

## Summary of Views - Mutual Clothing & Supply co Ltd

### Competition Commission Enquiry - Pay Day Loans

Mutual Clothing and Supply Company Ltd would like to raise 3 points where we believe Pay Day Loan companies are behaving unfairly in the short term consumer credit market. We have highlighted Wonga but believe other less high profile companies also engage in these practices. Finally, we would like to make some general comments on the enquiry.

#### 1) Misleading Advertising – Hidden “no hidden charges”

Pay Day loan companies, particularly Wonga imply that they are the simplest and least risky place to borrow. They advertise ‘no hidden charges’ as a headline point however their website ([www.wonga.com](http://www.wonga.com)) clarifies this as:

“ There are no catches or extra costs to worry about, providing you stick to your side of the deal.+

#### “Failure to stick to your side of the deal

The only way costs will mount beyond our initial calculation is if you don't keep your promise. In other words, if you ask us to change your chosen repayment date or don't ensure enough funds are available for automatic collection. If our early morning collection attempt is declined by your bank - because you haven't ensured enough funds are available - we will do our best to contact you. We always seek to understand any problems and resolve the situation that day but, if we still haven't received full repayment by 5pm, you will incur a £20 missed payment fee towards the cost of a failed collection.

If we cannot collect the money you owe us from 5am on the day you have chosen to repay we will make further attempts to collect the money you owe us either in one payment or several payments from your card or any other debit card you have given us details of, on a continuing basis until the amount you owe us is repaid. Our professional collections team will also contact you to discuss the situation. If your circumstances have changed significantly, they will do their best to offer a solution and come to an arrangement that helps you get back on your feet, which is always our goal.

We don't believe in hitting you with multiple charges, like many traditional lenders will, but interest will continue to accrue on your balance for up to 60 days if we can't reach a fair agreement in the meantime. And if you don't work with us and we can't recover the money over a reasonable period, your account may be passed to an external partner.+

Clearly they do charge extra if a customer doesn't pay: £20 and further interest for 60 days.

We strongly believe that only loan companies (such as Mutual) that genuinely have no catches or extra costs should be allowed to advertise this to customers.

#### 2) Misleading Advertising - Cost to the customer

For a 24 day £100 loan Wonga's total cost of credit is £130.82. We give customers 26 weeks to pay back an £100 loan with a total cost of £130. Wonga's adverts imply that there is no point comparing

the cost of short term loans, we disagree strongly. Wonga's adverts imply that the shorter the term of credit the cheaper the total cost of credit always is. Our loans show this is not necessarily the case.

### **3) Biasing the market via excessive advertising spend**

We believe the Pay Day loan providers heavy spending on advertising particularly on national TV and Radio is a feature of the market which leads customers away from shopping around and selecting the best product for their needs.

### **4) Other Views on the Pay Day loan market enquiry**

We urge the commission to avoid any caps on overall charge for credit or APR, we believe any cap would restrict the flexibility of the market and lead to more complex less transparent products rather than lead to savings for customers.

We encourage the commission to investigate where pay day loan companies are making profit and how much profit is from repeat roll over business that would have benefitted more from a loan of six months or a year. The OFT Payday Lending Compliance Review Final Report ([http://www.of.gov.uk/shared\\_of/Credit/oft1481.pdf](http://www.of.gov.uk/shared_of/Credit/oft1481.pdf)) makes clear that 19% of payday lenders revenue comes from the 5% of customers that have refinanced 4 or 5 times.

### **Who are Mutual Clothing and Supply co ltd?**

We are a family owned home collected credit company operating from 15 branches primarily in the East Midlands of England. We took an active part in the 2005 enquiry in to the Home Credit Market. We do not offer pay day loans.

Website: [www.mutual.uk.com](http://www.mutual.uk.com)

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