

PAYDAY LENDING MARKET INVESTIGATION

Competition in product innovation

Introduction

1. As discussed in the working paper on 'Payday loan products', payday loans can vary in several characteristics and lenders offer products that differ significantly not only in terms of prices but also with respect to other dimensions.
2. In this paper we discuss the most relevant non-price innovations introduced in the market in the recent years, and present some initial evidence on the extent to which competition for customers takes place on non-price variables. Our evidence is primarily based on the response to the market questionnaire¹ from 11 major lenders.² The responses generally cover the period from 2008 to October 2013.
3. We begin by providing a brief summary of our initial observations. Subsequent to this, the paper is then organized as follows:
 - (a) first, we set out evidence relating to the key non-price product characteristics that lenders compete on;
 - (b) second, we discuss innovations introduced by lenders in the previous five years affecting *access to credit*;
 - (c) third, we discuss innovations introduced by lenders in the previous five years affecting *repayment flexibility*;

¹ In Q6 of the market questionnaire we asked lenders the following question: 'For each occasion since January 2008 on which you have significantly changed the features of a payday loan product that you offer (eg introducing instalment repayments, altering the minimum/maximum loan duration or amount, changing rollover limits, method of cash transfer etc.): (a) Please briefly describe the rationale for making the change; and (b) ²Please provide any internal documents or analyses relating to the change (for example, setting out the business case for the change, or evaluating the effect of the change on your sales or profitability).'

² The 11 major lenders included in this analysis operate 16 separate companies in the UK and market loans under around 22 different brands (see appendix to the 'Companies background' working paper for a full list of the companies and brands). Between them these lenders provide a range of single repayment and instalment loans available online and on the high street. Collectively, we estimate these lenders accounted for over 90 per cent of loans issued in 2012 and over 90 per cent of payday loan revenue in 2012.

(d) fourth, we discuss other significant changes to product features observed in the period; and

(e) finally, we discuss if there are significant differences between online and the high street providers in the extent to which innovations were introduced.

Summary of initial observations

4. The evidence we discussed below, in combination with that presented in the working paper on payday loan products, suggests that lenders have on a number of occasions introduced new products or made changes/innovations to their products in the period since 2008. On many occasions this appears to have been done with the aim of ameliorating their offer and differentiating themselves from rivals. We noted in particular that:

(a) a number of lenders have launched credit products or introduced features that allow customers to draw down further funds during the term of a loan;

(b) instalment loans are becoming increasingly available and a number of lenders have introduced either loans specifically designed to be repaid in instalments or the option to do so; and

(c) over the years lenders have introduced faster payment services, and these are now offered by the majority of providers. Many have also removed the fee charged for this service.

5. Competition between lenders has been cited by lenders as an important driver of such changes in several cases. In response to our market questionnaire lenders often mentioned as rationale for changes, either the need to align their offer to their competitors' or that they were attempting to gain a competitive advantage over rivals.

6. We did not note any significant differences between online and the high street providers in the extent to which innovations were introduced. Innovations do not appear to be confined to a specific channel.

Non-price product features on which lenders compete

7. As a guide to identifying what (non-price) characteristics of payday loans lenders may compete on, we reviewed the following evidence:
- (a) responses to our market questionnaire in relation to how lenders compete with other payday loan companies;
 - (b) lenders' marketing and advertising strategies;
 - (c) the non-price product characteristics more commonly considered in comparison websites; and
 - (d) customer surveys investigating the factors that influence customers' decisions about which payday loan provider to choose.

Responses to our market questionnaire

8. As part of our market questionnaire we asked lenders how they compete with other payday loan companies (ie if the actions of other providers affect their own business, if they have taken actions to win customers from other providers, if they monitor the activities of other lenders).
- (a) Wonga told us that customers' responsiveness to benefits delivered through product enhancements, such as the ability to control the level of debt, access the product around the clock on various devices, speedy (but responsible) lending decisions and ability to manage the loans were all key drivers of competition which were reflected in Wonga's product and developments in the wider short-term credit market.
 - (b) Similarly, MYJAR submitted that the ease with which customers could access their account, the simplicity of its offering and the way the customers were treated when they needed help were the most significant factors that customers took into account.
 - (c) Some lenders mentioned non-price actions taken in response to competitors' initiatives. Dollar mentioned: increasing the maximum loan size, modifying store

hours, [X] and adding non-payday-lending products to its stores³ ('to offer additional options to their customers'). The Cash Store talked about improving its customer services. CFO Lending told us that it developed the technology required to offer faster payment services as this characteristic had become a crucial factor in customers' decisions.

Advertising and marketing strategies

9. We reviewed lenders' responses to our market questionnaire in relation to their marketing and advertising strategies:
 - (a) Wonga told us that the key messages emphasized in its advertising were control, flexibility, speed and the fact that Wonga always showed the total cost of credit upfront. Some examples of texts used by Wonga in its advertising include: 'Cash loans you control', 'Short term loans on your terms', 'How much? How long? You decide', 'No hidden charges'.
 - (b) In its promotions, CashEuroNet has presented side-by-side comparisons with rivals' products. For example, Figure 1 below shows QuickQuid's Pay Per Click (PPC) campaign (May 2013)⁴ which contained a comparison with Wonga's Little Loans.⁵ In addition to the representative APR, the comparison also stressed the differences between the two payday loan products in relation to: the fee for fast funding, the maximum amount of loan that new (and repeat) customer can borrow and the offering of a loyalty programme.

³ The non-payday-lending product introduced by Instant Cash Loans (Dollar) was Bought Gold, a Prepay Euro cash card and (now discontinued) mobile phone buying.

⁴ This campaign was run during the OFT's consultation on referring the payday lending market to the CC.

⁵ See CC 30, 44(3).

FIGURE 1

QuickQuid's (CashEuroNet) May 2013 PPC campaign, with Wonga comparison

Need Cash Quickly?
The choice is easy...
Representative 1734% APR
See Representative Example.

Enter promo **PPC25** to save 25%.*

Click for Cash!

	QuickQuid	Wonga <small>Wonga.com is a trading style of Wonga.com Ltd.</small>
What is the standard fee for fast funding?	FREE	£5.50
How much can new customers borrow?	Up to £1000 [†]	up to £400
How much can returning customers borrow?	Up to £1500 [†]	up to £1000
What is the total amount repayable for a 30-day, £250 loan?	£312.50 [†]	£331.10
What is the representative APR?	1734%	4214%
Is there a free loyalty programme that provides added benefits?	YES	No

Websites reviewed as of 22 February 2013
*For a customer in a "good" credit tier with no promo code applied

Source: Lending Stream.

(c) Figure 2 shows a similar campaign for CashEuroNet's Pounds to Pocket product, comparing its characteristics with Wonga's Little Loans product. Mainly non-price factors are emphasized: loan duration, maximum amount of loan, the speed of funding, and the fee for faster funding.

FIGURE 2

Pounds to Pocket (CashEuroNet) May 2013 PPC campaign, with Wonga comparison



Source: Lending Stream.

(d) Zebit submitted some examples of its online PPC marketing campaigns. Speed of process ('A Zebit cash loan is initiated in 4 minutes') and long-term repayment in instalments ('A Zebit cash loan ... allows flexible repayments up to 7 months!') were the key messages contained in those campaigns.

Comparison websites

10. We also investigated the most common product characteristics emphasized on a number of comparison websites. For this exercise we considered the following websites:⁶

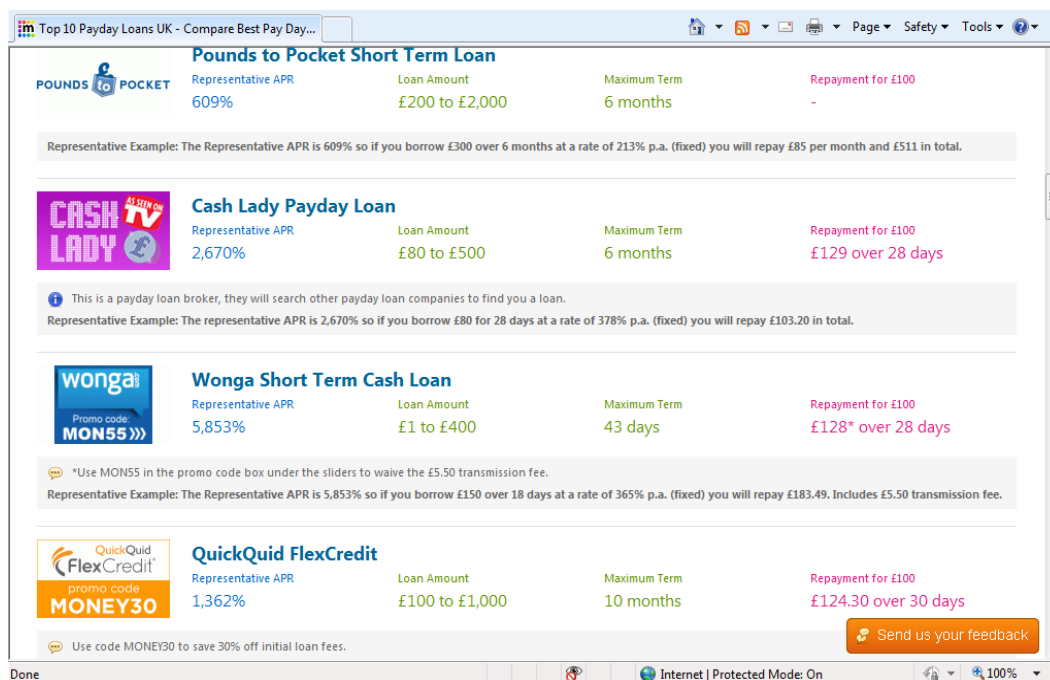
- (a) Money.co.uk;
- (b) Allthelenders.co.uk; and
- (c) Whichwaytopay.com.

⁶ These websites were mentioned by Dollar in response to our market questionnaire.

11. Figure 3 shows a screenshot of a payday comparison tool on the Money.co.uk website. In addition to the cost (APR), the website compares products in respect to the minimum and maximum amount of loan that can be taken out, and the maximum duration of the loan.

FIGURE 3

Screenshot of Money.co.uk website







Source: Money.co.uk website.

12. Allthelenders.co.uk provides a 'Quick compare all lenders' option (see Figure 4 below) that compares a number of lenders on the basis of the following product characteristics: loan type (payday loan, line of credit, instalment loan), cost (APR and repayable on £100), and maximum loan terms.

FIGURE 4

Screenshot of Allthelenders.co.uk website

The screenshot shows a web browser window with the address bar displaying 'List of Direct Payday Loan Lenders Only - allthele...'. The search bar contains 'wonga'. The main content is a table with the following data:

	6 Month Installment Loan	4071.5%	£472 (£200 over 6 months)	6 months	✓	GO TO SITE
	Payday Loan	1734%	£135 (31 Days)	31 Days	✓	GO TO SITE
	Payday Loan	4248.9%	£134.95 (30 Days)	31 Days	✓	GO TO SITE
	Payday Loan / Installment Loan	1413.2%	£277.78 (£200 over 2 months)	7 months	✓	GO TO SITE

Source: Allthelenders.co.uk website.

13. Whichwaytopay.com offers a comparison between payday lenders across the largest number of product attributes. It reports information on: type of loan, APR, minimum and maximum loan amount, minimum and maximum loan duration, various characteristics,⁷ whether ID is required, indication on who the loan is suitable for, and any restrictions (for example, only UK residents, minimum age of the customer, etc).

⁷ These include several different pieces of information about the loans, among which: whether lenders provide instant decision, whether customers can apply online, whether customers can apply via mobile phone, whether the credit can be extended, etc.

FIGURE 5

Screenshot of Whichwaytopay.com website

Compare the best online payday loans										
get you the money you need, at a time you need it most. You can receive payday loans almost immediately. DETAIL INFORMATION >>										
 CASH LADY	Broker	1737% eg.	£50.00 - £300.00	7 days	28 days					more >>
<p>You can find cash the easy way with Cash Lady - your fast, easy way to get through 'til payday. It's simple to use, all online and the cash goes straight to your account. You keep control of your finances and get the cash that you need. Cash Lady specialises in helping you find small loans. This means their approval rates are higher, and we're not encouraging you to take on a debt that is more than you can afford in one go. This also means that we can try and help more people, even if their credit history is not the strongest. DETAIL INFORMATION >></p>										
<p>Terms Advantages Disadvantages</p>										
 MYJAR	Lender	3943% eg.	£100.00 - £500.00	1 week	18 days					more >>
<p>MYJAR provides a straightforward and hassle-free short-term loan service. They pride themselves on being customer friendly and efficient, cash is usually sent to our borrowers within 15 minutes of their loan request. MYJAR approves short term loans in no time and can offer you loans of up to £500 (£100 for first time borrowers). Applying is easy, follow instructions online and you will receive the cash in your bank account within minutes. You can use the MYJAR service whenever you need it so if you have emergency cash needs a short term loan is only a minutes away. DETAIL INFORMATION >></p>										
<p>Terms Advantages Disadvantages</p>										
 Instant Loans Direct.com	Lender	448% eg.	£50.00 - £300.00	1 month	1 month					more >>
<p>Instant Loans Direct's mission is to solve people's urgent cash flow emergency problems with a responsible solution. All their loans will be clear and straightforward. You will always be told the total cost of a loan and the details of your repayment before you complete the application process. There will be no hidden costs or charges – no nasty surprises! The application process will be straightforward and as simple as it can be – you will be kept informed of your applications progress and whatever our lending decision, you will be told as quickly as possible. DETAIL INFORMATION >></p>										
<p>Terms Advantages Disadvantages</p>										
 sunny <small>No Fee Guarantee</small>	Lender	1971% eg.	£100.00 - £1,000.00	3days	5 months					more >>
<p>Sunny offers a flexible credit from £100 to £1000 for up to five months. At Sunny, you'll never pay a fee so you don't have to worry about application fees, funding fees, rollover fees or late fees. You'll only pay daily interest on what you borrow. Sunny offers several flexible payment schedules for you to choose from, the quicker you repay your balance the less interest you pay. At any point you can repay the remainder of your balance early</p>										
<p>Terms Advantages</p>										

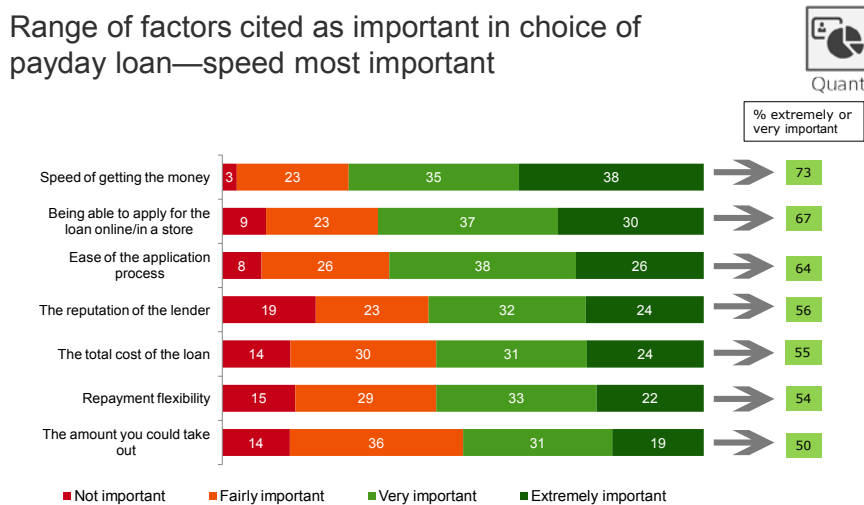
Source: Whichwaytopay.com website.

Customer survey

- As part of our customer survey we asked respondents to indicate the importance of various product characteristics in the choice of payday loan. 'Speed of getting the money' was cited as very or extremely important by 73 per cent of the respondents, followed by 'being able to apply for the loan online' (for online customers) or 'in a store' (for high street customers) (67 per cent) and 'ease of the application process' (64 per cent). Other factors, such as the reputation of the lender, the total cost of the loan, the repayment flexibility and the amount that customers could take out, were considered very or extremely important by a smaller (though still large) proportion of the respondents.

FIGURE 6

Key drivers of payday loan choice—CC survey



Source: Qpds1. When you were taking out your payday loan, how important was...
Base: All respondents (1,532)



TNS BMRB
Payday lending study
© TNS December 2013



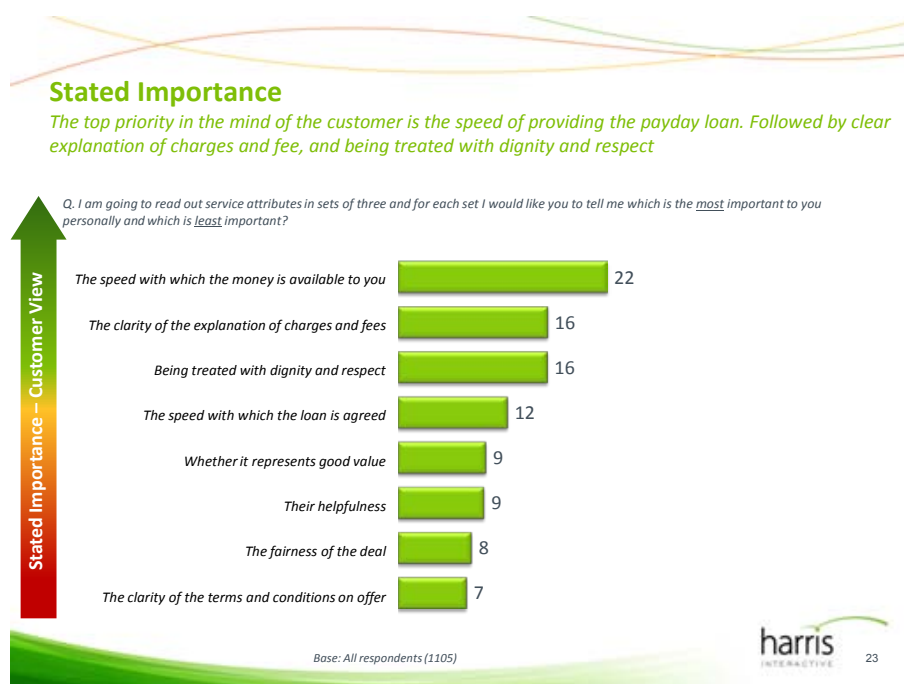
Source: CC customer survey.

15. A survey commissioned by [redacted] in 2012 found that, together with the cost of loan, speed of process, ease and convenience, and flexibility of the loan terms play an important role in influencing customers' choice. [redacted] per cent of [redacted] customers indicated speed of process as the most important driver of the provider choice (more than the customers who indicated the cost of loan as the most relevant factor, [redacted] per cent). Ease and convenience, and flexibility were the most important drivers chosen by, respectively, [redacted] per cent and [redacted] per cent of [redacted] customers.⁸
16. Research commissioned by the Consumer Finance Association also suggested that the speed with which the money is available is the most important attribute to customers, followed by clear explanations of charges and fee, and being treated with dignity and respect.

⁸ CashEuroNet also cited a more recent survey that it commissioned in August 2013 (see p5 of CashEuroNet's response to the CC's Issues Statement), which it said found that interest rate had overtaken other factors as the most important reason for choosing a payday lender (68 per cent of the respondents), followed by the lenders reputation ([redacted] per cent). The speed at which money is made available was cited by [redacted] per cent of the respondents.

FIGURE 7

Key drivers of payday loan choice—Consumer Finance Association



Source: Dollar.

Summary

- On the basis of this preliminary review of the evidence, we identified two key areas where non-price competition may take place: (i) access to credit; and (ii) repayment flexibility. Below we discuss the extent to which we have observed innovation or competition in these product characteristics in the past five years.

Access to credit

- A number of the innovations that we have observed lenders introducing in recent years relate to improving customers' access to payday loan credit. These may take three forms: (i) increased flexibility in the amount of loan that can be taken out; (ii) faster access by speeding up the process to obtain the loan; or (iii) easier access to payday credit.

Flexibility in the amount of loan

19. Figures 3 and 4 of the working paper on payday loan products show that there is significant variation across lenders in the amount that customers can borrow. A number of lenders have increased the maximum amount that customers can borrow using their products in the past five years. Lending Stream increased the maximum loan amount from £600 to £1,000 in November 2008. Instant Cash Loans (Dollar) progressively increased the maximum loan size of its products, moving from £200-250 to around £1,000 for new customers and from £350-450 to around £1,000 for existing customers. Wonga also increased the maximum loan amount (in November 2009) for new customers from £200 to £400 and for existing customers from £750 to £1,000.

20. Wonga told us that this was a 'direct result of competition and customer demand' as at the time of the change other competitors were offering loans up to a maximum of £1,000.⁹ Similarly, Dollar told us that it modified its maximum loan to respond to the 'market advertising larger loan sizes' and to offer 'a maximum loan value in line with the competition'. Figure 8 shows on a timeline when the above changes were introduced.

21. We have also observed one example of a lender increasing the flexibility of their loans by reducing the minimum amount that customers can take out. Specifically, in December 2009 Wonga told us that it reduced the minimum loan from £50 to £1 with the scope of giving customers increased flexibility and providing 'a more competitive offering'. An internal analysis carried out by [X] suggested that one of the reasons explaining Wonga's high customer turnover was indeed its offer of smaller loan sizes.

⁹ Wonga also submitted that the increase in the maximum amount of loan was made possible by the improved capability of its lending platform which enabled it to risk-assess customers at higher loan amounts with improved confidence as to the customers' ability to repay the loan on time. This was evidenced by the reduction in the principal loss rates for existing customers which Wonga achieved by early 2009.

FIGURE 8

Timeline showing lender changes to the amount that can be borrowed

Product name	2008	2009	2011	2012	2013
Wonga Little Loans		Max amount from £200 to £400 Min loan amount from £50 to £1			
ICL—Chequeless loan			Max loan from £200 to £350 for new customers, and from £350 to £450 for repeat customers	Max loan from £350 to £510 for new customers, and from £450 to £1,000 for repeat customers	Max loan from £510 to £1000 for new customers
ICL—Cheque-based loan			Max loan from £250 to £550 for new customers, and from £450 to £550 for repeat customers	Max loan from £550 to £650 for new customers, and from £550 to £600 for repeat customers	Max loan from £650 to £1240 for new customers, and from £600 to £1240 for repeat customers ¹⁰
Lending Stream Loan		Max loan from £600 to £1,000			
QuickQuid Payday					
Pounds to Pocket Instalment Loan					
Payday UK PayDayLoan					
PaydayExpress PayDay Loan					
Wage Day Advance					
Zebit Short Term Cash Loan					
Zebit Instalment					
The Loan Store Payday Loans					
Cheque Centre Short Term Loans					
TxtLoan Cash Loan 18 day					
CFO Lending Short Term Loans					
PayDay First PayDay Loans					
TxtMe Cash—1-Month loan.			no change		
Cash Genie/Cash Genie Loans—3-Month Loan					
Cash Genie/Cash Genie Loans—1-month loan					
Payday is every Day—1-month loan					
Speedy Cash Flex Loan					
Speedy Cash Payday Loans					
H&T Payday Loan (Cheque)					
Harvey & Thompson Payday Loan (Debit)					
H&T Online Payday Loan					
H&T KwikLoan					
Cash Store Payday Loans—23% Broker Fee					

¹⁰ For ICL's cheque based loan, £1,240 is the total cost of the loan; the walk away amount is £954.52.

Source: Responses to CC's market questionnaire.

22. Increased flexibility has been also achieved through the introduction of facilities that allow customers to adjust (incrementally increase) the loan amount up to some limit (for example, top-up facilities). This type of facility has been introduced in the period by Wonga,¹¹ CashEuroNet (Pounds to Pocket and QuikQuid Flexicredit), Dollar (Payday Express and Instant Cash Loans), SRC, The Cash Store,¹² Pay Day Loans and KwikLoan (H&T), SRC (SpeedyCash Flex Loan), and MYJAR.¹³ Some lenders ([redacted]) told us that they were also considering offering a product with such characteristics. Wonga and CashEuroNet submitted that these facilities were launched in response to competition.

Faster access

23. Innovations were also introduced to expedite the process to approve and transfer money to customers.¹⁴ As shown in Figure 2 above, free-of-charge faster payments are marketed by CashEuroNet as an important feature of its QuickQuid and Pounds to Pocket products.¹⁵ The majority of lenders, including Wonga,¹⁶ CashEuroNet, Express Finance (Dollar), MEM (Dollar), CFO Lending,¹⁷ Lending Stream, Ariste, MYJAR, SRC¹⁸ and The Cash Store, currently use Faster Payment Services (FPS)¹⁹ to process funds transfer. CFO Lending told us that faster payments to customers became a key factor in the customers' decision on provider and that it began offering

¹¹ Wonga launched this facility in July 2009.

¹² These facilities are available to customers who pay back at least 50 per cent of the outstanding principal on an existing loan. Such loans are subject to The Cash Store's overall lending limits.

¹³ MYJAR told us that it offered running account agreement. The agreement envisages an initial credit limit of £100 and this limit is reviewed from time to time based upon account performance and CRA data. The maximum limit available to customers is £500. Customers can borrow up to the amount of their credit limit in multiples of £100 but they may never have more than one loan outstanding.

¹⁴ CashEuroNet submitted that speed of service is one of the main innovative features of online payday loans ([p11 of its initial submission to the CC](#)).

¹⁵ CashEuroNet told us that it opted to offer free expedited funding with the expectation that this would provide a competitive advantage in attracting both new and existing customers.

¹⁶ Since October 2008.

¹⁷ Since April 2012.

¹⁸ Since June 2011.

¹⁹ Faster Payment Services is a payment service that reduces clearing time and enables payments made via electronic telephone banking, Internet banking and standing order to be completed quickly.

cash transfer through Faster Payment BACs in order to compete with other online services.

24. Initially a fee was charged by many lenders for the faster payment service. However, over time many of these lenders have removed the fee and now offer free expedited funding. CashEuroNet told us that it was the first lender to introduce free expedited funding in the industry (in 2010) and that this action was intended to provide a competitive advantage to attract both new and existing customers. Other suppliers, such as [redacted], adopted the same strategy later. Currently, only five lenders (CFO Lending, Ariste, H&T, WageDayAdvance and The Cash Store) require a faster payment fee for some of their products.

Easier access

25. Lenders have also implemented various changes in the period intended to ease access to their payday loans. The introduction of mobile access to payday loans, improved website functionality and 24/7 availability are all examples of actions taken by lenders to facilitate customers' access and use of their products.
26. Mobile apps were initially introduced by Wonga (in January 2010), followed by CashEuroNet²⁰ [redacted]. Wonga and CashEuroNet told us that mobile app use showed significant growth since their launch (for example, Wonga submitted that currently [redacted] per cent of its loans are taken out via a mobile device). MYJAR has implemented a service that allows customers to apply for loans through SMS.
27. As part of an attempt to facilitate customers' experience, some lenders have improved the functionality of their websites to enable customers to manage their loans. For example, Wonga told us that it had initially launched a 'My account'

²⁰ In October 2012.

section on its website which was limited to reviewing loan details and updating customer details. Greater functionality was subsequently added. This included, among others: checking eligibility to apply for additional credit or to extend loan, online early repayment, using online self-service tools to create repayment plan when customers are experiencing difficulties repaying.

28. In 2011 CashEuroNet introduced the possibility for customers to apply for loans on weekends and bank holidays with no extra costs. CashEuroNet submitted that the weekend service was a competitive necessity, suggesting that other lenders already offered weekend funding and that the CashEuroNet offer was driven by the need to catch up with the competitors. Similarly, Dollar told us that in response to competitors' action it modified store hours to be open at times more convenient to customers, including weekends.²¹

Repayment flexibility

29. Lenders have also made significant changes to the flexibility of their repayment terms in the period. A key development in this area has been the introduction by many lenders of the possibility to repay loans in instalments. As shown in Table 3 of the working paper on products characteristics, currently eight out of the 27 products offered by the 11 major lenders from which we collected data allow repayments in instalments.²² Some of these products, such as Pounds to Pocket (CashEuroNet), Lending Stream, KwikLoan (H&T), are loans specifically designed to be repaid in instalments. Others, such as QuickQuid Payday Loan (CashEuroNet), Short Term Cash Loan (Zebit), Cash Genie/Cash Genie Loans—3-month loan (Ariste),²³ allow

²¹ Dollar told us that opening hours for individual stores change on an as required basis. A central decision was made in summer 2012 to open approximately 40 stores on Sundays from 10am to 4pm.

²² [X]

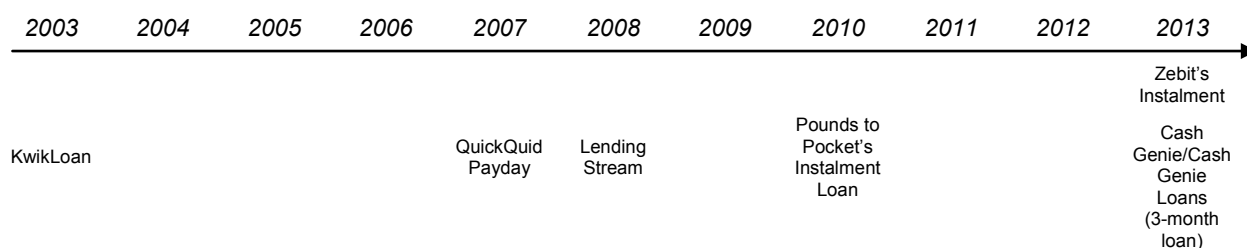
²³ Launched in June 2013.

customers flexibility in deciding whether to repay fully the loan in a single payment or in multiple instalments.²⁴

30. Figure 9 shows when the various instalment products were introduced. H&T was the first to launch an instalment loan in 2003. CashEuroNet's QuickQuid product was launched in 2007 (initially allowing customers to repay in either one or two monthly instalments) and Lending Stream's two-month instalment loan (which could be extended to eight months) in 2008, followed by CashEuroNet's Pounds to Pocket 12-month instalment product in 2010, and Zebit's instalment product and Ariste's Cash Genie/Cash Genie Loans (3-month loan) and 2013. Further changes were made to some of these products after their introduction, for example CashEuroNet's QuickQuid product was extended in November 2012 to allow customers to elect to repay over up to three monthly instalments, and the repayment term of Lending Stream's product was increased from two repayments to four, five or six repayments (depending on loan amount) in March 2009.

FIGURE 9

Instalment products—timeline of entry into the market



Source: CC analysis.

31. CashEuroNet told us that the launch of its three-period loan option was triggered by the fact that a number of competitors ([§<]) already offered longer-term products and this suggested that 'a longer term loan would be favoured by some customers'.

²⁴ QuickQuid Flexicredit and Speedy Cash Flex Account are both revolving credit facilities. While they cannot really be explained as instalment loans as the draw downs and repayments could be numerous and varied throughout the time the customer has the account, they allow customers to make periodic repayments.

Similarly, Ariste indicated that following the strategy adopted by competitors was part of the rationale for the launch of its instalment product. Zebit submitted that its instalment product was launched (in June 2013) because it saw the market opportunity as there were relatively few established competitors offering instalment products.

32. Wonga told us [REDACTED].²⁵
33. Loan duration is another important dimension across which lenders' offer differs (see Figure 2 and 3 of working paper on products characteristics). MYJAR increased its loan duration from 7 to 15 days in February 2011, and later in July 2013 from 15 to 18 days. It told us that these changes were driven by the analysis of customer repayment pattern which indicated that a longer-term product would suit customers' need better and allow more flexibility in ensuring that they would be able to repay on time. WageDayAdvance told us that it was also considering the possibility of extending the loan term and providing customers longer-term repayment options.²⁶
34. Flexibility does not only relate to the maximum length of the loan but also to the minimum duration. Examples of lenders reducing the loan minimum duration include: Wonga decreasing the minimum loan term from five days to one day (in November 2009),^{27,28} and MEM (Dollar) and Express Finance (Dollar) reduced the minimum loan duration to seven days ([REDACTED]).

²⁵ [REDACTED]

²⁶ It told us that WageDayAdvance would offer the same loan terms as SRC did.

²⁷ In discussing the rationale for this change, Wonga said in an internal document that: 'In order to prove to journalists, regulators and customers that we are completely flexible we want to be able to offer £1/1 Day loans'.

²⁸ [REDACTED]

Other changes/innovations

35. Some lenders also emphasized the importance of customer services to attract and retain customers. Wonga told us that it took several actions in order to enhance the customer experience since it had launched its Little Loans product. It mentioned, for example, increased number of customer staff, live online customer services, and improved customer contact numbers (more clarity and removal of expensive 0871 numbers). The Cash Store told us that it tried to differentiate itself from other payday lenders through superior customer service and 'the open and welcoming environment'.²⁹
36. An attempt to differentiate its offer from rivals' was made by Zebit which launched Cashback in 2011. Cashback provided that, as a consumer made successful loan repayments, they would earn points toward a cash refund when they successfully completed full repayment.³⁰ Zebit told us, however, that the cashback feature of the Zebit product was suspended in 2012 because consumers found it to be 'too confusing'.
37. We have also observed other actions undertaken by lenders in the period to increase flexibility in repayment, for example:
- CashEuroNet launched³¹ a forbearance plan for customers in hardship. This plan includes: extending the length of pre-default payment plans, extending repayment terms for no-extra-charge, increasing signposting and establishing more formal and active relationship with debt charities.

²⁹ The Cash Store submitted that that it believed that the overall experience it offered its customers was superior to the competitors'.

³⁰ Maximum cashback could reach 25 per cent of the amount borrowed depending on the loan term and the customer's on-time payment record.

³¹ In 2009.

- Cheque Centre introduced a Fixed Repayment Plan in October 2012. The plan allows any customer unable to make full repayment of their loan the option to split the loan into [✂] instalments.³²

Online vs high-street payday loans

38. We also considered whether there are significant differences between online and the high street providers in the extent to which innovations were introduced, and whether certain types of developments have taken place only in the online (or in the high street) sector.
39. There are innovations which are by nature specific to either of the two channels: for example, mobile access to payday loans and enhanced functionality of the website are specific to online lenders, while longer store hours opening is specific to high-street providers. However, in general (non-price) innovations do not appear to be confined to a specific channel:
- (a) changes to the maximum amount of loan were made by both online (Wonga and Lending Stream) and high-street lenders (Instant Cash Loans (Dollar));
 - (b) facilities that allow customers to increase the loan amount up to some limit were introduced by both online (Wonga and CashEuroNet) and high-street lenders (SRC (Speedy Cash Flex Loan) and The Cash Store);
 - (c) expedited funding is now largely provided by both online and high-street lenders; and
 - (d) instalment products are mostly offered by online providers but there is also an instance of an instalment product being offered by a high-street provider (KwikLoan (H&T)).

³² This option is restricted to a single loan and can only be used once in any 12-month period.