

## **CASHEURONETUK, LLC:**

### **RESPONSE TO ANNOTATED ISSUES STATEMENT ISSUED BY THE COMPETITION COMMISSION ON 31 JANUARY 2014**

#### **NON-CONFIDENTIAL VERSION**

CashEuroNetUK, LLC (**CashEuroNet**) appreciates the opportunity to comment on the Competition Commission's (CC's) Annotated Issues Statement (AIS). CashEuroNet's comments are summarised here and further developed in its various responses to individual working papers published by the CC.

## **1 IMPACT OF FORTHCOMING REGULATION ON THE CC INVESTIGATION**

- 1.1 CashEuroNet concurs with the CC that forthcoming changes to the regulation of payday loans are likely to affect the nature of competition. The CC notes in particular the impact that a price cap is likely to have on entry into and exit from the market, the supply of loans to certain groups of customers and the nature of price competition.
- 1.2 CashEuroNet wishes to emphasise that the impact on competition in the market is not restricted to these elements, and would in fact affect all features of the market. For example, the structure of a price cap in combination with the level of the cap can have very significant impacts on the types of products available, as has been the case in Australia. The price cap in Australia essentially renders multi-period payday loans and running accounts to be uneconomic. We would urge the CC to consider how regulation can affect non-price competition as well as price competition.
- 1.3 Payday price caps, in combination with other regulatory measures, in various US states have resulted in reduced supply of credit, a reduction in price competition<sup>1</sup>, increased instances of bank returned instrument fees<sup>2</sup> and the development of unlicensed and illegal lending markets<sup>3</sup>. Experience shows it is important to strike the right balance in the context of the overall regulatory regime.

## **2 THE MARKET FOR SHORT TERM LENDING**

- 2.1 Consumers of payday loans will typically have a number of different possible options for obtaining funds, including both formal and informal sources, with different costs associated with them (both financial and emotional). Payday loans cannot be considered as existing in a vacuum unaffected by other forms of credit. As the CC notes, "payday lending...remains a relatively small proportion of overall unsecured debt"<sup>4</sup>. The revenues from payday lending for the financial year 2012 were estimated to be around £1.1 billion<sup>5</sup>. They are smaller than, for example, the estimated revenues of banks from unauthorised overdrafts which were estimated to be £1.7 billion in 2011<sup>6</sup>.

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<sup>1</sup> De Young, R and Phillips, R J (2009), *Payday loan pricing*. Research Working Paper 09-07. The Federal Reserve Bank of Kansas City, Economic Research Department.

<sup>2</sup> Morgan, Donald P., Michael R. Strain, and Ihab Seblani. "How payday credit access affects overdrafts and other outcomes." *Journal of Money, Credit and Banking* 44.2-3 (2012): 519-531.

<sup>3</sup> OFT (2009) *High-cost credit review, Annex B: International research: Case studies in Ireland, Germany and the United States* (OFT1150b) London: Office of Fair Trading.

<sup>4</sup> Competition Commission, "Payday Lending Market Investigation: Annotated Issues Statement", paragraph 45

<sup>5</sup> Ibid, paragraph 45

<sup>6</sup> Office of Fair Trading (2013) 'Review of the personal current account market', paragraph 3.21

- 2.2 Payday loans are transparent and simple. They involve low sums of money and classically cover short periods. From a regulatory perspective, they are considered high risk because of the cost of the credit, the consumers who use them and the potential for borrowers to extend their borrowing (thus potentially incurring higher costs than they would have anticipated) or borrow again. We understand that this is the basis upon which the FCA has proposed tighter rules on this type of lending.
- 2.3 This logic is flawed, however, when the definition of high cost short term credit excludes other types of credit such as logbook lending, pawnbroking and home collected credit. The risk to the consumer with a logbook loan or a pawnbroking loan is materially greater than is the case with payday lending as the consumer puts an asset on the line in return for an expensive loan. Logbook loans in particular have received attention from the OFT and consumer groups. Similarly, pawnbroking loans are used regularly by consumers who put a possession at risk each time they borrow. Home collected credit is also a high cost form of consumer credit. Yet these forms of lending are excluded from the CC investigation and from the rules the FCA will introduce for payday loans. Because of this, there is a risk that consumers will be diverted from payday loans to products which may carry greater risk for them.
- 2.4 CashEuroNet therefore emphasises that the CC should consider the broader range of high cost credit options open to consumers, and how regulation may affect payday lending to a greater or lesser extent than other competing forms of credit.

### **3 COMPETITION WITH OTHER FORMS OF CREDIT**

- 3.1 It is very important that the CC properly captures the extent to which consumers can turn to other options instead of payday loans, as these alternative sources of funding exert a competitive constraint on payday lending that the CC is considering. The CC's consumer survey produces some very helpful results in terms of identifying alternative options for consumers, but there are some issues where the survey may have failed to fully assess the options. CashEuroNet is, in particular, concerned about the following:

3.1.1 Unauthorised overdrafts

3.1.2 Informal/illegal lending

#### *Unauthorised overdrafts*

- 3.2 In order to inform their view on the existence of substitutes for payday loan products, the CC compares the characteristics of payday loans with other credit products. For example, in paragraph 15 of the working paper on 'Competition between Payday Lenders and other Credit Providers', the CC claims that unauthorised overdrafts are different from payday loans because they typically last 3 days only. However, the short duration of unauthorised overdraft is not so much a product feature but rather the outcome of the high cost of the product and the fact that the facility is linked to the current account. Consumers may not plan to borrow for 3 days using their unauthorised overdraft facility; rather, they overdraw on their account and try to pay as soon as possible to avoid the high cost (the high cost of unauthorised overdrafts is noted by the CC in Annex 1 of the CC working paper on 'Competition between payday lenders and other credit providers'). Also, any funds the consumer will receive in their current account will automatically be used by the bank to repay the unauthorised overdraft facility which is again likely to result in consumers only using unauthorised overdrafts for only a few days. Payday loans offer an alternative to this high cost credit.

- 3.3 CashEuroNet is very surprised at the CC's finding that 'only a very small proportion of payday customers (around 2 per cent) would have used a credit card or overdraft to borrow the money had their payday loan not been available'.<sup>7</sup> This does not fit with our understanding of our customers or the wider market. CashEuroNet is particularly aware of the competitive constraint produced by authorised and unauthorised overdrafts, and is concerned that the CC have underestimated the role of this source of funds for customers of payday loans.
- 3.4 The reason for this underestimate lies with the questions posed in the CC's consumer survey, which could result in customers not reporting that they would have used an unauthorised overdraft, even if they would have used one. We explain in detail our concerns with the questions posed in the CC's consumer survey in our response to the working paper 'Competition between payday lenders and other credit providers'. In summary, we are concerned that respondents are only asked about unauthorised overdrafts once they have indicated that they could have used an overdraft facility, even though there are people who do not have an (authorised) overdraft facility but do have access to unauthorised overdrafts.
- 3.5 To explore this issue further, CashEuroNet conducted a short bespoke online survey of a sample of its customers to find out if unauthorised overdraft facilities and payday loans are considered substitutes.<sup>8</sup> Customers were asked about how their use of unauthorised overdrafts had changed due to their use of payday loans, by asking them how often they had run up unauthorised overdrafts during a twelve month period before and after their adoption of payday loans. The results were that:
- 3.5.1 before the adoption of payday loans, [CONFIDENTIAL] % of respondents said they had run up unauthorised overdrafts; and
- 3.5.2 since adopting payday loans, [CONFIDENTIAL] % of respondents said they had run up unauthorised overdrafts.
- 3.6 The results indicate that use of unauthorised overdrafts [CONFIDENTIAL], this suggests that payday loans and unauthorised overdrafts are used as substitutes by the survey respondents.
- 3.7 We look forward to the new evidence from the upcoming CC survey of Credit Reporting Agencies, which may be better able to assess the use of unauthorised overdrafts, depending on the availability of data. It will be important for the CC to have highly granular (perhaps daily) information about current account status for this analysis.
- 3.8 Finally, we would be grateful for clarification of the CC's claim that there is limited evidence to suggest that payday lenders take the action of providers of other credit products into account. We attach, for example, evidence of CashEuroNet's monitoring of the overdraft fees charged by banks (please see Annex 1 to this Response for examples of such monitoring from 2010). Furthermore, as is shown in Annex 2 of the "Competition between payday lenders and other credit providers" working paper, the majority of lenders have submitted that they do take into account a variety of other credit products when setting their prices.

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<sup>7</sup> Competition Commission, "Payday Lending Market Investigation: Annotated Issues Statement", paragraph 53, bullet 2.

<sup>8</sup> This was an online survey of customers. 1,254 customers viewed the survey, of which 914 completed the survey. The survey asked only four questions and took 1 minute to complete. A number of successful applicants were asked to complete the survey for a six-day period in February 2014. Further details can be found in our response to the working paper 'Competition between payday lenders and other credit providers'.

### *Informal/illegal lending*

- 3.9 The CC consumer survey finds that a large proportion (31%) of respondents reported that they would have turned to ‘family and friends’ if a payday loan had not been available. CashEuroNet suspects that in practice, a significant proportion of these survey respondents may turn to informal or illegal lenders who require significant financial returns from lending. A later question (QPDSB3) in the survey asked if respondents could have used an unlicensed lender or loan shark, and 17% of respondents said that they could have.<sup>9</sup>
- 3.10 Informal or illegal lending can take many different forms. Past reports commissioned by BIS indicate that in the past there has been a significant extent of informal/illegal lending in the UK.<sup>10</sup> CashEuroNet has firsthand experience of the potential growth of illegal or unregulated lending following the imposition of more stringent controls on regulated lending in the United States.
- 3.11 Per previously submitted documents<sup>11</sup>, the US market has seen a spike in informal and illegal market lending as more states have established caps and various other restrictions on the supply of payday loan credit. Data from the State of Oklahoma, among others, showed that complaints about unlicensed internet lending outnumbered complaints about payday licensees. Because state regulatory agencies typically lack the resources to pursue the large number of unlicensed internet lenders, this unlicensed market grew unchecked to the point that an estimated 60%+ of internet payday loans were issued by unlicensed lenders. The State of New York, where payday lending is illegal, recently launched enforcement against over 30 unlicensed internet lenders and was subsequently joined in its efforts by federal bank regulators. These outcomes bear watching as the UK implements price caps and other regulatory measures.

## **4 COMPETITION BETWEEN PAYDAY LENDERS**

### *Price competition*

- 4.1 The CC observes that prices of several products tend to cluster around £30 for a £100 loan, with some lenders charging over £45 and others charging £25 or less.
- 4.2 CashEuroNet would like to emphasise that, as a risk-based product (like insurance), payday loan prices should be considered relative to the expected cost, which is determined by the expected default rate. A lender charging £25 per £100 to a relatively low risk customer is a different proposition than a lender charging £25 per £100 to a relatively high risk customer, just as it is the case that motor insurance for a low risk driver is a different proposition to motor insurance for a high risk driver. [CONFIDENTIAL].

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<sup>9</sup> Competition Commission (2014), ‘Payday Lending Survey’ Table 69.

<sup>10</sup> For example, see a 2010 report by Policis, ‘Interim evaluation of the national illegal money lending projects – summary’, report commissioned by BIS. Policis found that approximately 320,000 individuals turned to illegal lenders in the UK, with total borrowing of £120 million and total repayments of £450 million.

<sup>11</sup> CashEuroNet submission to the Competition Commission, July 12, 2013.

- 4.3 Consequently, wide price dispersion may simply reflect payday lenders to some extent serving different types of customers (by risk profile). Some lenders may go ‘deeper into the market’ by accepting higher risk customers than other lenders. The CC has shown in the working paper ‘Customers and their loans’ (slide 32) that there is a large variation in the proportion of loans that are not repaid in full across different lenders, and this variation is not incomparable to the price dispersion noted by the CC. It is therefore vital for the CC to assess prices in conjunction with the cost of default. This requires a careful analysis covering a sufficiently long time period that takes into account the total cost of credit and the different ways these costs may be recovered from different types of customer. In its Working Papers, the CC seems to have analysed prices in isolation. Furthermore, it is possible for a payday lender to alter its pricing strategy by flexing its loan acceptance criteria to alter the risk profile of the customers it accepts. A lender could effectively reduce its price relative to the competition by accepting higher risk customers at the same listed price as before.
- 4.4 **[CONFIDENTIAL]** This is an outcome that can be expected in a competitive market. This is certainly the outcome that the CC has observed in the private motor insurance market, where the CC ‘found strong rivalry in the sale to consumers of basic motor insurance’<sup>12</sup>.
- 4.5 The analysis in the CC's working paper on payday lender pricing refers to the ‘listed’ prices for payday loans, which do not take into account discounts, which can be significant. It is also important to note that CashEuroNet has declined to add charges and fees that are common throughout the industry. The lack of expedited funding fees or post maturity interest must be considered in the total cost of credit equation.
- 4.6 On a more specific point of fact, CashEuroNet would like to note that the example given in paragraph 58 of the AIS, of a one-month £100 loan repaid 11 days late, can cost significantly less than £40 in total, as estimated by the CC. The QuickQuid payday product of this type, including the late payment fee, would cost £32 in total for the ‘Excellent’ price tier and £37 in total for the ‘Good’ price tier (as well as £41.50 for the ‘Average’ price tier).<sup>13</sup>
- 4.7 We also notice, for example, in the ‘Payday Lender Pricing’ working paper figure 4, the CC has only presented information about the highest price tier of QuickQuid payday loans, which we call our ‘Average’ price tier (**[CONFIDENTIAL]**), but do not present evidence about the ‘Good’ price tier nor the ‘Excellent’ price tier. We do not understand why only the highest price tier would be included in an analysis of the range of prices on offer.

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<sup>12</sup> ‘Private Motor Insurance Market Investigation: Provisional Findings report’, paragraph 5 of the summary.

<sup>13</sup> QuickQuid has a late fee of £12 and does not charge post-default interest. So the total cost for the ‘excellent’ price tier would be the £20 financing charge plus the £12 late fee, equal to £32.

## *Non-price competition*

- 4.8 CashEuroNet supports the CC's finding that 'the evidence suggests that there has been some competition between lenders on non-price loan attributes in the period since 2008'. Online payday lenders supply new innovative financial products to a customer base which is often not well served by banks. Non-price competition through improvements in product features (typically supplied at no extra cost) is at the heart of how this sector has developed and will develop in the future, subject to the regulatory regime. The importance of non-price competition should therefore not be underestimated, just as it should not be underestimated for other technology-driven sectors.

## **5 COSTS AND PROFITABILITY**

- 5.1 CashEuroNet has not yet had the opportunity to review the CC's working paper on the profitability of payday lending companies, as this working paper was only published on February 24.
- 5.2 We welcome the CC's recognition of the need to assess how the development of the sector affects profitability and the higher risks inherent in start-up companies.<sup>14</sup>
- 5.3 In particular, CashEuroNet would like to highlight the considerable risk facing payday lending companies that the CC has identified in terms of wide variations in profitability and, in particular, the rate of default. It is vital to consider profitability on an ex-ante basis, taking into account the wide range of possible outcomes that an investor could reasonably have expected. Some lenders have been successful, whilst others have made losses, and in this rapidly changing market, no lender can assume their success will continue indefinitely.
- 5.4 For example, whilst the CC is right to note that the default rates of existing customers tend to be lower than for new customers, this does not provide well-established lenders with assurance about their future profitability. As the CC has reported in the 'Repeat Customers' working paper, the average customer tends to remain an active customer of a payday company for only around a year, before moving on to an alternative payday lender or other sources of credit. For example, only 35% of customers who took out loans in 2012 ended up coming back to the same lender in January-August 2013<sup>15</sup>. Furthermore, the default rate of existing customers is still distinctly uncertain, even for a well-established lender, with CC analysis showing default rates for existing customers varying greatly amongst different lenders<sup>16</sup>.
- 5.5 The profitability of payday lending must therefore be considered on an ex-ante basis, as the *expected* return for an investor taking into account the range of possible outcomes.

## **6 THEORIES OF HARM**

### *Impediments to customers' ability to shop around and switch supplier*

- 6.1 CashEuroNet would like to emphasise that the level of shopping around for an online

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<sup>14</sup> Competition Commission, "Payday Lending Market Investigation: Annotated Issues Statement", paragraph 51.

<sup>15</sup> Competition Commission (2014) 'Repeat Customers— presentation based on analysis of their transaction data', slide 13.

<sup>16</sup> Competition Commission (2014) 'Customers and their loans – presentation based on analysis of their transaction data', slide 36.

payday loan (45%),<sup>17</sup> is broadly comparable to other financial services products:

- 6.1.1 The current CC market investigation on private motor insurance (**PMI**) reveals that ‘two-fifths (42%) of PMI customers said that they last compared insurers or insurance policies less than a year ago’.<sup>18</sup> The CC considered this a relatively high level of shopping around and concluded that there was strong rivalry in the sale to consumers of motor insurance<sup>19</sup>.
- 6.1.2 In a Yougov survey of 2011, 58% of people responded that they use a price comparison website (**PCW**) to buy insurance and 42% use PCWs to find a utility provider<sup>20</sup>.
- 6.1.3 A survey by Mintel<sup>21</sup> from 2011 showed that: 46% of consumers have researched motor insurance through a PCW; and 25% have researched a credit card.
- 6.2 To further examine the issue, CashEuroNet conducted a short bespoke online survey of its customers<sup>22</sup> to estimate the proportion of those who shop around. Similar to the CC consumer survey, customers were first asked whether they shopped around for the loan for which they had been approved, and if the answer was ‘No’, they were asked a follow-up question on whether they had ever shopped around for a previous payday loan. The results of the survey show that [**CONFIDENTIAL**] % replied that they had shopped around for the loan in question and [**CONFIDENTIAL**] % replied that, while they had not shopped around for this loan, they had shopped around for previous payday loans. We will provide further detail on the findings of this survey, which are broadly consistent with the CC’s consumer survey findings, in our response to the ‘shopping around’ working paper.
- 6.3 We would ask the CC to consider suitable benchmarks for determining whether there is sufficient shopping around for payday loans. In markets where the CC has found there to be strong rivalry in the sale to consumers (e.g., PMI), the majority of consumers do not shop around.
- 6.4 In a number of other areas, CashEuroNet is surprised by the conclusions that the CC has drawn from the findings of the consumer survey, and suggests alternative interpretations, as follows:

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<sup>17</sup> The CC consumer survey found that 31% of online payday loan customers shopped around for their most recent loan, and an additional 14% have shopped around when buying a previous loan. See Tables 152 and 160 of the ‘Payday lending TNS survey tables’. As payday customers typically only stick with a lender for 12-18 months, this suggests that 45% of customers shopped around in the past 12-18 months.

<sup>18</sup> Competition Commission (2013) ‘Private Motor Insurance Market Investigation: IFF Research report’, paragraph 2.20.

<sup>19</sup> See Competition Commission (2013) working paper ‘Private motor insurance investigation: Theory of harm 4: Obstacles to switching’, particularly paragraphs 2 and 14. The Competition Commission refers to another survey finding that 55% of respondents ‘generally compare PMI policies every year at renewal’. Of these respondents, 35% (of the 55%) then went on to say they had not compared ‘less than a year ago’ (question A14a), which explains the difference with the 42% that actually compared ‘less than a year ago’. See page 27 of the ‘Consumer survey tables’ published with the Competition Commission working papers for the PMI investigation.

<sup>20</sup> [http://cdn.yougov.com/cumulus\\_uploads/document/0mzoub601j/YG-Archive-1110506-Publicite.pdf](http://cdn.yougov.com/cumulus_uploads/document/0mzoub601j/YG-Archive-1110506-Publicite.pdf).

<sup>21</sup> <http://www.mintel.com/press-centre/technology-press-centre/price-comparison-sites-its-a-click-with-60-of-brits>.

<sup>22</sup> This was an online survey of customers conducted over a 6-day period in February 2014. [**CONFIDENTIAL**].

- 6.4.1 The CC suggests that consumers do not switch due to the perceived inconvenience of doing so.<sup>23</sup> But the main reason cited in the CC consumer survey for why people stay with the same lender is the fact that they are happy with the level of service provided<sup>24</sup>.
- 6.4.2 The CC considers that consumers may switch around because they are denied a loan by their existing lender.<sup>25</sup> But when respondents in the CC consumer survey were asked the reason why they have used multiple lenders, a large proportion (44%) replied that they switched due to preferring an alternative loan or service (p. 134-135). The most important aspect preferred for the new lender is the cost of the loan (38%).
- 6.5 Overall, the CC consumer survey evidence suggests that a significant proportion of online payday loan customers do shop around, use multiple lenders and choose lenders on the basis of preferred services or loan cost.
- 6.6 CashEuroNet also calls for the CC to conduct further research before concluding that customers will ‘perceive time spent shopping around to be costly’ due to the value they place on the speed of funding.<sup>26</sup> It is important to reflect on the amount of time involved. From the customers’ perspective, obtaining funds quickly means obtaining funds within the next hour or so via a payday loan, or instantly from an unauthorised overdraft, instead of having to wait perhaps a few days for alternative sources (such as from family and friends or a credit union). The findings of the qualitative research of the consumer survey<sup>27</sup> show that each customer spends approximately 1-10 minutes reviewing the websites of payday lenders. This is not surprising given the ease of accessing price information from many payday lenders’ websites<sup>28</sup>. In the view of CashEuroNet, therefore, the need to obtain funds within an hour rather than in the next few days does not preclude shopping around for the best deal online, as the amount of time needed to shop around is relatively small.
- 6.7 [CONFIDENTIAL].
- 6.8 [CONFIDENTIAL].
- 6.9 Finally, CashEuroNet shares the CC’s concern that ‘some borrowers may be over-optimistic about their ability to repay’, and therefore may pay insufficient attention to late fees and post-default interest charges when selecting a loan.<sup>29</sup> It is the view of CashEuroNet that these charges should be kept at reasonable levels, in order to protect customers who may be facing financial difficulties. For this reason, CashEuroNet does not charge post-default interest and our late payment fee, set at £12, is relatively low both compared to other payday lenders and compared to banks and credit card companies.<sup>30</sup>

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<sup>23</sup> Competition Commission, “Payday Lending Market Investigation: Annotated Issues Statement”, paragraph 86.

<sup>24</sup> Competition Commission, “Research into the payday lending market: Final Report”, page 136.

<sup>25</sup> Competition Commission, “Payday Lending Market Investigation: Annotated Issues Statement”, paragraph 93.

<sup>26</sup> Competition Commission, “Payday Lending Market Investigation: Annotated Issues Statement”, paragraph 86.

<sup>27</sup> Competition Commission, “Research into the payday lending market: Final Report”, page 95

<sup>28</sup> Competition Commission, “Payday Lending Market Investigation: Review of the Websites of Payday Lenders and Lead Generators”, paragraph 2.

<sup>29</sup> Competition Commission, “Payday Lending Market Investigation: Annotated Issues Statement”, paragraph 92.

<sup>30</sup> As shown in the Competition Commission working paper ‘Payday lender pricing’.



## *Market power and entry and expansion*

6.10 The CC is focusing on three potential barriers to entry:

### *6.10.1 Customer information:*

- (a) The CC is right to identify the importance of customer information for the payday lending business, as effective identification of customers who can be expected to successfully pay back the loan is a vital factor in the success of a lender. As the CC has identified, default rates vary greatly across lenders and are perhaps the single most important determinant of whether a lender is successful or not.
- (b) Consequently, CashEuroNet actively seeks improved customer information. CashEuroNet is involved in a Callcredit project to introduce real time data for payday lending, so that we are able to see what payday loans an applicant currently has. This information will be of benefit to all payday lenders (through Callcredit), and is due to be launched in April or May 2014.
- (c) These improvements in information benefit both existing payday lenders and new entrants alike. Whilst payday lending requires innovative technologies to allow credit provision to customers that traditional lenders often turn away, these technologies are available to new entrants and do not represent a significant barrier to entry. This is quite clear, given the success of new entrants such as Wonga and the large number of smaller payday lenders that currently exist in the market.
- (d) New lenders such as [CONFIDENTIAL] have also successfully entered the market with competitive prices. Credit risk modelling for payday lending benefits from the rapid turn around of the loans, which means that new entrants can learn about default rates within only 30 days or so of issuing loans (in contrast to longer term forms of consumer debt). This allows new entrants to relatively quickly refine and improve their credit scoring models.

### *6.10.2 Customer acquisition costs: The CC will be focusing its investigation on the costs of building a brand primarily through advertising or acquiring customers through third parties.*

- (a) Similarly, customer acquisition costs, which represent a significant cost of payday lending, do not represent a significant barrier to entry, as many potential marketing channels have few 'fixed' costs. Buying leads from a lead generator costs the same, per lead, for a small lender as it does for a larger lender and leads can be sourced at multiple price points on the ping tree. Pay-per-click costs are also similarly scalable. The cost of TV advertising represents [CONFIDENTIAL] CashEuroNet's marketing spend.<sup>31</sup>

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<sup>31</sup> TV advertising accounted for [CONFIDENTIAL] % of total marketing spend in 2013.

6.10.3 *Reputation risk: The CC is considering the extent to which the political and media attention centred on disreputable lending practices and the social costs of payday lending may deter or restrict lenders considering entering the payday lending market.*

- (a) CashEuroNet understands that the under-provision of financial services by banks to sub-prime customers (those with relatively low or volatile incomes or poor credit histories) has been a long running issue in the UK and the fundamental reasons for this are unlikely to change. Sub-prime customers provide very limited scope for banks to cross-sell other products and thereby spread acquisition costs, so therefore are unlikely to become a focus for mainstream lenders, even in the absence of negative political and media attention on the sector.

## **7 CONCLUSION AND NEXT STEPS**

CashEuroNet appreciates the detailed analysis undertaken by the CC to-date in order to understand the market for short term high cost credit and we would respectfully ask the CC to consider the points raised in this response during the next phase of this inquiry.

**From:** Hohnstein, Gregory  
**Sent:** Wednesday, June 16, 2010 11:53 AM  
**To:** King, Alex; LaPointe, Andrew; Dolchenko, Olga  
**Cc:** Perkins, Anne  
**Subject:** BBC article on Overdraft Charges

In case you had not previously seen this, an article from BBC in May that includes unauthorized charge example.

<http://news.bbc.co.uk/2/hi/business/10110698.stm>

(excerpt from the article):

Andrew Hagger, of financial website Money.net.co.uk, argued that charges levied when people go overdrawn without permission were still a bigger issue for consumers...

[CONFIDENTIAL]

[CONFIDENTIAL]

**Greg Hohnstein**  
Marketing Manager  
312-784-0690 Direct



**A Cash America Company (NYSE CSH)**

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12 May 2010 Last updated at 12:44



# Overdraft rates 'at 10-year high'

Authorised overdraft rates have reached their highest level for a decade, according to financial information service Moneyfacts.

The average interest rate on agreed overdrafts has reached 14.22%, the highest since May 2000.

The high comes despite the Bank rate remaining at a record low of 0.5%, although some banks have changed overdraft pricing policy.

The Bank rate stood at 6% when overdraft costs were last above 14%.

## Funding

Over the last 10 years, authorised overdraft rates dropped to 11.81% at their lowest point in May 2004, the Moneyfacts research shows.

However, during debate and court cases regarding unauthorised overdraft fees, some banks changed the structure of the way they charge people who go overdrawn.

This has reduced the income some receive from people who go into the red without permission.

"Changes made to reduced unauthorised borrowing charges meant banks lost a significant revenue stream, something they can ill afford in the current climate," said Michelle Slade of Moneyfacts.

"As one revenue stream closed, inevitably they have moved to find another.

"The loss of income gained from a minority of customers is now being recouped from all customers who use an agreed overdraft.

"Banks are likely to be making more now from these increases than they ever were from penalty charges."

## 'Unsustainable'

However, the British Bankers' Association (BBA), which represents the banks, has branded the theory as too simplistic.

"[Moneyfacts] are comparing interest rates today with interest rates during the easy credit era," a BBA spokesman said.

"The interest rate offered during that period and cost of banking was unsustainable. The economics of the industry has changed.



The banks won a long-running dispute about overdraft charges

## Personal Banking

What the new TSB means for customers

Q&A: Switching bank accounts

UK 'has lost 40% of bank branches'

The bank branch of the future?



To point out one factor as the main influence on pricing makes no sense"

Spokesman  
British Bankers' Association

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The explorer forced to eat his dogs to survive



Wonder of nature  
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How the world's longest aircraft was built



Psychiatry 1864  
When mentally ill people were treated with an 'uplifting view'



White line  
Do wonky road markings make people drive better?

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Woman in coma told to 'find work'	3
Longest aircraft unveiled in UK	4
'Russians' occupy Crimea airports	5

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Whole-life term for killer Dennehy	1
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"To point out one factor as the main influence on pricing makes no sense."

Andrew Hagger, of financial website Moneynet.co.uk, argued that charges levied when people go overdrawn without permission were still a bigger issue for consumers.

If someone with an agreed overdraft was charged at a market average of 14% and they were £500 overdrawn for 15 days each month, they would pay interest charges of £2.87 per month, he said.

If their interest rate was increased by 2%, it would mean having to pay an extra 41p every month.

"These charges pale into insignificance when compared to the unauthorised charging structures currently employed by some of the banks," he said.

"The area that really needs more focus is unauthorised charging, where a £50 unauthorised overdraft for just three days can cost a customer up to £60 for what is a short-term and fairly minor financial indiscretion."

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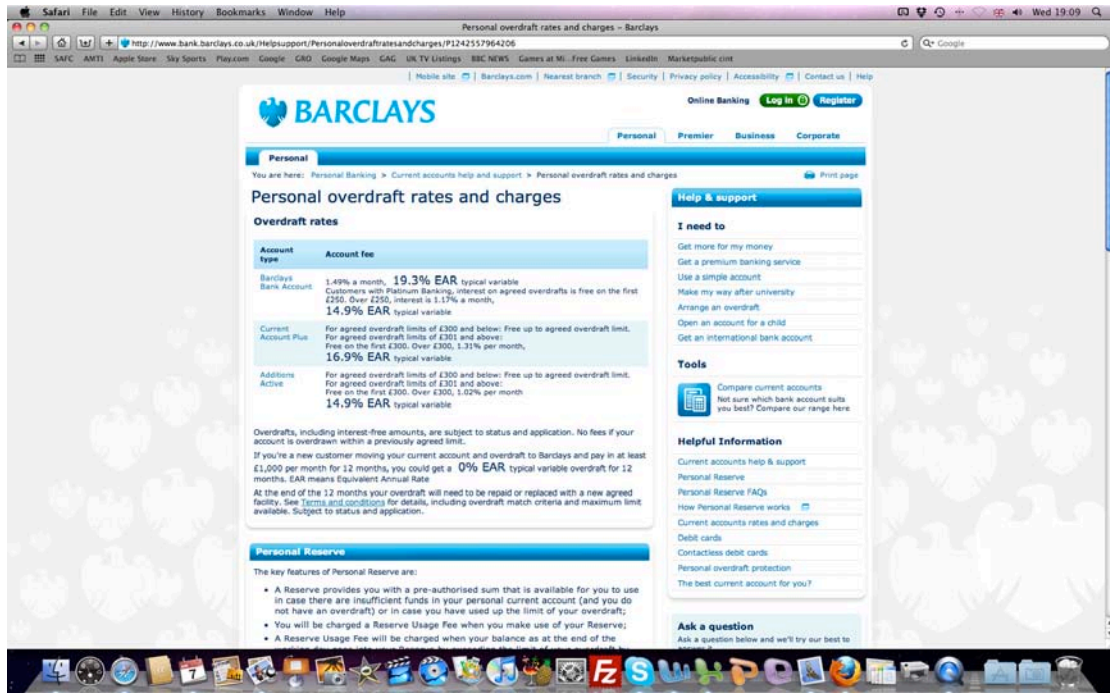
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# Barclays Bank

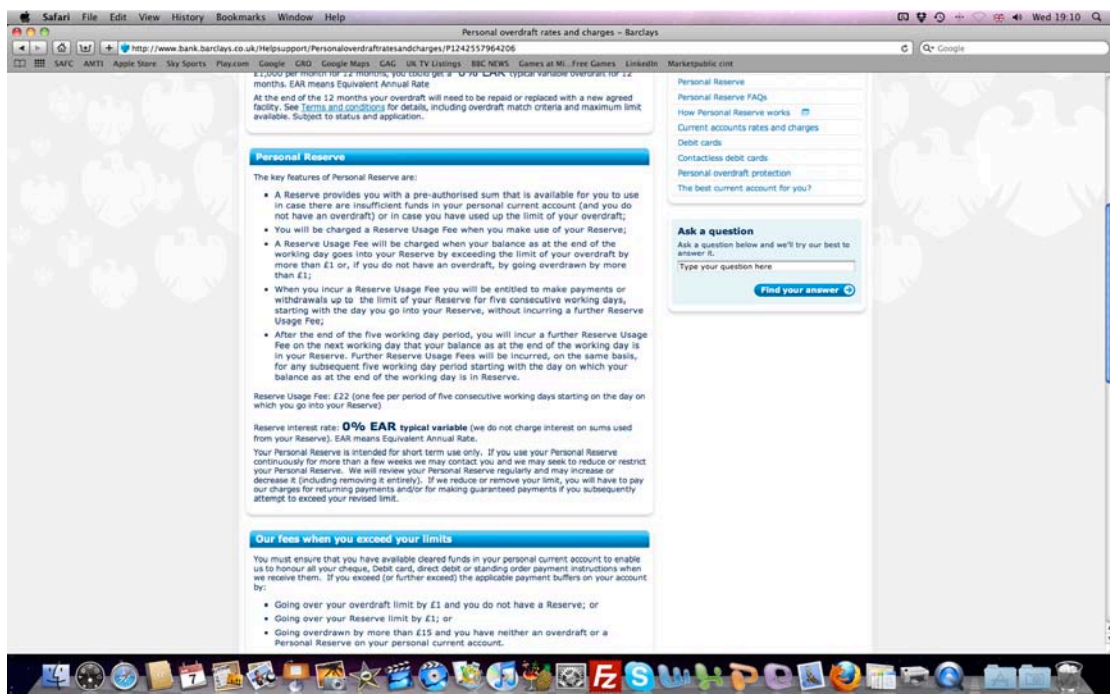
## Unauthorised Overdraft

7<sup>th</sup> April 2010



This screenshot shows the Barclays website's 'Personal overdraft rates and charges' page. The page is viewed in a Safari browser window. The main content area is titled 'Personal overdraft rates and charges' and includes a table of overdraft rates for different account types. The table lists three account types: Barclays Bank Account, Current Account Plus, and Additions Active. Each account type has associated overdraft limits and interest rates. For example, the Barclays Bank Account has a 1.49% a month rate, while the Current Account Plus has a 16.9% EAR typical variable rate. The page also includes a 'Personal Reserve' section with key features and a 'Help & support' sidebar with links to various services.

Account type	Account fee
Barclays Bank Account	1.49% a month, 19.3% EAR typical variable Customers with Platinum Banking, interest on agreed overdraft is free on the first £250. Over £250, interest is 1.17% a month, 14.9% EAR typical variable
Current Account Plus	For agreed overdraft limits of £300 and below: Free up to agreed overdraft limit. For agreed overdraft limits of £301 and above: Free on the first £300. Over £300, 1.31% per month, 16.9% EAR typical variable
Additions Active	For agreed overdraft limits of £300 and below: Free up to agreed overdraft limit. For agreed overdraft limits of £301 and above: Free on the first £300. Over £300, 1.02% per month, 14.9% EAR typical variable



This screenshot shows the continuation of the Barclays website's 'Personal overdraft rates and charges' page. It details the 'Personal Reserve' feature, which provides a pre-authorised sum available for use in case of insufficient funds. The page lists key features of the Personal Reserve, including the fact that it is a pre-authorised sum and that users will be charged a Reserve Usage Fee when they make use of it. The page also includes a section on 'Our fees when you exceed your limits' and a 'Help & support' sidebar with links to various services.

**Personal Reserve**

The key features of Personal Reserve are:

- A Reserve provides you with a pre-authorised sum that is available for you to use in case there are insufficient funds in your personal current account (and you do not have an overdraft) or in case you have used up the limit of your overdraft;
- You will be charged a Reserve Usage Fee when you make use of your Reserve;
- A Reserve Usage Fee will be charged when your balance as at the end of the working day goes into your Reserve by exceeding the limit of your overdraft by more than £1 or, if you do not have an overdraft, by going overdrawn by more than £1;
- When you incur a Reserve Usage Fee you will be entitled to make payments or withdrawals up to the limit of your Reserve for five consecutive working days, starting with the day you go into your Reserve, without incurring a further Reserve Usage Fee;
- After the end of the five working day period, you will incur a further Reserve Usage Fee on the next working day that your balance as at the end of the working day is in your Reserve. Further Reserve Usage Fees will be incurred, on the same basis, for any subsequent five working day period starting with the day on which your balance as at the end of the working day is in Reserve.

Reserve Usage Fee: £22 (one fee per period of five consecutive working days starting on the day on which you go into your Reserve)

Reserve interest rate: 0% EAR typical variable (we do not charge interest on sums used from your Reserve). EAR means Equivalent Annual Rate.

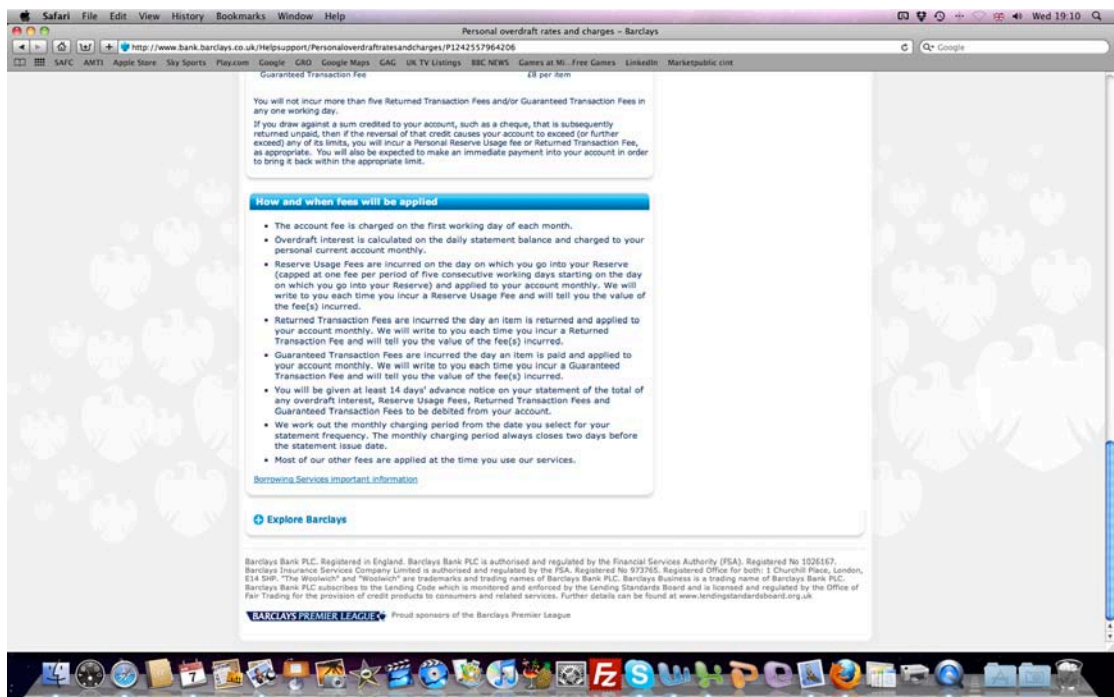
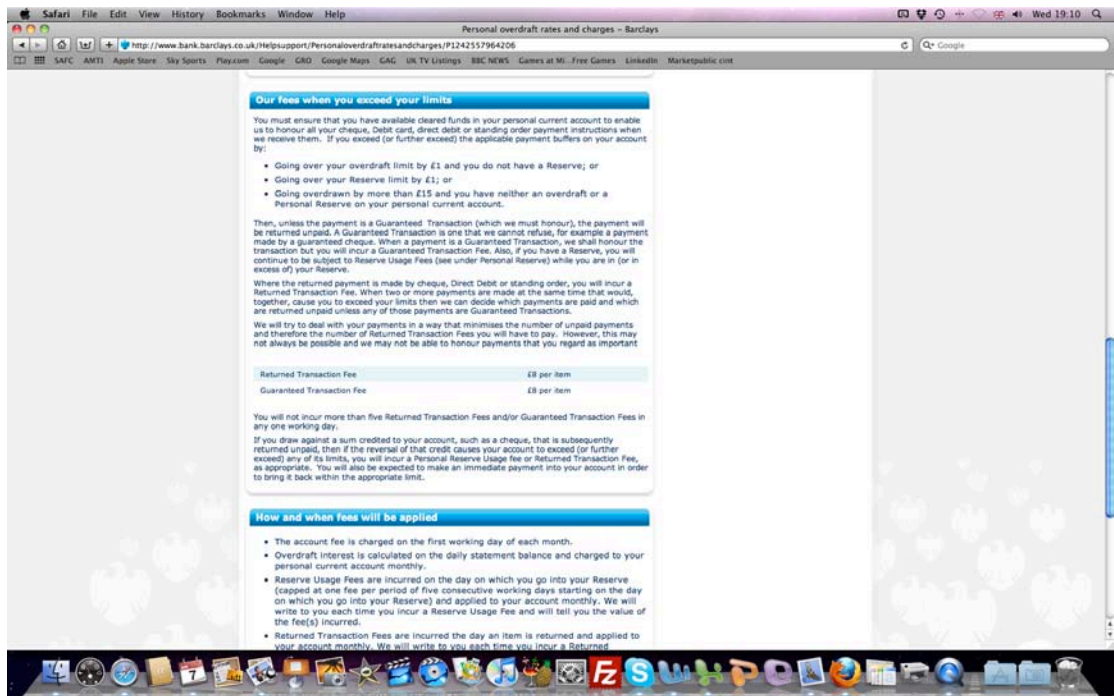
Your Personal Reserve is intended for short term use only. If you use your Personal Reserve continuously for more than a few weeks we may contact you and we may seek to reduce or restrict your Personal Reserve. We will review your Personal Reserve regularly and may increase or decrease it (including removing it entirely). If we reduce or remove your limit, you will have to pay our charges for returning payments and/or for making guaranteed payments if you subsequently attempt to exceed your revised limit.

**Our fees when you exceed your limits**

You must ensure that you have available cleared funds in your personal current account to enable us to honour all your cheques, debit card, direct debit or standing order payment instructions when we receive them. If you exceed (or further exceed) the applicable payment buffers on your account by:

- Going over your overdraft limit by £1 and you do not have a Reserve; or
- Going over your Reserve limit by £1; or
- Going overdrawn by more than £15 and you have neither an overdraft or a Personal Reserve on your personal current account.









### Is the Overdraft Service the best way to borrow?

When it comes to borrowing money, the Overdraft Service provides just one of the many different borrowing options available to you. Our Overdraft Service is an excellent way of borrowing money for a short period of time:

- to cover you for a few days before you receive your income
- to cover you for a month or two, if you have particularly heavy spending which you know you can repay quickly
- when you normally run your account in credit, but a debit just happens to hit your account at the wrong time

However, if you find yourself increasingly relying on your Overdraft more regularly – soon after pay day, or you're finding it difficult to run your current account in credit – then you should question whether you are borrowing money in the best and most cost effective way.

Remember, every formal and informal overdraft request we agree to may incur an arrangement fee.

---

### When to consider other borrowing alternatives

Many customers prefer to run their account in credit and if you would like to, but find you're struggling to do so, we can help you consider whether there are better ways to manage your finances.

You could move some of your borrowing onto a separate account and arrange to repay this separately. Some customers prefer a fixed monthly repayment over a period of time to ensure their borrowing is repaid. Other customers might not want to commit to fixed monthly payments, and need a more flexible arrangement that allows them to repay different amounts each month.

---


### What next?

Call us, visit your local branch or go online if you would like to:

- set up, or change, a formal overdraft on your current account,
- know more about how to get your current account back in credit,
- know more about other products which can help you with larger, longer term borrowing needs, or
- talk to someone if you think you have a problem managing your borrowing. It's important to speak to us as soon as possible to see where we can help.

# Lloyds TSB – Unauthorised Overdraft Services

From website – 7.4.2010:

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Overdrafts

Managing your overdrafts

Debit cards

Compare bank accounts

Personal review

Switching bank account to Lloyds TSB

Bank account selector

Personal banking > Current accounts > Overdrafts

## Borrowing from us - Overdrafts

Help & Assistance

Overdraft [rates](#) and [charges](#)

[Ask a question](#)  
Opens in a new window

An 'overdraft' is where we lend you money when you would otherwise not have money available to make a payment.

**Planned Overdrafts**

A 'Planned Overdraft' is an overdraft up to an agreed limit which you arrange with us in advance. We will not charge you for setting up a Planned Overdraft and from time-to-time we will review it to make sure it's still right for you.

**Unplanned Overdrafts**

If you try to make a payment out of your account (for example by Direct Debit or cheque) and you don't have enough money, we will treat this as a request for an 'Unplanned Overdraft' or for an increase in one you already have. If we agree, we'll provide you with an Unplanned Overdraft (or extend your existing one) to cover the payment.

You'll pay a monthly fee if you use an Unplanned Overdraft any time during a monthly billing period and also pay a daily fee, which reflects how far and how long you go over your limit. If we don't agree to give you an Unplanned Overdraft, you won't be able to make the payment and a fee will apply. More details can be found on our [rates](#) and [charges](#) page.

### How to avoid Overdraft fees

**Checking your balance**

You can keep an eye on your balance on a daily basis:

- ✓ at any [Lloyds TSB branch](#) or Cashpoint® machine
- ✓ through [Telephone Banking](#) on 0845 3 000 000\*
- ✓ through [Internet Banking](#)
- ✓ you can also register for weekly [Free Text Alerts](#).

**Managing your money**

Limit Alerts and [Mobile Banking Pack](#)

- ✓ We will send you Text Alerts when you get close to or exceed your limit so that you can avoid Unplanned Overdraft fees (registration required). A monthly fee of just £2.50 applies for each account that you have registered.
- ✓ The monthly fee remains the same whether you receive several texts in a month or none.
- ✓ If you have a Student account you can receive this service free until October 2010. The service is also free for Premier accounts and Private Banking accounts.
- ✓ The Mobile Banking pack also allows you to manage your money on your mobile†

### If something happens

**The Grace Period**

If your account goes over its limit, you'll have until 3:30pm the same day to pay in enough money to cover your payments and avoid overdraft fees. The money needs to be 'cleared funds' which can be paid to your account by:

- ✓ paying cash into your account at any Lloyds TSB branch,
- ✓ transferring money from another Lloyds TSB personal account online via Internet Banking or by calling 0845 3 000 000\*\*.

### Control Account

For £10 a month, [Control](#) helps you take charge of your finances by preventing you using an Unplanned Overdraft and incurring daily fees. It can be added to any [Classic Account](#).

### How do I apply?

#### Online

If you have a current account with us and are registered for [Internet Banking](#) you can apply for a Planned Overdraft online quickly and securely.

[✓ Apply](#)

#### By phone

Call **0845 3 000 000\*\*** and we'll complete your Planned Overdraft application with you.

Lloyds TSB Bank plc and Lloyds TSB Scotland plc are authorised and regulated by the Financial Services Authority. FSA authorisation can be checked on the FSA's Register at: [www.fsa.gov.uk/register](http://www.fsa.gov.uk/register). Lloyds TSB Bank plc and Lloyds TSB Scotland plc are members of the Financial Services Compensation Scheme and the Financial Ombudsman Service. We subscribe to The Lending Code; copies of the Code can be obtained from [www.lendingstandardsboard.org.uk](http://www.lendingstandardsboard.org.uk)

\* How much we lend (if any) is subject to our assessment of your personal circumstances. Overdrafts are also repayable on demand.

\*\* Calls may be monitored and recorded in case we need to check we have carried out your instructions correctly and to help us improve our quality of service.

† You'll need to have a Lloyds TSB current account with an active debit card and be registered for Internet Banking.

Cashpoint® are registered trademark of Lloyds TSB Bank plc.

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## Overdraft fees:

### Borrowing from us with an Overdraft

An overdraft is where, as part of our overall service, we are willing to lend you money through your current account. We provide two types of overdraft: a Planned Overdraft and an Unplanned Overdraft.

If you decide you need an overdraft, you can ask us in advance for a Planned Overdraft. You can also ask to increase an existing Planned Overdraft limit at any time. You must be 18 or over to have a Planned Overdraft.

How much we lend depends on our assessment of your personal circumstances. Lloyds TSB is a responsible lender and we only want you to borrow what you can afford and in a way that is best for you.

If you try to make a payment but do not have enough available money in your account, then we will either agree to an Unplanned Overdraft covering that payment or you will not be able to make that payment. Fees will normally be charged in either case. Please see condition 10 in 'Your Banking Relationship with us', the Personal Banking Terms and Conditions, for more details about overdrafts and available funds.

You will also normally be charged interest if you use a Planned or Unplanned Overdraft. All overdrafts are repayable on demand.

### Overdraft Fees

We will not charge you fees for setting up a Planned Overdraft but if we agree to your request for an Unplanned Overdraft, we will charge you the following fees:

Fee	Unplanned Overdraft Fees - Amount	Unplanned Overdraft fees - Description
Monthly fee	£15	You will pay this fee if you have an Unplanned Overdraft at any time during your monthly billing period (even if your next monthly billing period is only a few days away). We will charge you a maximum of one monthly fee in a monthly billing period.
Daily fee	Unplanned Overdraft balance is:  less than £25      £6 a day  £25 to £100      £15 a day  more than £100      £20 a day	You will pay a daily fee for using an Unplanned Overdraft. The amount of the fee will be worked out at the end of each day (including weekends and bank holidays) on the balance of your Unplanned Overdraft. We will charge you a maximum of 10 daily fees in a monthly billing period.

An Unplanned Overdraft continues until it is repaid. So, at the start of any monthly billing period, if you still have an Unplanned Overdraft from the previous monthly billing period, you will incur a further monthly fee and up to another 10 daily fees (depending on when you pay it back).

Unplanned Overdrafts are intended to be used for short-term borrowing. You will find it cheaper to ask for a new or increased Planned Overdraft that meets your needs, rather than using an Unplanned Overdraft. You can do this by visiting us in branch or calling us on **0845 3 000 000**.

#### Interest payable on overdrafts

The same rate of interest is currently payable for both Planned and Unplanned Overdrafts. The rate you pay will depend on the type of current account you have with us. For details of our interest rates please ask in any branch, visit us at [www.lloydstsb.com](http://www.lloydstsb.com) or call **0845 3 000 032**.

#### Returned items

Where you do not have enough available money to make a payment and we do not agree to give you or extend an Unplanned Overdraft, you will not be able to make that payment. We will write to tell you we have declined your request. We will charge you the following fee:  
Returned item fee £20 for each item. We will charge you up to a maximum of three fees a day.

#### Avoiding Overdraft Charges

If your account goes over its limit, you'll have until 3.30pm (UK time) that day to pay in enough money or arrange a Planned Overdraft to cover all your payments. If you do, you won't pay a penny in overdraft fees.

The money you pay in must be available to use immediately. For example, by paying cash in over the counter at any branch or transferring money from another personal account you hold with us using Internet Banking or Telephone Banking.

You can stay in control by checking your balance on a daily basis:

- at any Lloyds TSB branch,
- at any Cashpoint®,
- through Telephone Banking on **0845 3 000 000**,
- online at [www.lloydstsb.com](http://www.lloydstsb.com),
- by using Mobile Services.

#### Our control option

Control is an add-on for Classic accounts that can help you to stay on top of your finances. For a £10 monthly fee Control will help you in two ways:

- In most cases, it prevents your account from going into Unplanned Overdraft.
- It includes the Mobile Banking Pack which gives you more tools to help you stay informed about what's going on with your account.

The reduced Unplanned Overdraft charges applicable to Control are as follows:

Fee	Amount	Description
Returned item fee	£10	You only pay £10 for each item (usually this is £20 for each item).
Unplanned Overdraft fees	£15 per monthly billing period No daily fees	Charged only when you go unplanned because we can't check your balance (for example, you use your debit card in an aeroplane).

#### Overdraft information on other accounts

##### Islamic accounts

We ensure that all of our Islamic accounts comply with Shariah and we typically do not provide Planned Overdrafts to Islamic account holders. Where you do not have enough available money to make a payment, we will not usually agree to provide an Unplanned Overdraft either and the returned item fee will apply. In some instances, where we do agree to cover that payment by giving you an Unplanned Overdraft you will pay a management fee for us providing and managing this (but you will not be charged interest). This monthly management fee will be £15 and will apply if you have or make use of an Unplanned Overdraft at any time during a monthly billing period.

##### Cash accounts

For Cash accounts we do not provide a Planned Overdraft. If we do not agree to give you an Unplanned Overdraft, you will not be able to make the payment and the returned item fee will apply. If we do give you an Unplanned Overdraft, you will be charged the monthly Unplanned Overdraft fee of £15. However, we will not charge you if your Unplanned Overdraft is less than £10 or it is the first time you have used an Unplanned Overdraft in the last 12 months.\*

\*You will not be charged the first time you exceed the buffer of £10 in a 12 month period. The monthly fee will become payable if:

- your Unplanned Overdraft balance at the end of the day is greater than what is was at the end of the previous day; and/or
- the Unplanned Overdraft has still not been paid at the start of the next monthly billing period.

### Under 19s and Service accounts

For under 19s and Service accounts we do not provide a Planned Overdraft and we will not charge Unplanned Overdraft fees or Returned Item fees.

### Debit card and Cashpoint® card charges

When you take out cash	Charges
From Lloyds TSB Cashpoint® machines.	Free.
LINK machine All LINK cash machines will give you an advance on-screen warning about any charges. This warning will tell you who's making the charge. You can then continue or cancel the transaction.	Lloyds TSB does not make a charge but the owner of the machine may.
From non-LINK cash machines in the UK and worldwide displaying the Visa sign, or over the counter at a bank (other than Lloyds TSB) or any other outlet displaying the Visa sign.	Debit cards: 1.5% of the amount with a minimum transaction charge of £2.00 and a maximum charge for each transaction of £4.50. Cashpoint® cards: 1.5% of the amount with a minimum transaction charge of £1.50. Please note: there is no maximum transaction fee.
When you use your Lloyds TSB debit card in the UK to buy foreign currency or traveller's cheques	Charges
From Lloyds TSB branches.	Foreign currency and foreign currency traveller's cheques: free. Sterling traveller's cheques: 1.5% of the amount with a minimum transaction charge of £3.00.
From any other banks, travel agents, bureaux de change and other outlets displaying the Visa sign.	All foreign currency and all traveller's cheques: 1.5% of the amount with a minimum transaction charge of £2.00 and a maximum charge for each transaction of £4.50.
Transactions abroad	Charges
Cash withdrawals and purchases.	The amount is converted to sterling on the day it is processed by Visa using the exchange rate set by Visa plus a 2.99% foreign exchange fee.
Cash withdrawals are also subject to:	Debit cards: 1.5% of the amount with a minimum transaction charge of £2.00 and a maximum charge for each transaction of £4.50. Cashpoint® cards: 1.5% of the amount with a minimum transaction charge of £1.50. Please note: there is no maximum transaction fee.
When making purchases (not cash withdrawals) abroad, online, or on the phone, in a currency other than sterling, the transaction is also subject to:	A £1 charge for each transaction except where a Platinum Debit card or a Premier Debit card has been used.

### Mobile Services

Service	Charges
<b>Mobile Banking Pack:</b> <ul style="list-style-type: none"> <li>Limit and balance alerts, which are texts that we send to alert you when your balance is high or low, or near your limit. This can help you avoid overdraft fees and interest.</li> <li>Mobile Banking, which is an application that allows you to get up-to-date balance enquiries and mini-statements on your mobile, and even make transfers between eligible accounts.</li> <li>Balance on Demand, which allows you to receive your balance 24/7 by text.</li> </ul>	£2.50 per month, except free for: <ul style="list-style-type: none"> <li>Premier accounts and accounts with Control.</li> <li>Student accounts until August 2010.</li> <li>Under 19s accounts from 30 October 2009 (you can register from age 16).</li> </ul>
<b>Text Alert Service:</b> <ul style="list-style-type: none"> <li>Register and receive texts each week with your account balance.</li> <li>Get a Text Alert each time your debit card is used abroad to check it's you.</li> </ul>	Free.

#### Other Services

Service	Charges
If you ask us to stop a cheque (unless the cheque was lost or stolen, when this would be free of charge).	£10.
Special cheque presentation - if you ask for a cheque to be 'express cleared'.	£10.
Returned cheque - if a cheque you pay into your account is returned to us unpaid by another bank or branch.	Free.
Statements - We will send you regular account statements which are free of charge.	Free.
Duplicate statements*.	£5 for each page (max £10 per request).
Banker's draft/ cheque (sterling).	£20.
CHAPS payment - when you transfer cleared money to accounts held at any other bank on the same day to arrive the same day. This will include an advice to the person you are paying when the payment reaches their bank.	£30.

\* We make an additional charge for excessive requests (such as for many duplicate statements) and requests other than those outlined in the table.



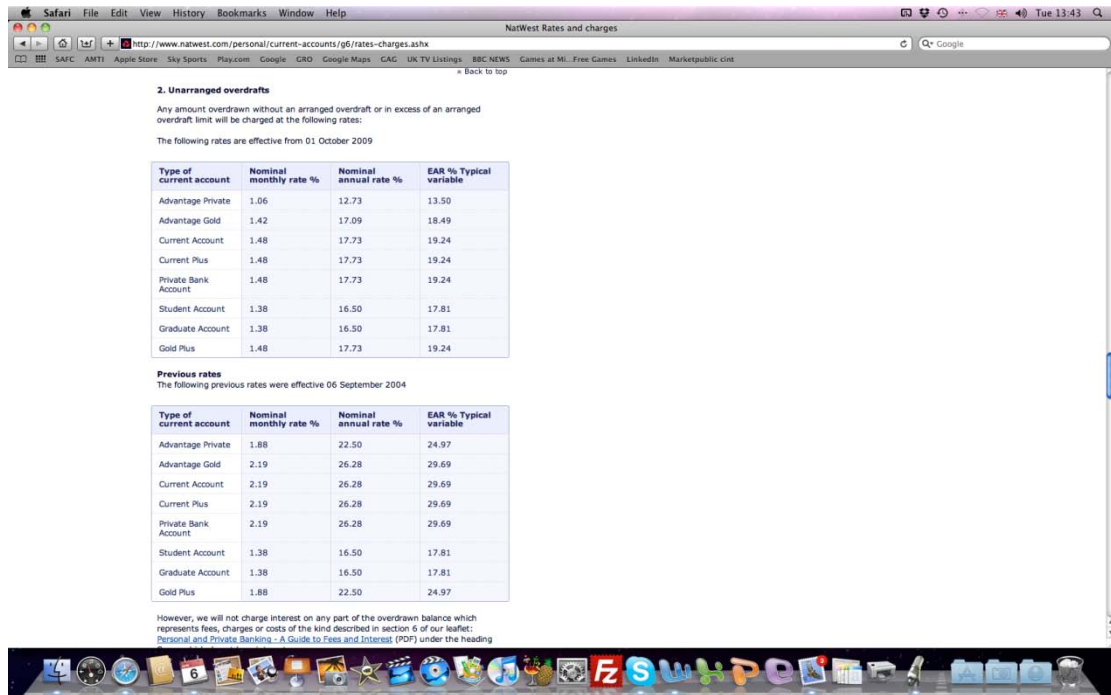
## Nat West (Part of RBS)

### Unauthorised Overdraft Charges and Process

6<sup>th</sup> March 2010

[CONFIDENTIAL]

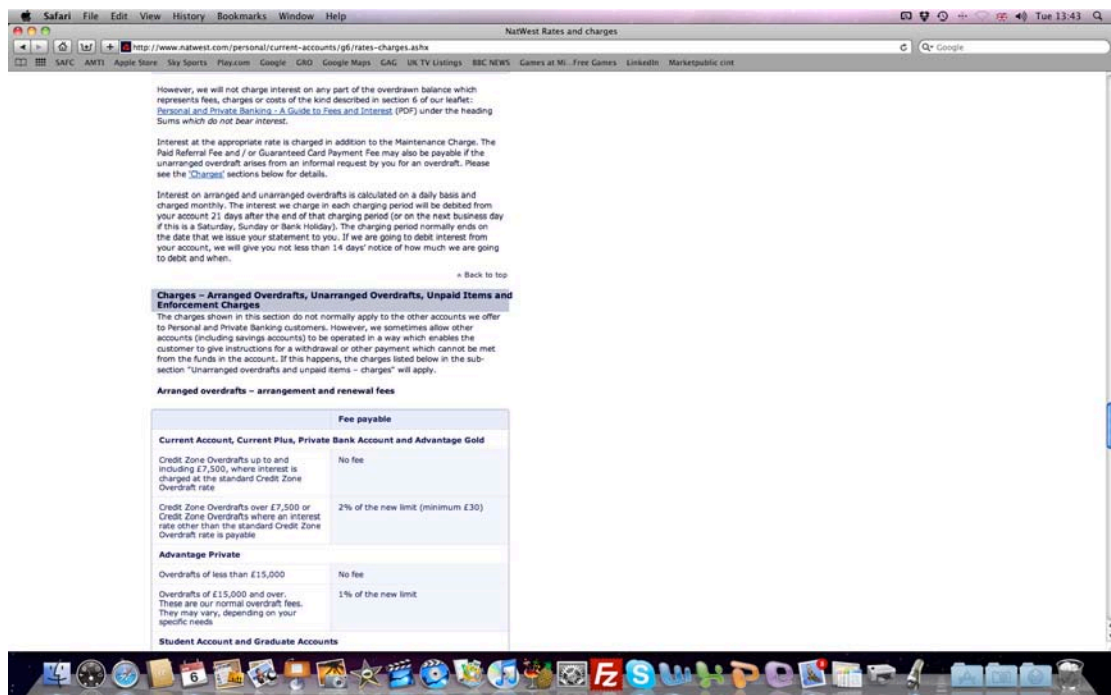
Web site information:



The screenshot shows the top portion of a web browser window displaying the 'NatWest Rates and charges' page. The browser's address bar shows the URL 'http://www.natwest.com/personal/current-accounts/g6/rates-charges.aspx'. The page content includes a section titled '2. Unarranged overdrafts' with a sub-header 'Any amount overdrawn without an arranged overdraft or in excess of an arranged overdraft limit will be charged at the following rates:'. Below this, it states 'The following rates are effective from 01 October 2009'. A table follows, listing various account types and their corresponding nominal monthly and annual rates, as well as their EAR % typical variable. The table has four columns: 'Type of current account', 'Nominal monthly rate %', 'Nominal annual rate %', and 'EAR % Typical variable'. The accounts listed include Advantage Private, Advantage Gold, Current Account, Current Plus, Private Bank Account, Student Account, Graduate Account, and Gold Plus. Below the table, there is a section for 'Previous rates' effective from 06 September 2004, with another table showing the same information for that period. At the bottom of this section, a note states: 'However, we will not charge interest on any part of the overdrawn balance which represents fees, charges or costs of the kind described in section 6 of our leaflet: Personal and Private Banking - A Guide to Fees and Interest (PDF) under the heading Sums which do not bear interest.'

Type of current account	Nominal monthly rate %	Nominal annual rate %	EAR % Typical variable
Advantage Private	1.06	12.73	13.50
Advantage Gold	1.42	17.09	18.49
Current Account	1.48	17.73	19.24
Current Plus	1.48	17.73	19.24
Private Bank Account	1.48	17.73	19.24
Student Account	1.38	16.50	17.81
Graduate Account	1.38	16.50	17.81
Gold Plus	1.48	17.73	19.24

Type of current account	Nominal monthly rate %	Nominal annual rate %	EAR % Typical variable
Advantage Private	1.88	22.50	24.97
Advantage Gold	2.19	26.28	29.69
Current Account	2.19	26.28	29.69
Current Plus	2.19	26.28	29.69
Private Bank Account	2.19	26.28	29.69
Student Account	1.38	16.50	17.81
Graduate Account	1.38	16.50	17.81
Gold Plus	1.88	22.50	24.97



The screenshot shows the bottom portion of the same web browser window. It continues the 'NatWest Rates and charges' page. The text explains that interest on arranged and unarranged overdrafts is calculated on a daily basis and charged monthly. It also mentions that the Paid Referral Fee and/or Guaranteed Card Payment Fee may also be payable if the unarranged overdraft arises from an informal request by you for an overdraft. Below this, there is a section titled 'Charges - Arranged Overdrafts, Unarranged Overdrafts, Unpaid Items and Enforcement Charges'. This section states that the charges shown do not normally apply to the other accounts we offer to Personal and Private Banking customers. It then provides a table for 'Arranged overdrafts - arrangement and renewal fees'. The table has two columns: 'Current Account, Current Plus, Private Bank Account and Advantage Gold' and 'Advantage Private'. It lists the fee payable for overdrafts up to and including £7,500, overdrafts over £7,500 or Credit Zone Overdrafts where an interest rate other than the standard Credit Zone Overdraft rate is payable, and overdrafts of less than £15,000 and overdrafts of £15,000 and over. The fees are 'No fee' for the first two categories and '1% of the new limit' for the third. At the bottom, it mentions 'Student Account and Graduate Accounts'.

Current Account, Current Plus, Private Bank Account and Advantage Gold	Fee payable
Credit Zone Overdrafts up to and including £7,500, where interest is charged at the standard Credit Zone Overdraft rate	No fee
Credit Zone Overdrafts over £7,500 or Credit Zone Overdrafts where an interest rate other than the standard Credit Zone Overdraft rate is payable	2% of the new limit (minimum £30)

Advantage Private	Fee payable
Overdrafts of less than £15,000	No fee
Overdrafts of £15,000 and over. These are our normal overdraft fees. They may vary, depending on your specific needs.	1% of the new limit

Student Account and Graduate Accounts



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**Student Account and Graduate Accounts**

Overdrafts up to the arranged limit No fee

**Temporary or increased facilities for all customers**

If you wish to increase an existing facility at any time contact your Relationship Manager or your branch. Any fees payable will be advised to you at that time.

**Unarranged overdrafts and unpaid items – charges**

If we are going to debit any of the fees and charges set out in the table below from your account, we will give you not less than 14 days' notice of how much we are going to debit and when.

Fee type	When charged on current accounts*	Fee amount
<b>Maintenance charge</b>		
If your account becomes overdrawn without prior arrangement or any arranged overdraft limit is exceeded, you will be liable for a monthly Maintenance Charge. The Maintenance Charge will be applied if you have an unarranged overdraft at any time during a monthly charging period.	21 days after the end of the charging period (or on the next business day if this is a Saturday, Sunday or Bank Holiday). The charging period normally ends on the date that we issue your statement to you.	£20
<b>Paid Referral Fee</b>		
A Paid Referral Fee will be payable if: • you informally request an overdraft by issuing instructions for a withdrawal or other payment on your account; and • the payment cannot be met from the funds in your account or any unused arranged overdraft facility; and • an unarranged overdraft is created or increased because we decide we are willing to accept your request; and • this level of the unarranged overdraft is £15 or more.	21 days after the end of the charging period in which the transaction was paid or taken from your account (or on the next business day if this is a Saturday, Sunday, or Bank Holiday). The charging period normally ends on the date that we issue your statement to you.	£15 for each day on which a Paid Referral occurs (subject to a maximum of £90 in any charging period)
<b>Guaranteed Card Payment Fee</b>		
A Guaranteed Card Payment Fee will be payable if: • you informally request an overdraft by issuing instructions for a withdrawal or other payment on your account; and • the payment cannot be met from the funds in your account or any unused arranged overdraft facility; and • we decide we are not willing to accept your request but nonetheless accept it because we find that you have guaranteed payment by the use of a cheque guarantee card or debit card.	21 days after the end of the charging period in which the transaction was paid or taken from your account (or on the next business day if this is a Saturday, Sunday, or Bank Holiday). The charging period normally ends on the date that we issue your statement to you.	£15 for each transaction (subject to a maximum of £90 in any charging period)

Issue your statement to you.

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<b>Guaranteed Card Payment Fee</b>	A Guaranteed Card Payment Fee will be payable if: • you informally request an overdraft by issuing instructions for a withdrawal or other payment on your account; and • the payment cannot be met from the funds in your account or any unused arranged overdraft facility; and • we decide we are not willing to accept your request but nonetheless accept it because we find that you have guaranteed payment by the use of a cheque guarantee card or debit card.	21 days after the end of the charging period in which the transaction was paid or taken from your account (or on the next business day if this is a Saturday, Sunday, or Bank Holiday). The charging period normally ends on the date that we issue your statement to you.	£15 for each transaction (subject to a maximum of £90 in any charging period)
<b>Unpaid Item Fee</b>	An Unpaid Item Fee will be payable if: • you informally request an overdraft by issuing instructions for a withdrawal or other payment; and • the payment cannot be met from the funds in your account or any unused arranged overdraft facility; and • we decide in our discretion not to make the payment.	21 days after the end of the charging period in which we decide not to make the payment (or on the next business day if this is a Saturday, Sunday, or Bank Holiday). The charging period normally ends on the date that we issue your statement to you.	£5 for each item (subject to a maximum of £50 in any charging period)
<p><b>Making an informal request for an overdraft means you will have to pay a Paid Referral Fee, a Guaranteed Card Payment Fee or an Unpaid Item Fee. If an unarranged overdraft arises, you will also have to pay the Maintenance Charge and interest on the amount overdrawn (except so far as it represents fees, charges or costs of the kind described in Section 6 of our leaflet: Personal and Private Banking - A Guide to Fees and Interest (PDF) under the heading Sums which do not bear interest). For examples showing how our savings work, please see the section headed Unarranged Overdrafts and Unpaid Items in our leaflet Our commitment to you. (PDF)</b></p> <p>* Savings account customers who have to pay any of the fees detailed in the table above should refer to the table in section 7 of our leaflet Personal and Private Banking - A Guide to Fees and Interest (PDF) under the heading 'Charging and application times for fees incurred on savings accounts' for details of charging periods and the dates when fees will be deducted.</p>			
<b>Enforcement</b>	A Default Notice Fee will be payable if we need to serve a default notice on you (for example, if you fail to repay your overdraft on demand or we wish to enforce any security we hold). This is in addition to any other charges that may apply.	Within four days of the Default Notice being served.	£30 per notice

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NatWest Rates and charges

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**Enforcement**

A Default Notice Fee will be payable if we need to serve a default notice on you (for example, if you fail to repay your overdraft on demand or we wish to enforce any security we hold). This is in addition to any other charges that may apply.	Within four days of the Default Notice being served.	£30 per notice
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Note that the Maintenance Charge, Guaranteed Card Payment Fee and Paid Referral Fee do not apply to Student and Graduate Accounts.

Note that the Maintenance Charge, Guaranteed Card Payment Fee, Paid Referral Fee and Default Notice Fee do not apply to Step Accounts.

**Monthly Management Fee Option**

If you regularly pay unarranged overdraft or unpaid item charges, we may agree with you that our Monthly Management Fee Option will apply to your account. Under this option:

- you pay a monthly management fee of £10;
- any Maintenance Charge, Unpaid Item Fee, Paid Referral Fee or Guaranteed Card Payment Fee which you have to pay will be reduced to £5;
- the Paid Referral Fee will be subject to a maximum of £30 in any charging period, the Unpaid Item Fee will be subject to a maximum of £50 in any charging period, and the Guaranteed Card Payment Fee will be subject to a maximum of £30 in any charging period.

Please note that this option is not available for certain accounts, including Student, Graduate, Adapt and Step Accounts and cannot be combined with introductory or special offers on other accounts. For further details, please contact your branch.

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**Additional services**

**Stopping payment instructions**

Stopping a cheque (unless it has been lost or stolen)	£10
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**Payments**

Obtaining a banker's draft	£12
Obtain a special cheque clearance	£15
ChAPS payments	£23 - between banks £21 - between our branches

Obtaining copies of statements

£6 - per copy

**Unauthorised Overdraft Summary**  
**April 2010**

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