

PAYDAY LENDING MARKET INVESTIGATION

Summary of a hearing with Ariste Holding (Cash Genie) held on Friday 21 March 2014

Background

1. Ariste Holding (Ariste), trading as Cash Genie, was a subsidiary of EZCORP which acquired it in 2012. EZCORP was a global leader in providing short-term liquidity to its customers. Cash Genie had its UK headquarters in Ipswich (with a staff of around 75) and also used a captive third-party loan processing centre [] to supplement its UK operations.
2. Ariste started trading in 2009 offering short-term online lending to the UK market through its website, cashgenie.co.uk. Cash Genie sought to serve the cash needs of its customers in a fair and responsible manner. It provided short-term, single-payment, small denomination loans and an instalment product featuring multiple payments on a limited basis which began in June 2013. Cash Genie considered that it was well positioned to continue to provide short-term loans to its customers in the future.

The market

3. Cash Genie obtained the vast majority of its customers via lead providers. As soon as a completed application was received it was the subject of checks to confirm that the information provided was complete. Cash Genie also used data from credit reference agencies. The checking process took a matter of seconds. Once the customer had passed these initial checks, Cash Genie would contact the customer directly by telephone. Cash Genie operated what it termed a 'high touch model' which differentiated it from its competitors and which it considered gave it a competitive advantage. Cash Genie believed in building a long-term relationship with a customer based on transparency and effective communication throughout the entire loan process. It interacted with its customers on a regular basis (by telephone, email or SMS) during the application and repayment processes, so that its customers knew their payment status, the amount due and when this was payable.
4. A payment was deemed to be late if it was received after the repayment date. There were a number of different reasons why a payment might not have been made, for example a customer's pay might not have been credited to their account. If a payment was late, the customer would be charged a late

payment fee. However, Cash Genie's representatives had the flexibility to reduce or waive these fees as appropriate. They would then discuss a repayment plan that fitted the customer's needs and their obligation to Cash Genie. Interest would be accrued on late payments up to a maximum of 60 days in line with the Good Practice Customer Charter issued by Consumer Credit Trade Associations, of which Ariste is a member. In extreme circumstances, Cash Genie also charged a trace fee (£45) in the event that a customer defaulted on a loan, had not been in contact and then Cash Genie had to trace that customer. [REDACTED]

5. As a relatively small company, Cash Genie could not influence the prices set by ping tree operators and affiliates. It participated at many different levels and tiers within the ping tree pricing structure. Cash Genie received a large number of applications, around [REDACTED]% of which it passed on. The conversion rate for loans arising from purchased leads [REDACTED] varied depending on the tier from which the lead was bought. There was some cost attributable to each application and so if a company's conversion rates fell that had a negative impact on cost. Cash Genie noted that the conversion rates were higher for customers who visited its website and for returning customers. Cash Genie had [REDACTED] was spent on lead purchasing. It very was happy to process any applications resulting from its website.
6. In terms of its own pricing, Cash Genie had in the past offered reduced rates to returning and better-performing customers, on a limited basis, which it found had the effect of satisfying these customers. Cash Genie would continue to evaluate this practice as part of its marketing strategy for the future.
7. Cash Genie's banking services were provided by Barclays. It had not encountered any challenges in relation to this business relationship. Cash Genie was aware that its faster payment fee was at the upper end of that charged in the industry. It did not target a specific kind of customer in relation to this fee, [REDACTED] (this figure was averaged from the individual transaction charge per payment, and the charge for each file submitted). Customers also had the option to use a Bankers Automated Clearance Services (BACS) payment, but many of them ([REDACTED]%) preferred to receive the funds immediately. A BACS payment could take up to three days to process.
8. Cash Genie acknowledged that it had a lower proportion of repeat borrowers in comparison with other lenders in the market and was looking to increase the number of its repeat customers. It had started as a relatively small company and so had needed to build scale quickly in order to be commercially viable. The quickest and most effective way to do so was through lead acquisition (rather than the large fixed costs of advertising and the costs of

acquiring data). However, the percentage of repeat customers derived from lead generators was not as high as that for Wonga, for example, which had a much bigger customer base to draw on. Cash Genie believed that building long-term relationships with its customers would be successful for it and its customers.

9. Cash Genie believed in investing in underwriting, analytics and decision science. It was a great proponent of the use of data and thought that using better data would result in improved outcomes for businesses and consumers. It was aware of the real time data-sharing initiative, in which it had been asked to participate by both Callcredit and Experian, but had not yet made a final decision.
10. Since September 2013 Cash Genie had emphasised its growth strategy in order to increase the scale of the business. In the last few months it had seen fairly significant increases in the number of loans and capital loaned to customers. Cash Genie believed that the demand for short-term credit would remain constant, if not increase, and thought it was well positioned to take a higher percentage of that market share. The main way to achieve growth quickly was by continuing to spend more money on purchasing applications. In addition, it would be able to market and provide more loans to its existing customer pool as this increased in size.

Competition

11. Products were evolving, particularly those focused around flexibility and giving the customer choice as to how much they needed to borrow, the duration of the loan and how much they could afford to repay. Cash Genie believed [✂].
12. Cash Genie would be happy to see increasing competition in the area of pricing and particularly risk-based pricing. One of the largest costs for the payday loans industry, particularly for smaller companies and new entrants, was the cost of acquiring a customer because of the price of leads. This meant that it was very important to build a long-term relationship with a customer and for a company to focus its attention on customer service and satisfaction. Cash Genie offered discounted fees for returning customers as these customers had a lower rate of default. However, Cash Genie thought it would be difficult for the industry to focus on price competition until there was clarity as to level of the proposed rate caps.

Regulation

13. EZCORP welcomed effective regulation, especially regulation which created a healthy and competitive market, as this led to better outcomes for its

customers. Cash Genie was focused on providing a product that met the needs of its customers and complied with regulatory requirements. [X]

14. The proposed changes to rollovers and continuous payment authority would have an effect on Cash Genie's business model, [X].