

PAYDAY LENDING MARKET INVESTIGATION

Summary of a response hearing with money.co.uk held on Wednesday 23 July 2014

Background to money.co.uk

1. money.co.uk was established in 2008. It offers a comparison service for various financial products, as well as providing financial guides and a community area.
2. The payday loan comparison pages were added in 2011. money.co.uk does not cross promote payday loans from other products on its website, though links to payday loans were included in the site's navigation menu. unless the visitor arrived via Google Adwords. Visitors accessing money.co.uk by entering the URL or coming from organic search would see payday loans listed under the loan menu. For those accessing the site from Google Adwords, payday loans would not be visible. This policy was introduced summer 2013 in response to the Google Consumer Advisory and also required payday loans to be on a sub domain. [redacted].
3. The site provides comparison services for around 60 products. There were 38 payday lenders and brokers listed on the site. money.co.uk was anticipating launching comparison tables for instalment products.
4. money.co.uk has a team of [redacted] members of staff, [redacted].

Price comparison

Existing price comparison services

5. All payday companies who wished to appear on money.co.uk were required to complete a questionnaire with around 70 questions. No lender or broker that refused to complete the questionnaire would be permitted on the site. money.co.uk reviewed the questionnaire and sought clarification as necessary before listing the company within their comparison or allowing companies already listed prior to the questionnaire's introduction to remain. money.co.uk did not allow any fee charging brokers on its site.
6. money.co.uk gathered data on payday loan products manually by contacting lenders and brokers and also visited sites daily to check that prices were up to

date. It had previously used a Defaqto data feed to populate its payday loan comparison tables but Defaqto had ceased providing this service. Manually updating information made the maintenance of the payday lending site relatively more expensive.

7. money.co.uk's website was set up to ensure that payday loans weren't visible on its menu structure for people searching for other products. If customers arrived on the site by searching for payday loans or directly entering the site's URL, payday information was visible. [REDACTED].
8. All of money.co.uk's comparisons were powered by the same functionality which allowed money.co.uk to expand its range of comparison services relatively easily subject to the availability of data.
9. money.co.uk had never requested a more detailed set of information on pricing from lenders and brokers in part because money.co.uk considered that payday lenders were not keen to share price and fee structure information openly. To provide more sophisticated functionality, lenders and brokers would need to provide more granular data.
10. money.co.uk receives traffic to its payday loan comparison from a combination of organic search and pay per click advertising. money.co.uk has commercial relationships with many of the payday loan companies listed within its payday loan comparison from which it receives varying degrees of remuneration depending on the terms agreed.
11. [REDACTED].
12. money.co.uk did not envisage using TV advertising to promote a payday lending comparison service.

Presentation of information

13. In deciding what information should be presented on any comparison site, there was always a balance to be struck in understanding customer behaviour. Displaying the cost of rolling over with a loan product would inform customers, but cautious customers who were otherwise likely to repay on time might be deterred from a product because of a particularly high rollover charge even though the actual cost of the loan for the agreed period might be relatively low. Similarly, customers who were less likely to repay on time might shop on the assumption of not repaying on time and money.co.uk had made the decision not to disclose the late fee for loan products on its tables to discourage this behaviour, but ensured it was disclosed within more detailed loan information.

Inclusion of brokers

14. money.co.uk's list of payday loan products includes a number of brokers. money.co.uk thought that many customers appreciated the ability to use a broker to find a lender that would lend to them. money.co.uk was reliant on the brokers providing an accurate representative APR. money.co.uk made a disclosure of whether a listed product was a broker or a lender. This was done to ensure that customers trusted the site and allowed customers to make their own decision.
15. money.co.uk did not allow any broker that charged customers an upfront fee to be included on the site. Any broker/ lead generator that money.co.uk dealt with was required to exclude lenders and brokers from their panel (when accessed from money.co.uk) if they did not meet criteria set by money.co.uk.

Operating model

16. money.co.uk thought that all the models included in the notice of possible remedies were potentially viable, but were conscious that public bodies such as Money Advice Service might not want any association with being seen to promote payday products. A variant of these models might be for a commercial operator to aggregate the data and provide it to a public service website and money.co.uk would not rule out an interest if this was pursued. money.co.uk however favoured the accreditation model.

Developing an accreditation model

17. money.co.uk thought customers needed consistency in the type, detail and presentation of information. money.co.uk would be interested in obtaining accredited status and would be prepared to amend aspects of the presentation of data within their payday loan comparison to achieve accreditation.
18. money.co.uk did not express a view on whether there should be a single accredited site or multiple sites but thought the key aspect of designing the remedy would be to set rules for how accredited sites should operate their payday loan comparisons and what information they should include therein. Similarly, there would need to be guidance on how to calculate the cost of payday loans depending on a variety of aspects of the structure of the loan.
19. At a minimum a price comparison site should allow a borrower to set the duration and amount they wish to take as a payday loan and be shown a like for like comparison of cost. Other credit products could be included within the

same comparison but money.co.uk thought that many alternative credit providers would not want to be associated with payday loans.

20. In any remedy implemented on developing the price comparison sector, money.co.uk thought the CMA should consider carefully whether excluding brokers would have unintended consequences.
21. If operated on a commercial basis, money.co.uk thought that marketing the solution on a pay per click basis was sensible. money.co.uk also considered that allowing an operator to determine the initial order of products within a payday loan comparison on the basis of commercial arrangements was acceptable as long as the ability to sort or filter results was accessible.

Data feeds

22. money.co.uk thought it would be useful for the CMA to obligate lenders and brokers to share price information with comparison sites.
23. If the CMA mandated the supply of data to an accredited comparison website, the format of the data and the frequency of supply would need to be defined as well as a way of informing comparison sites when lenders entered and exited the market.

Customer reviews of loan products

24. money.co.uk collects reviews on the products and providers that are listed on the site and had collected 16,000 reviews across all of its products. [✂]. money.co.uk did not think that customers proactively reviewing products were necessarily representative of customers as a whole, as they were generally disgruntled or delighted customers, and so for a review system to be effective, it was important to seek out a more representative sample of customers, possibly by offering an incentive.

Establishing eligibility

25. money.co.uk understood that around 50% of applications for payday loans were declined and thought that it would be useful for customers to be more readily able to establish their eligibility for loans before applying. However, money.co.uk did not think that lenders would be keen to share any information on which customers would be likely to be accepted for a loan. At a minimum this might require lenders to disclose broad credit risk bands for their products.

26. money.co.uk thought that any comparison service would need to be conscious that requesting any personal data from customers would deter a proportion of customers from completing a search and that every additional question or piece of information requested would lead to fewer customers using a comparison tool.

Acting as a broker

27. [✂].

28. [✂].