1. What changes have occured in last 5 year?

The industry is much more appreciated by a wider public. At a time when High Street banks are seen by some as the pariahs of society, pawnbrokers are seen as a helpful service for those who need a cash loan. The price of gold has more than doubled over the same period, which allows customers to borrow a little more. The industry has grown to more than 1800 shops and the number of new customers continues to increase. In addition there is genuine interest amongst government departments in understand pawnbroking. Although it represents only a fraction of consumer credit, better understanding by our legislators is a key driver to better regulation. They tell us that they do not hear of problems in the industry and like the way that the NPA sets higher requirements of its members than are required in law.

2 Who are your customers?

Our customers come from all sections of society from C1’s, C2’s and D’s and more recently many more A’s and B’s. So pretty much everyone. Typically 57% female and 65% of all customers under 40.

 3 Why do they not use banks?

2m people do not have access to finance(Family Resources DWP May 2011). Also, they don’t necessarily trust banks and often cannot secure loans. However, people will also use a pawnbroker for the speed and convenience of the service, the personal relationship, trust and transparency and uncomplicated nature of the transaction. Precisely what banks don’t necessarily offer! 95% of customers are satisfied or very satisfied with the service. (Personal Finance Research Centre – University of Bristol 2011). They are savvy with money – they have to be - and like using a pawnbroker.

1. What are the characteristics of your product? How do they differ from other high cost lenders?

Pawnbroking is very different from other types of lending. The customer brings in jewellery – mostly gold and diamonds (not computers or electrical goods – that is buy-back which is very different and unregulated) and receives a secured loan which equates to a fraction of the jewellery’s value. Because they are using their own assets to borrow they don’t get into debt. This is a very personal service with strong customer relations and often everyone on first name terms. The loans are flexible because the customer can pay back at any time and short-term. The average loan is not much more than £100 and the average term is only 3.5 months. Experience is that if a service is flawed it rarely lasts a long time, but pawnbroking has been around for thousands of years.

1. What checks do you undertake to prevent debt spirals?

This is not relevant to pawnbroking customers. They have the option to sell their jewellery so they do not get into a debt spiral. The loan ends after 6 or 7 months and the goods are redeemed or sold with any surplus after costs, returned to the customer.

1. How do you let your customers know what they are signing up for?

Every customer is given a pre-contract information sheet and the key terms of the loan are explained verbally. The cost of the loan is on the front page of the agreement so they know the cost of credit. It is completely transparent – they know exactly how much the loan will cost.

1. What can the industry do to regulate itself?

Most pawnbrokers are members of the NPA - why? – because they want to do everything correctly. We help them to be compliant and in fact our advice goes way beyond the basic requirements of the law so that they give great service to their customers.

7 What processes are necessary to go through in order to become a member/what compliance checks are taken out?

All new members are vetted to ensure they meet our minimum membership criteria. This means a site visit and a report of our findings. Not every applicant is accepted but we do tell those that are not ready where they need to improve. We insist that they supply evidence that they have a Consumer Credit Licence, compliant pawnbroking software and are properly insured. In addition we ensure that they have adequate security, a good safe, CCTV and a monitored alarm system. As it is customer’s jewellery that they are holding it is very important that it is looked after properly.

1. Tell me a bit about regulation within the pawnbroking industry?

The industry is regulated by the Office of Fair Trading and all pawnbrokers need to be granted a Consumer Credit Licence in order to lend money. Most of the regulations are contained within the Consumer Credit Act 1974 which confers rights to customers. For example, the pawnbroker must send various notices to customers to inform them, for example, that their agreement is coming to an end. Customers have the right to make part-payments and withdraw from the agreement. Pawnbrokers are forbidden to dispose of the pawned items until at least six months have gone by, but customers can redeem at any time and be reunited with their belongings. The vast majority of customers pay what is due and redeem their jewellery. With the exception of very small loans, if the pawnbroker has to sell the jewellery to repay the loan, he is required in law to get ‘true market value’ and if there is a surplus it is owed to the customer. Because pawnbroking is a highly transparent process and essentially quite simple it generates very few complaints. The Financial Ombudsman said that they had received just four pawnbroking complaints the last year they reported.

1. How do you feel technology has changed the pawnbroking process?

The Internet is beginning to have an impact on pawnbroking although it is still early days. The Internet affords confidentiality but conversely potential customers need to be persuaded that the company is legitimate and they really will get their jewellery returned. The successful companies recognise that and go to great lengths to reassure customers that the service they offer is safe. Despite the attractions of the Internet, many customers prefer to visit their local pawnbroker in person where over time often strong relations develop between customers and staff. About 80% of customers are repeat customers.

1. What future do you envisage for pawnbrokers and the market?

It’s likely there will be continued growth in the industry. On a like for like comparison with USA, there is room for 50% growth. Many families go through times when they need a cash loan quickly but the vast majority of them do not have pawnbroking on their radar. It is unlikely that banks will start lending to the majority of pawnbroking customers any time soon. We know from recent research conducted by the University of Bristol that 95% of pawnbroking customers are either satisfied or very satisfied with the service. These are extremely high levels of satisfaction that most industries (and particularly High Street banks)would be very envious. Our job now is to show the relevance of the pawnbroking service to the majority of people who have never been. Growth will also come from middle class people who are being denied credit from their banks and also from small businesses seeking to smooth out fluctuations in cash flow.

1. How similar are pawnbrokers to any other SME and do they face the same sort of funding problems? I have been told that they are largely privately funded and therefore do not rely on bank support.

Our small independents have all the same problems that plague any SME and sometimes worse problems because of the nature of the business. The one thing a pawnbroker cannot do is run out of money. Cashflow is king in a business which relies on instant access for customers pawning items. However all the loans are secured against items of higher value and sometimes bank managers are not used to dealing with this kind of business model.

Ray Perry Website: <http://www.thenpa.com/>