

Book Review: Loan Sharks: The Rise and Rise of Payday Lending

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*The time is certainly ripe for a better informed debate about fair access to finance in contemporary society, writes **Paul Benneworth**, in his review of **Carl Packman's Loan Sharks**. This book is a persuasive call to the wider social research community to take financial exclusion more seriously, and place it firmly on the agenda of all progressively minded politicians, activists, and scholars.*



Loan Sharks: The Rise and Rise of Payday Lending. Carl Packman. Searching Finance. October 2012.

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[Carl Packman](#) is a journalist who has undertaken a substantial piece of research into the social problem of payday lending: short-term loans to poor borrowers at very high interest rates. *Loan Sharks* is his account of his findings and arguments, and being a journalist he has got the book very quickly into print. With the wider research effort into social policy now distributed beyond the academic – across local and national government, journalists, think tanks, the judiciary, police forces, and even social enterprises and businesses – any effective social policy scholarship must be able to engage with these researchers. This raises the problem that in these different communities, the ‘rules of the research game’ in terms of evidence and findings may differ substantially from scholarly expectations.



Making sense of journalistic research thus places academics in a quandary. The easiest books to assimilate are those such as Beatrix Campbell's excellent *Goliath*, which analyses the causes of the summer 1991 riots in two deprived estates around Newcastle. *Goliath* reads like a solid piece of academic research; at once empirical, reflective, and theoretical, with very little concession to journalistic style. Conversely, others may be more unsatisfactory to academic eyes. Polly Toynbee & David Watson's *Did Things Get Better?* merely ticked off as completed (or not) the Labour Party's 1997 Election Manifesto pledges. So reading *Loan Sharks*, one must respect ‘the ‘rules of the journalistic research game’ and be prepared for confrontation by an intriguing and engaging story rather than compelling, complete case.

With that caveat, *Loan Sharks* certainly makes good the book's cover promise to provide “the first detailed expose of the rise of the nation's poorly regulated, exploitative and multi-billion pounds loans industry, and the way that it has ensnared so many of the nation's vulnerable citizens”.

The book begins setting out Packman's ambitions, as much charting a phenomenon as a passionate call for change. He argues payday lending is primarily a problem of access to credit, and that any solution which does not facilitate insecure borrowers accessing credit will only expand illegal debt, or worsen poverty. Packman argues that credit is not the problem, rather one-sided credit arrangements that are stacked in favour of lender not debtor, and which can mean temporary financial problems become personal disasters.

An interesting section on the history of credit includes a chapter arguing that widening access to credit should be ranked as a great victory for progressive politics, allowing increasing numbers access to home ownership, as well as enabling huge rises in standards of living. But this has simultaneously created a social division between those who able to access credit, and those deemed too high a lending risk, leaving them ‘financially excluded’. This financial exclusion may come at a high cost: even the smallest financial shock such as a broken washing machine can force individuals into high-cost solutions with long-term ramifications unimaginable to those able to simply borrow as required to solve that problem.

Packman argues that this split between the creditworthy and the financially excluded has seen a large financial industry providing high cost credit services to those who find themselves financially excluded. Packman highlights the wide range of forms these subprime financial services take, covering pawnbrokers, high street hire purchase chains, doorstep lenders, cheque advance services and internet loan companies such as Wonga. Packman also makes the point that these services, and the need for them, are by no means new. They are all exploitative, making poor people pay exorbitantly for a service the included majority take for granted. But it is also undeniable that these exploitative services do provide access to services that most of us take for granted, without driving borrowers into the arms of illegal lenders. Because as Packman points out, these Payday loans companies are at least regulated, and merely tightening regulation risks driving financially excluded individuals into the arms of the real “loan sharks”, often violent illegal doorstep lenders.

Loan Sharks' message is that the root of financial exclusion lies with people, with unstable finances facing sudden financial shocks, whether to cover their rent, pay for food, or even repair a vital domestic appliance or car. The solution to payday lending is not to tighten payday lending regulations, but to stop people falling into situations where they have no options for adjusting to these financial shocks. Any solution must encompass an ecology of measures appropriate to wide-ranging personal circumstances together providing individuals with a degree of financial resilience, including credit unions, micro-finance, social lenders, welfare grants and living wages. Packman concludes that until this resilience problem – exacerbated by the contemporary crisis – is properly addressed, payday lending will remain essential to household survival strategies for financially vulnerable individuals.

The one reservation with this volume must remain its journalistic approach. Its tone is more akin to a Radio 4 documentary script than a balanced and considered study. The lack of conceptual depth makes it hard for the author to convincingly tell a bigger story, and gives *Loan Sharks* a slightly anecdotal rather than comprehensive flavour. It proposes solutions on the basis of existing alternatives rather than diagnosing of the overall problem and asking what is necessary to address financial vulnerability. Finally, the way that references and quotations are used does raise a fear that the book is more rhetorical than objective, and may jar with an academic reader's expectations.

But *Loan Sharks* does not pretend to be more than what it is, and in that sense it is highly successful. A wide selection of interesting evidence is presented, and shaped into an interesting argument about the scourge of payday lending. The time is certainly ripe for a better informed debate about fair access to finance in contemporary society. Packman's book is a persuasive call to the wider social research community to take financial exclusion more seriously, and place it firmly on the agenda of all progressively minded politicians, activists and scholars.

Paul Benneworth is a Senior Researcher at the Center for Higher Education Policy Studies at the [University of Twente](#), Enschede, the Netherlands. Paul's research concerns the relationships between higher education, research and society, and he is currently Project Leader for the HERAVALUE research consortium (Understanding the Value of Arts & Humanities Research), part of the ERANET funded programme “Humanities in the European Research Area”. Paul is a Fellow of the Regional Studies Association. [Read more reviews by Paul.](#)