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Matthew Weighill  
Inquiry Manager  
Payday Lending Market Investigation  
Competition Commission  
Victoria House  
Southampton Row  
London  
WC1B 4AD

26 September 2013

Dear Mr Weighill,

Re: Payday Lending Market Investigation – Statement of Issues

Further to the above, we would like to provide some comments and feedback regarding the Statement of Issues.

Firstly, we note the definition of a payday loan has been widened for the purpose of this issues statement to include an unsecured loan which is for up to 12 months and the amount borrowed is less than £1,000.00. We do not recognise this wider market as the relevant market on which we compete. We believe the payday lending market and the general market for unsecured loans operate on different business models and we believe widening the definition could cause confusion and not fully address the issues in the payday lending market. The payday market is based on short term lending (usually 31 days maximum) whereas general unsecured loans tend to operate typically from 6 months to 5 years (and include loans provided by high street banks). They are priced differently and the uses for unsecured loans tends to be larger planned expenses, i.e. a car, as opposed to a payday loan which typically would be used to cover an unexpected bill, i.e. repairs to a car.

We agree, across the market the pricing of payday loans is not straightforward and is often confusing for customers. The majority of lenders will quote initial charges, but not further ones which become more complex when you add in rollovers, default fees and collection charges. So a loan that would initially appear good value may not be so if the customer does not repay on time. At CCUK, we use a straightforward and transparent pricing mechanism, so the amount we quote the customer they will repay will not change, even if they miss a payment and fall into arrears. We only charge one default fee, do not compound interest and do not offer rollover's, unlike the majority of our competitors. We explain this to all of our customers each and every time they take out a loan, and before we lend them any money. Yet we still have a successful and profitable business model for lending. Of course, we would only lend to people in the first place who we believe can and will pay us back.

We also agree, taken at face value APR's do seem high, but that is because the industry has to annualise a monthly product which is never going to work. As an example, if you borrowed £200.00 on an unauthorised overdraft over 1 month, the charge would be £5 per day, total amount repaid is £350.00 which equates to 82,400.5% APR. This is something a lot of people do and is far more costly than a payday loan,.

We also believe the way different payday lenders use different models, with the majority basing their lending decisions/affordability checks on credit searches causes issues. A lot of lenders will point to this being their main way of conducting robust affordability checks. However, we do not believe this is an effective way of carrying out affordability checks for a product that is only meant to last a month. This is because a customer's credit file is only updated once a month, so if a customer has taken out loans with three separate lenders in



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the last few weeks that would not show on their credit file until the next month so instantly you could be over committing the customer as you do not have a true picture of their current financial situation. At CCUK we do believe we are at a disadvantage to competitors who rely on credit searches for establishing affordability as we do not rely on credit searches but instead require customers to complete a detailed income and expenditure form, which we then match to either 30 or 60 days bank statements (depending on if they are a repeat or new customer) to verify income and ensure all expenditure has been declared. This is time consuming and customers often comment they can go to a competitor who will provide them with funds far more quickly. But the benefits for customers are reflected in our much lower default rates. We believe that more detailed affordability checks than simply completing a credit search are required for the protection of consumers, such as an income and expenditure form each and every time a customer takes out a new loan and/or a rollover. We know the OFT commented that taking such a prescriptive approach would not in their opinion change things but we disagree and believe it would play a huge part in ensuring that rates of default remained low, customers were only lent money they could afford to pay back and in general for more responsible lending practices.

We also believe rollovers are a big problem for customers and something that impacts competition in the market but has not yet been properly addressed. A loan which at first appears to be the best value on price, is far less so once a customer is tied in to a rollover, and this often has a detrimental effect on the rest of a customer's outstanding credit liabilities. Often, rollovers can be extended with little or no checks being carried out, again we believe this is irresponsible and needs to be addressed via legislation. Being tied into a rollover also stops the customer being able to switch supplier. Although no supplier allows roll overs alone for more than three months, it means for those three months the customer is tied in when they could actually get a better deal with another lender.

We do not believe that the OFT has yet allowed changes to legislation to fully take effect, and we believe once the industry moves to regulation by the FCA that this will further increase standards across the industry, which we believe is of benefit to all. At CCUK we pride ourselves on customer service and want to ensure we do all we can to help our customers and ensure the products we offer are simple to understand. We look forward to meeting you in the near future to discuss these matters further.

Yours sincerely

David Patrick  
Chief Executive Officer