

## **CASHEURONETUK, LLC:**

### **RESPONSE TO FURTHER WORKING PAPERS ISSUED BY THE COMPETITION AND MARKETS AUTHORITY ON 10 APRIL 2014**

CashEuroNetUK, LLC (**CashEuroNet**) appreciates the opportunity to provide comments on the Competition and Market Authority's (**CMA**) further working papers set out below, which were published on 10 April 2014:

- Customers' use of multiple lenders presentation;
- Repeat borrowing and customers' use of multiple lenders working paper; and
- Use of other credit products by payday loan customers' presentation.

CashEuroNet's comments in relation to each of these working papers are set out below.

#### **1 CUSTOMERS' USE OF MULTIPLE LENDING AND REAL-TIME REPORTING**

We respectfully suggest that the CMA's analysis of multiple lending in the working papers "Repeat borrowing and customers use of multiple lenders" and "Customers' use of multiple payday lenders" should take account of current and expected developments in real-time reporting.

As previously described to the CMA by CashEuroNetUK and others, the long gaps between credit report updates (monthly) can result in sub-optimal credit decisions by lenders of all types. Recent borrowing activity by consumers in the interim between credit reports will often be unknown to lenders at the time creditworthiness and affordability checks are performed on an applicant.

Callcredit and CoreLogic already have real-time reporting either currently available or to be available in the next 45 days. Experian is also developing a real-time reporting process. The programmes will greatly assist in preventing potentially unaffordable lending by multiple lenders to the same customer so long as there is data sharing between the Credit Reference Agencies. Our competitive analysis shows that Callcredit currently services the majority of the payday loan market. Daily interface between the various CRA's will ensure that any applicant is properly assessed based on the most recent data variable from all reporting sources.

Internet payday lenders played a central role in the development of the Callcredit real-time closed user group. CashEuroNetUK, Wonga, Peachy and Think Finance, among others, were early and regular contributors to open development forums hosted by Callcredit in 2013 and 2014. CashEuroNetUK estimates that perhaps 80 - 90% of the online payday loan market will participate in Callcredit's realtime closed user group.

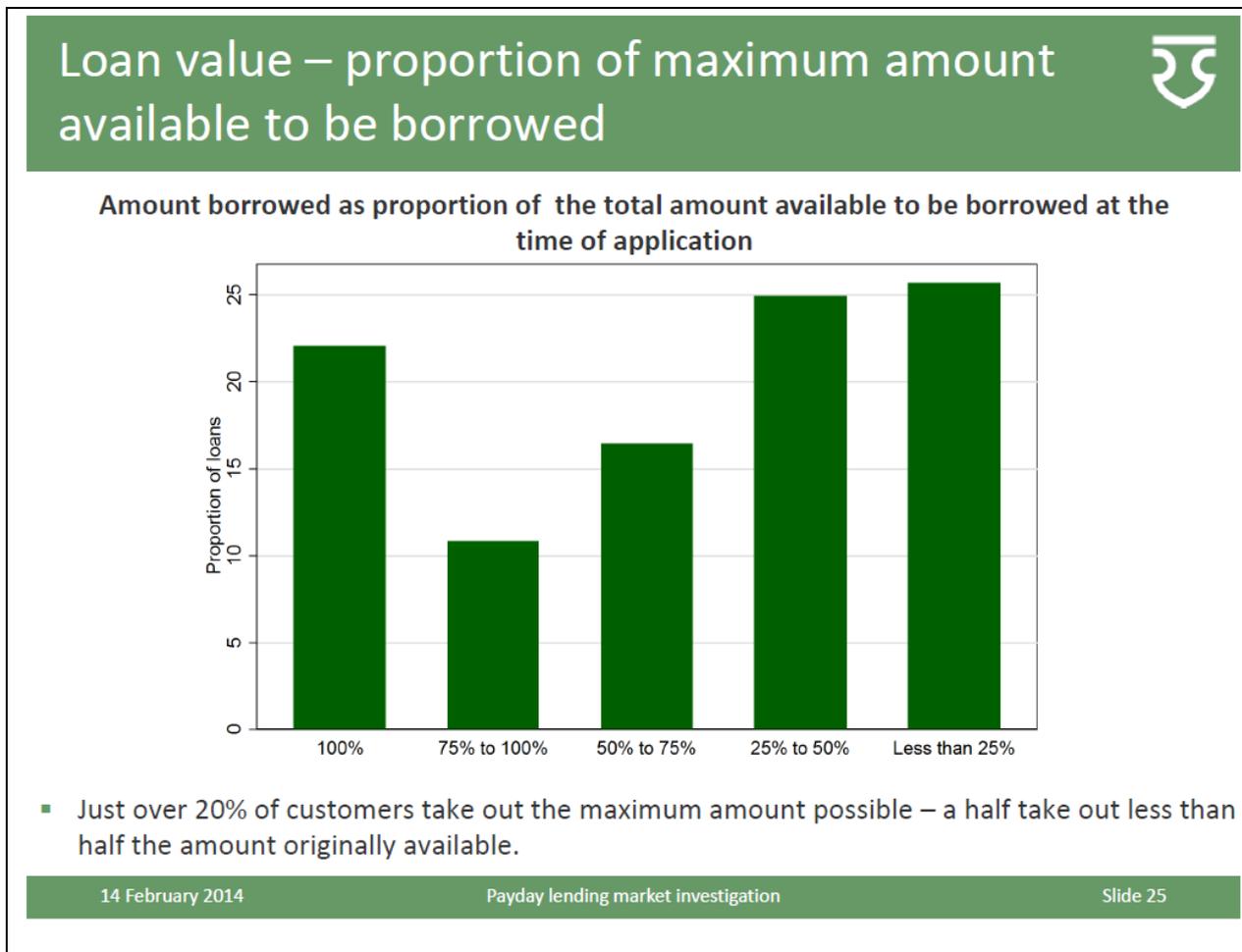
#### **2 REPEAT BORROWING AND CUSTOMERS' USE OF MULTIPLE PROVIDERS WORKING PAPER**

In relation to the CMA's observation that "Our survey suggests that for those customers who have changed provider, concerns about the likely availability of further credit from the previous lender are often an important factor driving this decision", CashEuroNetUK notes that other CMA data shows that most customers will typically have been able to borrow more from their previous lender.

As set out in Figure 1 below, only 22% of customers use the full credit limit offered by their lender, and a further 11% of customers use 75% or more of their full credit limit. This means that 67% of customers could have borrowed significantly more from the current lender. This

suggests that the majority of customers do not need to change provider in order to borrow more.

**FIGURE 1**



### **3 USE OF OTHER CREDIT PRODUCTS BY PAYDAY LOAN CUSTOMERS PRESENTATION**

CashEuroNetUK has previously submitted evidence which is consistent with the finding that the majority of payday customers use credit cards and overdrafts. Whilst we note that the latest working paper only examines credit availability on active credit cards, it is likely to be the case that a significant proportion of customers are able to access further credit through the use of unauthorised overdrafts. We are acutely aware of these alternative options for our customers and make our pricing, terms and product decisions based on all options available to the customer.

### **4 CONCLUSION**

CashEuroNet appreciates the opportunity to comment on the CMA's further working papers and would respectfully ask the CMA to consider the points raised in this response during the next phase of this inquiry.