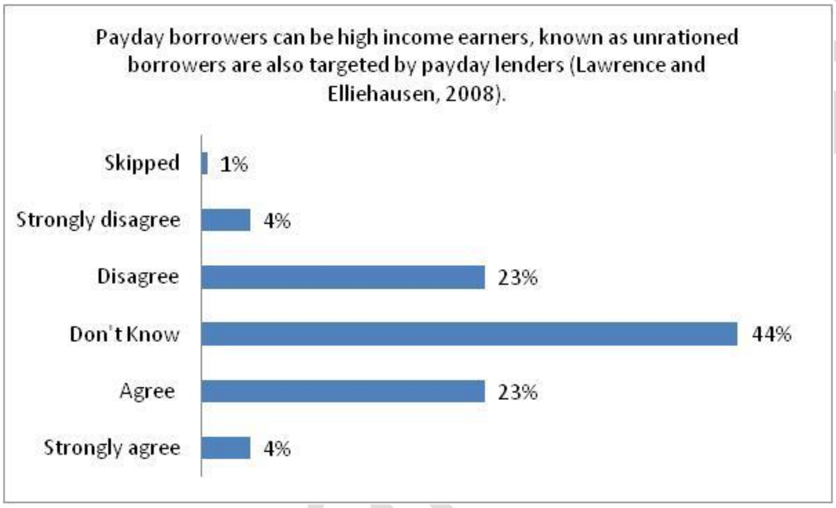


Figure 15

From the author's research 39% agreed and 32% strongly agreed that low income earners are targeted by payday lenders (figure 16) (Schafter, Wong and Castleberry's, 2009). 44% of the participants agreed with Schafter, Wong and Castleberry's (2009) statement that rollover loans would need to be taken out in order to payback payday loans (figure 17). Additionally, in a conversation with Giddings (2014) it was the rollover loans that made borrowers face problems, since they struggled to pay their initial loans. This suggests that the author's research founded from the sample is in agreement with the fact that rollover loans can cause a major implication to anyone taking out payday loans and there is a real danger of falling into a "debt treadmill" (Mendenhall,2007).

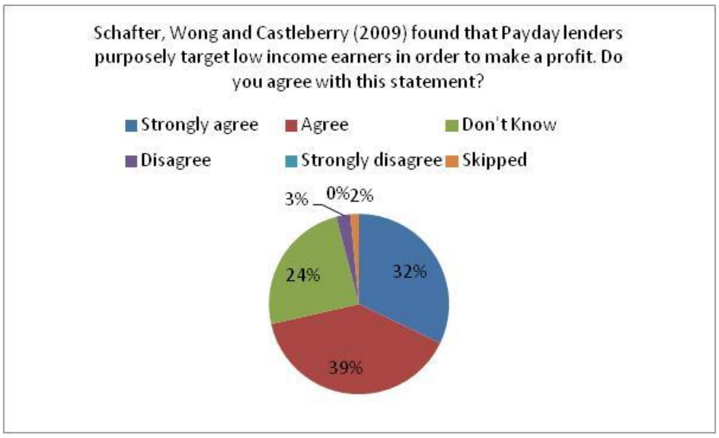


Figure 16

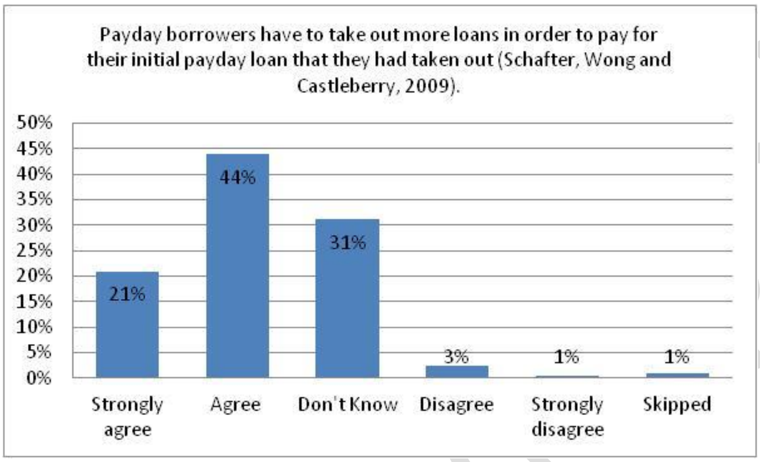


Figure 17

4.4 The need for Regulation:

Participants believed that regulations should be made in order to protect people from the implications of payday loans. 65% of the participants agreed that stronger regulation is needed (figure 18). As well as this, Carradine (2010) stated that the US government were debating whether they should create a Payday Loan reform act to protect existing borrowers and new borrowers with the implications faced due to these loans. When asked if this was a good idea 93% stated yes (figure 19) and when asked if the UK should create a similar act 94% said yes (figure 20). Overall, this means the public would like to feel protected from payday lenders as well as have a legislation to ensure their security in the future if they were to take out this type of loan.

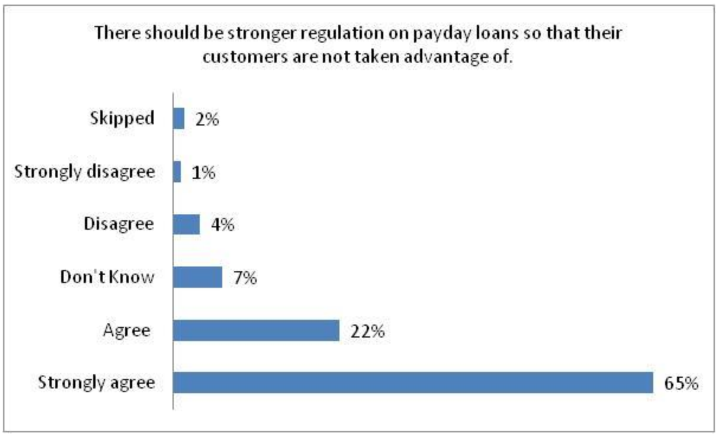


Figure 18

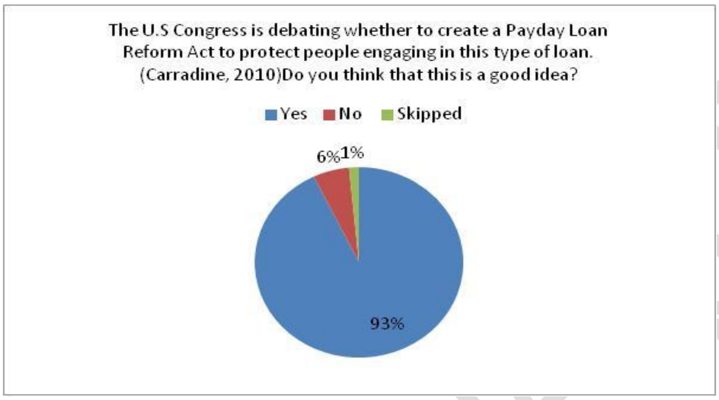


Figure 19

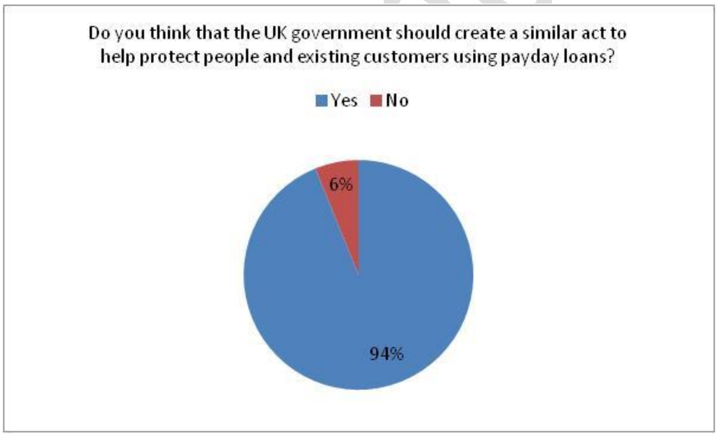


Figure 20

Chapter 5: conclusion, recommendations and limitations and further reading

5.1 Conclusion:

It has been found from the author's investigation that the sample urges for the UK government to create stronger regulations as well as new legislation similar to the Payday Loan Act within the USA to protect existing and new payday loan customers from the implications that can arise. As well as this the author investigation that the sample has found that there are problems in the way payday lenders attract and treat their customers. The study also supports the notion that payday loans bully their customers although the definition of the way they bully customers remains undefined. Most of the sample did not know that payday loans although known as short term loans can lead to debts lasting up to 30 years (Dorling, 2011). This is an implication that the public was not aware of which could be the reason why people fall into heavy debts and have an urge to take out rollover loans leading to a "debt treadmill" (Mendenhall, 2007). Being unaware of these facts can lead to serious problems of heavy debt in the future.

A large majority of the sample did not know that taking on payday loans are signs of financial distress and banks tend to reject mortgage applications from payday loan borrowers (Womack, 2012; Bar-Gill and Warren, 2008). However, the sample agreed that low income earners often take out payday loan although it remains unclear from the author's study about the samples opinions if high income earners also takeout payday loans since the majority of the participants were unaware of this. The author was not able to find UK based information on whether high income earners purchase payday loans although research was found based in the USA. People generally agreed with the notion that payday loans are unattractive due to their high interest rates and knew of payday loans trapping affect into making long term payments. Therefore it is arguable that people only know about the implications of payday loans to a certain extent. There are still some major implications that the public does not know about and thus there needs to be proper advertising and awareness spread within the UK in order for the public to be fully aware of the loans before making a decision to purchase this type of loans since the effects can be detrimental.

5.2 Limitations:

The author's study was limited as demographics where not included since this research was a generalised questionnaire aimed at the UK public. Demographics such as occupation and the amount of income would have been able to create strong relationships between what the perceptions of the sample where and how much they earned as well as their occupation in order to effectively establish if low income earners and or/ High income earners are most likely to take out a payday loan. From the author's network of contact where also limited to professionals high level managers of various organisations and students of Brunel University. There no one actual unemployed contact where relationships could have been drawn between low income earners and their perceptions and the extent of their knowledge and awareness on the implications of payday loans. This limits the investigation that was conducted since the investigation could not provide stronger evidence between the link of low income earners and the awareness of payday loans. The sample of 196 participants was too small for it to reflect what the UK public's perceptions towards payday loans. For the study to truly reflect the UK public perceptions and awareness of the implications of payday loans a larger sample size would need to be required.

5.3 Recommendations and further reading:

It was also found that Spanish speaking (Damar, 2009; Kurtbelben, 2012; Stegman and Faris, 2003) and African Americans (Kurtzleben, 2012; Spector, 2008; Weller, 2010) purchased payday loans, thus research into ethnicity would be needed to establish a relationship between ethical background and payday loans in order to find results which support or challenge their supporters. it was also found that the military were targeted by payday lenders (Mendenhall, 2007; Weller, 2010; Gallmeyer and Roberts, 2009; Graves and Peterson, 2005; Phillps-Fien, 2008), again this needs to be tested in order to prove that the academics are correct. People with college degree are targeted (Pyper,2007; Caskey, 2011), a relationship between payday loans and occupations and education levels in order to find a significance that either challenges or supports this. Females also seemed to be a target (Hayes, 2009), but could not be tested as the author's questionnaire was a generalised questionnaire that did not include this, so for further research it is recommended that the relationship between gender and payday loans should be established in order to find any significance.

Therefore, there is a lot of further reading that still needs to be done in order to effectively measure the awareness of payday loans and the perceptions of the UK public about these loans. Demographics should be collected as well as providing questions towards the public about payday loans to effectively draw a relationship between the two so that a pattern can clearly be reached between what high and low level earners fee and think about payday loans. A larger sample size would be needed for anyone who would be conducting research to base a judgement on what the UK public's perceptions to truly determine how they feel and their attitudes towards this controversial way of borrowing.

Appendices

Appendices 1-Payday loan questionnaire

This questionnaire is based on existing academic literature and research on payday loans. The questionnaire to be filled out will be completed voluntarily and the information provided will remain anonymous. The data will be treated as confidential and will only used for the purpose of completing a BSc Business Management (Accounting) dissertation.

Please circle the appropriate answer.

1. Feeney (2010) states that "Payday loans are structured in a way that you can easily be trapped into paying fees for a very long time."
   Did you know about this effect of payday loans?
   Yes
   No
2. Do you believe that payday loans are short term loans?
   Yes
   No
3. Dorling (2011) suggests that payday loans both in the USA and UK could lead to a debt that can last up to 30 years, did you know that payday loans can lead to long term repayments?
   Yes
   No
4. Did you know that payday loans have an interest rate of up to 1000% and over?
   Yes
   No
5. Did you know when taking out a mortgage, banks reject payday borrowers as payday loans are considered to be a sigh of financial distress? (Womack, 2012)
   Yes
   No

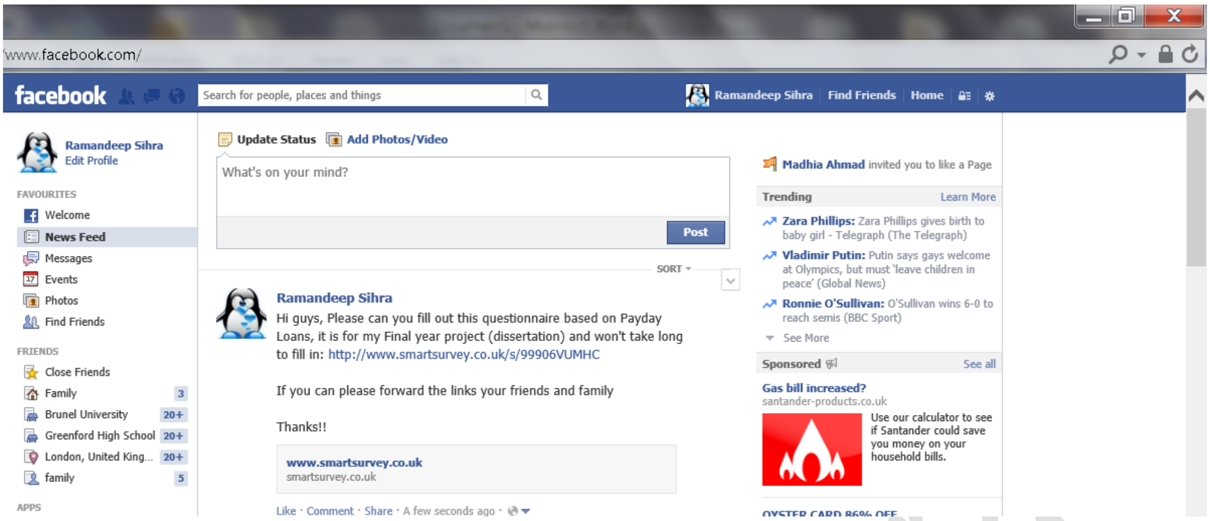
For the next questions there will be some statements where you have the options of picking one answer from a range of options, strongly agree-strongly disagree. Please circle one option.

6. Carradine (2010) strongly states Payday loans are bad credit instruments and should be avoided if at all possible. Do you agree with this statement?
   Strongly Agree Agree Don't Know Disagree Strongly Disagree
7. Ed Miliband states that Payday lenders bully their customers to get their money back (Sky news, 2013a).
   Strongly Agree Agree Don't Know Disagree Strongly Disagree
8. Payday lenders do not advertise properly leading to false assumptions in the minds of their customers. (Sky news, 2013b)
   Strongly Agree Agree Don't Know Disagree Strongly Disagree
9. There are deep routed problems with the way payday lenders attract and treat customers. (Sky news, 2013b).
   Strongly Agree Agree Don't Know Disagree Strongly Disagree

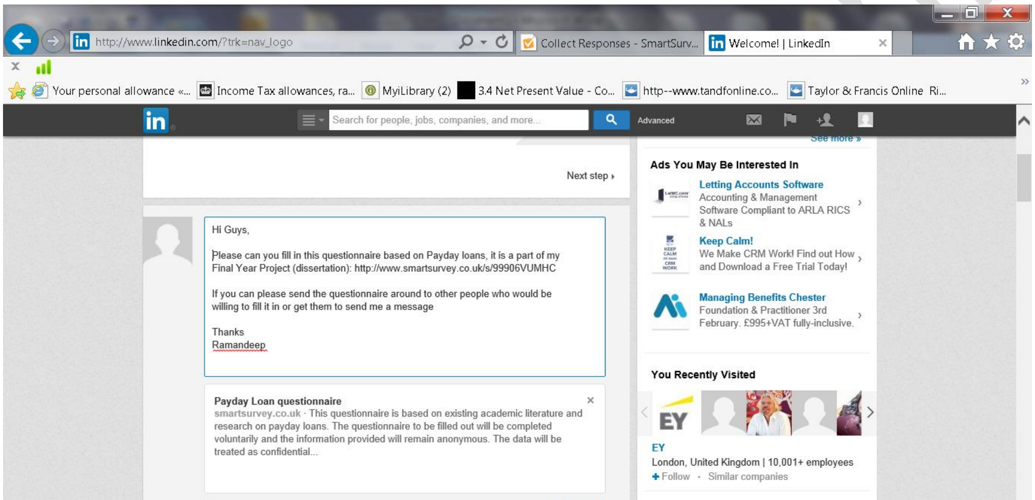
According to Juster and Shay's (1984) model there are two types of borrowers, rationed and unrationed borrowers. Please state whether you agree or disagree with Juster and Shay's (1984) model (Lawrence and Elliehausen, 2008).

10. Payday borrowers are mostly low income earners known as rationed borrowers (Lawrence and Elliehausen, 2008).
    Strongly Agree Agree Don't Know Disagree Strongly Disagree
11. Payday borrowers can be high income earners known as unrationed borrowers are also targeted by payday lenders (Lawrence and Elliehausen, 2008).
    Strongly Agree Agree Don't Know Disagree Strongly Disagree
12. According to Evans (2012) Payday lenders charge late payment fees and additional hidden charges which result in borrowers struggling to repay loans
    Strongly Agree Agree Don't Know Disagree Strongly Disagree
13. Schafter, Wong and Castleberry (2009) found that Payday lenders purposely target low income earners in order to make a profit. Do you agree with this statement?
    Strongly Agree Agree Don't Know Disagree Strongly Disagree
14. Payday borrowers have to take out more loans in order to pay for their initial payday loan that they had taken out (Schafter, Wong and Castleberry, 2009).
    Strongly Agree Agree Don't Know Disagree Strongly Disagree
15. Payday loans are a good way to help pay bills (in the short run)
    Strongly Agree Agree Don't Know Disagree Strongly Disagree
16. There should be stronger regulation on payday loans so that their customers are not taken advantage of.
    Strongly Agree Agree Don't Know Disagree Strongly Disagree
17. Hansen (2010) explains that for a common payday loan for 25 dollars are charged as interest per 100 dollars a person takes out. On this basis do you think that pay day loans are a good way to get people out of debt?
    Yes
    No
18. Payday loans cause people to fall in to heavy debt
    Strongly Agree Agree Don't Know Disagree Strongly Disagree
19. The U.S Congress is debating whether to create a Payday Loan Reform Act to protect people engaging in this type of loan. (Carradine, 2010)
    Do you think that this is a good idea?
    Yes
    No
20. Do you think that the UK government should create a similar act to help protect people and existing customers using payday loans?
    Yes
    No

Thank you for filling out this questionnaire



Appendices 2 : Questionnaire posted on Facebook



Appendices 3: Questionnaire posted on Linkedin

Appendix 4 results summary

Results Summary

1. Page 1

1. Feeney (2010) states that "Payday loans are structured in a way that you can easily be trapped into paying fees for a very long time."Did you know about this effect of payday loans?

			Response Percent	Response Total
1	Yes		65.31%	128
2	No		34.69%	68
			answered	196
			skipped	0

2. Do you believe that payday loans are short term loans?

		Response Percent	Response Total
1	Yes	56.41%	110
2	No	43.59%	85
		answered	195
		skipped	1

3. Dorling (2011) suggests that payday loans both in the USA and UK could lead to a debt that can last up to 30 years, did you know that payday loans can lead to long term repayments?

		Response Percent	Response Total
1	Yes	57.73%	112
2	No	42.27%	82
		answered	194
		skipped	2

4. Did you know that payday loans have an interest rate of up to 1000% and over?

		Response Percent	Response Total
1	Yes	58.03%	112
2	No	41.97%	81
		answered	193
		skipped	3

5. Did you know when taking out a mortgage, banks reject payday borrowers as payday loans are considered to be a sign of financial distress? (Womack, 2012)

		Response Percent	Response Total
1	Yes	30.10%	59
2	No	69.90%	137
		answered	196
		skipped	0

6. Carradine (2010) strongly states Payday loans are bad credit instruments and should be avoided if at all possible. Do you agree with this statement?

		Response Percent	Response Total
1	Strongly Agree	63.08%	123
2	Agree	26.15%	51
3	Don't Know	8.21%	16
4	Disagree	1.54%	3
5	Strongly Disagree	1.03%	2
		answered	195
		skipped	1

7. Ed Miliband states that Payday lenders bully their customers to get their money back (Sky news, 2013a). Do You Agree with this statement?

		Response Percent	Response Total
1	Strongly Agree	26.29%	51

7. Ed Miliband states that Payday lenders bully their customers to get their money back (Sky news, 2013a). Do You Agree with this statement?

			Response Percent	Response Total
2	Agree		24.74%	48
3	Don't Know		42.27%	82
4	Disagree		5.15%	10
5	Strongly Disagree		1.55%	3
			answered	194
			skipped	2

8. Payday lenders do not advertise properly leading to false assumptions in the minds of their customers (Sky news, 2013b).

			Response Percent	Response Total
1	Strongly Agree		35.20%	69
2	Agree		41.84%	82
3	Don't Know		15.82%	31
4	Disagree		5.61%	11
5	Strongly Disagree		1.53%	3
			answered	196
			skipped	0

9. There are deep routed problems with the way payday lenders attract and treat customers. (Sky news, 2013b).

			Response Percent	Response Total
1	Strongly Agree		35.57%	69
2	Agree		37.11%	72
3	Don't Know		23.20%	45
4	Disagree		3.09%	6
5	Strongly Disagree		1.03%	2
			answered	194
			skipped	2

10. Payday borrowers are mostly low income earners known as rationed borrowers (Lawrence and Elliehausen, 2008).

		Response Percent	Response Total
1	Strongly Agree	26.53%	52
2	Agree	43.37%	85
3	Don't Know	22.96%	45
4	Disagree	5.10%	10
5	Strongly Disagree	2.04%	4
		answered	196
		skipped	0

11. Payday borrowers can be high income earners, known as unrationed borrowers are also targeted by payday lenders. (Lawrence and Elliehausen, 2008).

		Response Percent	Response Total
1	Strongly Agree	4.10%	8
2	Agree	23.59%	46
3	Don't Know	44.62%	87
4	Disagree	23.59%	46
5	Strongly Disagree	4.10%	8
		answered	195
		skipped	1

12. According to Evans (2012) Payday lenders charge late payment fees and additional hidden charges which result in borrowers struggling to repay loans. Do you agree with this statement?

		Response Percent	Response Total
1	Strongly Agree	28.80%	55
2	Agree	40.84%	78
3	Don't Know	28.27%	54
4	Disagree	2.09%	4
5	Strongly Disagree	0.00%	0
		answered	191
		skipped	5

13. Schafter, Wong and Castleberry (2009) found that Payday lenders purposely target low income earners in order to make a profit. Do you agree with this statement?

		Response Percent	Response Total
1	Strongly Agree	32.64%	63
2	Agree	39.90%	77
3	Don't Know	24.87%	48
4	Disagree	2.59%	5
5	Strongly Disagree	0.00%	0
		answered	193
		skipped	3

14. Payday borrowers have to take out more loans in order to pay for their initial payday loan that they had taken out (Schafter, Wong and Castleberry, 2009).

		Response Percent	Response Total
1	Strongly Agree	21.13%	41
2	Agree	44.33%	86
3	Don't Know	31.44%	61
4	Disagree	2.58%	5
5	Strongly Disagree	0.52%	1
		answered	194
		skipped	2

15. Payday loans are a good way to help pay bills (in the short run)

			Response Percent	Response Total
1	Strongly Agree		2.56%	5
2	Agree		15.38%	30
3	Don't Know		10.26%	20
4	Disagree		40.51%	79
5	Strongly Disagree		31.28%	61
			answered	195
			skipped	1

16. There should be stronger regulation on payday loans so that their customers are not taken advantage of.

			Response Percent	Response Total
1	Strongly Agree		65.80%	127
2	Agree		22.80%	44
3	Don't Know		6.74%	13
4	Disagree		3.63%	7
5	Strongly Disagree		1.04%	2
			answered	193
			skipped	3

17. Hansen (2010) explains that for a common payday loan for 25 dollars are charged as interest per 100 dollars a person takes out. On this basis do you think that payday loans are a good way to get people out of debt?

			Response Percent	Response Total
1	Yes		4.17%	8
2	No		95.83%	184
			answered	192
			skipped	4

18. Payday loans cause people to fall in to heavy debt

			Response Percent	Response Total
1	Strongly Agree		45.88%	89
2	Agree		37.63%	73
3	Don't Know		13.40%	26
4	Disagree		2.06%	4
5	Strongly Disagree		1.03%	2
			answered	194
			skipped	2

19. The U.S Congress is debating whether to create a Payday Loan Reform Act to protect people engaging in this type of loan. (Carradine, 2010)Do you think that this is a good idea?

			Response Percent	Response Total
1	Yes		94.30%	182
2	No		5.70%	11
			answered	193
			skipped	3

20. Do you think that the UK government should create a similar act to help protect people and existing customers using payday loans?

			Response Percent	Response Total
1	Yes		93.88%	184
2	No		6.12%	12
			answered	196
			skipped	0