



Customers wishing to take out a consecutive loan secured by the same item(s)

Pawnbroking loans are provided as a short-term financial solution that is available very quickly and with flexible repayment options.

Your **creditworthiness** for the loan is established by the value of the goods offered as security, assessed by our experienced team. The loan's **affordability** is established by, among other things, the high rates of successful redemption and a very favourable comparison of our rates with those of other businesses offering a similar pawnbroking service. Looking at wider comparisons, the BBC's own, independent shows "Moneybox" (Radio 4, November 2011) and "Breakfast" (BBC1, January 2012) found that over 28 days a pawnbroking loan (even at rates of monthly interest higher than ours) proved more affordable than an unauthorised overdraft, payday lender or doorstep credit provider.* *It is important to realise, though, that pawnbroking loans are not intended to be a long-term financial solution.*

What happens at the end of the loan period? It is important that you understand your options.

"I don't have spare cash to reclaim my pledged items right now, but I don't want to lose them --- and I expect that I will be able to take them out soon. What can I do?"

We will discuss this with you. You may currently do one of three things :

- (1) repay the loan and interest in full in order to reclaim your property.
- (2) "**walk away**" without repaying anything further; the value of your secured property would be realised through its sale, leaving you with **no** liability greater than what it sells for. Your credit rating would not be affected and, indeed, there may be a surplus repayable to you in due course.
- (3) Just as pawnbroking clients have for hundreds of years, you may wish to pay all the interest accrued on one loan and take out a similar, consecutive loan, such that the capital provided by the second should match and repay the capital of the first.

These choices of *outcome* make pawnbroking loans unique and crucially **different** from the toxic "payday loans," home-collected credit, even bank overdrafts etc. whose interest may compound and from which you *cannot* walk away.

If you choose option (3), which is often called "renewing" or "backing," it requires the provision of a new, separate credit agreement. The item(s) provided by you as security prove that you **remain creditworthy** for the new loan. That you could pay the interest accrued on the earlier loan, *which you crucially did not have to do*, could

be taken as further proof of each loan's inherent **affordability**. However, the product **is** offered each time as a short term solution and we **may** have valid concerns if you choose to take out a consecutive agreement as described.

We do have a statutory duty to **Treat Customers Fairly**. While we could insist that you take one of only the first two options (that you should repay in full the loan and interest from your earlier agreement **or** allow us to sell the security which you provided), this would force you towards an outcome that may not be right for you. By granting you the further option to take out a consecutive agreement we are giving you an **additional choice**. This allows you **entirely at your own discretion** to take out a new legal agreement that gives you a further chance to reclaim your property once again. **Provided you are well informed of your choices, it has to be in your interest ("treating customers fairly") that a consecutive agreement is allowed.**

So, if you **do** wish to take out a consecutive agreement, we need to know that you have understood your position. **You do not need to do so; the sale of your property under the existing agreement would represent the limit of your liability to us.** Remember, Miltons is one of many traditional pawnbrokers which has always practised "*forbearance*." Where a client requires just a short amount of additional time to arrange their finances in order to redeem their property, Miltons will happily try to accommodate him/her. Interest will accrue at the normal rate only.

If it seems that you may not be able to repay any pawnbroking loan in full as anticipated then you should always consider whether a longer term and possibly cheaper form of borrowing may be available and more appropriate, or whether there are other things you could do to improve your financial position. We have an excellent advice sheet compiled by the National Pawnbrokers Association available in store and directs you towards **free, impartial money and debt advice services**.

Rather than simply paying the interest on one loan and taking out another, one very practical suggestion would be also to **repay some of the capital, so that your new loan will be for a smaller amount**. Please remember that there are *other* ways you can repay any pawnbroking loan in stages rather than having to save up a lump sum; our staff will be delighted to advise you how.

For centuries, pawnbroking has succeeded because it allowed its customers to have control of their borrowing. There is a new, legal framework in which we now provide credit, but we aim to keep **you, your wishes** and **your best interest** at the heart of everything we do.

* Citation, *inter alia* :

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/370903/National_Pawnbrokers_Association_response.pdf