CASHEURONETUK, LLC:

RESPONSE TO PAYDAY LENDER PRICING WORKING PAPER ISSUED BY THE COMPETITION COMMISSION ON 19 FEBRUARY 2014

CashEuroNetUK, LLC (**CashEuroNet**) appreciates the opportunity to comment on the Competition Commission's (**CC**) Payday Lender Pricing working paper. These comments are set out below.

1 QUICKQUID PAYDAY PRICE TIERS

1.1 CashEuroNet believes that it is very important that all three price tiers of our risk-based payday loan product are represented in the analysis, not just the highest price tier. We believe that a number of the statements made in this working paper could not be made if the analysis included our price tiers in full.

1.2 All of the figures in the working paper only present the highest rate for QuickQuid payday loans, £29.50, and exclude the lower £25 and £20 rates (from which the majority of our customers benefit). By doing so, the presentation of the results is skewed. QuickQuid is one of the major payday loan providers, and therefore to exclude our cheaper prices has a real impact.

1.3 This is particularly important as the CC states that Figure 2 shows that "a price of around £30 for a £100 loan is relatively common."[1] This is not a reasonable conclusion when the presentation excludes important price points of the second largest online payday lender which are not "around £30".

1.4 Similarly, the conclusions of Figure 4 are also driven by the unexplained exclusion of our £25 and £20 price tiers from the analysis. The CC can only conclude that the prices are "closely bunched together"[2] by excluding our price tiers that are different from those shown.

2 PRICE DISPERSION

2.1 As we explained in our response to the Annotated Issues Statement, payday loan prices (as a risk-based product, like insurance) 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**].

2.2 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 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.[3] 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.

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[1] Competition Commission, "Payday Lender Pricing", paragraph 51.
[2] Competition Commission, "Payday Lender Pricing", paragraph 61.
[3] Competition Commission, "Customers and Their Loans – Presentation Based on the Analysis of the Transaction Data", slide 36.

2.3 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.

2.4 [**CONFIDENTIAL**].

3 CONCLUSION

3.1 CashEuroNet appreciates the detailed analysis undertaken by the CC in relation to reviewing the pricing structures that exist in the payday lending sector and would respectfully ask the CC to consider the points raised in this response during the next phase in this inquiry.