

Wonga's failure suggests that what we really need is lo...

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Wonga has messed up. It's lent to people who could not pay hundreds of percent interest rates. It's even lent to people who just did not have enough money at all. And it is writing off loans as a consequence.

I am pleased for those who are having their loans written off; that is obviously good news for them. But, this only corrects some particular injustices and not the systemic fault at the heart of this issue, which is of much greater significance.

The fact is that it is a scandal (a word I use rarely) that millions of people in this country have such limited access to financial services and credit when they need it that they have no choice but resort to lenders like Wonga and Provide Financial whose rates, all can agree, are exorbitant, and whose credit recovery methods are wholly unacceptable.

There are very good reasons why most people in the UK need credit on occasion. The fact is that our UK wealth distribution is so skewed that the majority of households in the UK have little or no safety net if the unforeseen happens, as it, inevitably does. We used to have a 'social fund' to deal with the situation. It was, in effect, a state backed loan scheme for those in particular, and pressing current need at a time of crisis, which could in many households be represented by something like the need for a replacement cooker.

That social fund was abolished some time ago and now there is no way in which most people can access necessary essential credit at the time when they need it without recourse to payday lenders.

My suggestion then is that this is not a time to feel smug about the fact that Wonga has had its comeuppance: that was bound to happen at some point or other. What we instead need to be doing is to demand real, fundamental, changes in the way in which many people who have, for all practical purposes, no accessible savings can secure credit at times of crisis in their lives without having to resort to loan sharks, whether legitimised or not.

In a country that says financial services are its major source of wealth it is quite ridiculous that so many are excluded from affordable credit. If we cannot deliver this for the benefit of everyone what is the point of the City and all it does? And if the City cannot do it, then the state must. But to let the current dire situation continue is just wrong.