QuickQuid submission to the Competition Commission

12 July 2013

Note that in this public domain version of the report, in a few instances, where deemed necessary, some information has been removed. Such instances are marked clearly with the notation [✂].

Overview of QuickQuid

Enova is a global financial services provider that offers a variety of online credit products around the world. Enova makes small, short-term loans to consumers through the Internet distribution channel in the United States, Canada, Australia and the United Kingdom.

Enova is the parent company of CashEuroNetUK, LLC, a consumer credit lender, licence number of 603395/1. The primary trading name in the UK is QuickQuid.

Enova's US subsidiaries are licensed in over 30 US states, typically under a much more stringent regime than permitted to the Office of Fair Trading (OFT) by UK law. Given this, Enova brings considerable experience of operating to required high compliance standards, and has the necessary systems and controls in place.

Summary of position regarding the investigation

QuickQuid is pleased to participate in the Competition Commission investigation into the payday loan industry. However, we remain concerned about the timing of the investigation, owing to the rapid changes that are taking place in the competitive environment for payday lending, as well as the changing regulatory regime. We believe that better enforcement of existing regulation in the sector will address many of the concerns that exist about the industry, and that the supervision of consumer credit firms generally by the Financial Conduct Authority (FCA) is the right way forward.

An evidenced-based inquiry by the Competition Commission is welcomed rather than reliance on the unverifiable and unattributable material that is regularly produced in the media, and by some consumer organisations.

The Competition Commission should have regard to the needs and interests of consumers who use payday lending products. Demand for these products and the type of lending involved is not going to diminish in the foreseeable future, and it is important that consumers have access to credit from regulated businesses. This was a major finding of the OFT in its final report on high cost credit.[1]

Given the important recent developments in the sector, our submission first considers the latest developments in the payday lending sector before addressing the four issues that the Competition Commission suggested for submissions.

[1] OFT (2010), 'Review of high-cost credit final report', June.

Overview of developments in the payday lending sector

Payday loans provide an important short-term credit option for our customers

'Payday loans' is a populist misnomer for small-sum, short-term loans to manage personal cash flow. There are many reasons why our customers choose to use short-term loans, but our consumer research suggests that urgently needing to pay a bill or deal with a home emergency are common reasons. Having cash readily available to deal with such emergencies, without creating long-term debt positions which could lead to persistent indebtedness, is an option valued by our customers. For these customers, the need to control their finances means that they require certainty in terms of their payment obligations.

Payday loans are advantageous since they can be used to smooth short-term cash flows for those with fluctuating incomes. Many people work shifts, rely on overtime, are part-time workers, or receive commissions and bonuses. Consequently, monthly incomes, both personal and household, may fluctuate quite significantly. Core bills do not. So the ability to borrow small sums easily in a lean month when more income is anticipated soon is a valuable way to manage the finances.

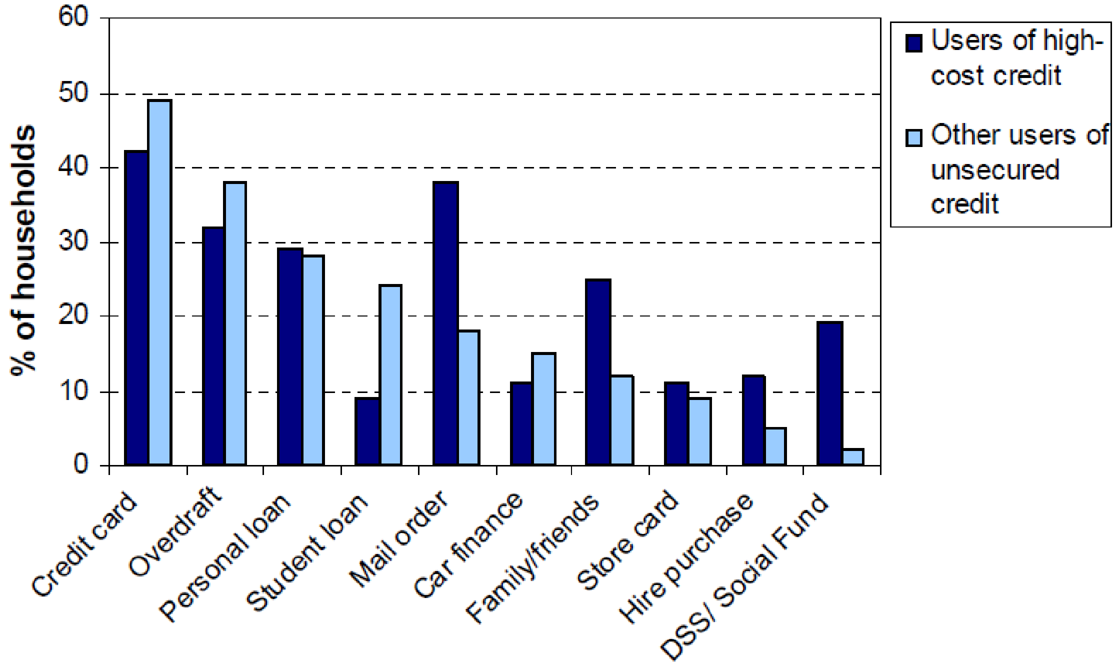
There is a wide range of short-term credit options available to our customers

Short-term credit options range from online and high-street payday lenders, unauthorised overdrafts, home credit, borrowing from friends and family or even unlicensed loan sharks. The Bristol University report investigated how payday loan customers perceive alternative sources of credit, and found consumers to be considering a wide range of options.[2] Similarly, a recent study by the Department for Business, Innovation & Skills (BIS) based on a YouGov survey showed that payday loans offer choice alongside home credit, credit cards, overdrafts, pawn, high-street retail, catalogue mail order, and friends and family.[3] QuickQuid competes with all of these alternatives in terms of both price and quality of service.

[2] See University of Bristol (2013), 'The impact on business and consumers of a cap on the total cost of credit – Appendix tables', 6 March, table 23, p. 26.

[3] Department for Business, Innovation & Skills (2013), 'Credit, debt and financial difficulty in Britain, 2012: a report using data from the YouGov DebtTrack survey', 20 June, figure B2, p. 95.

Type of credit products held by high-cost credit users



Source: Department for Business, Innovation & Skills (2013), ‘Credit, debt and financial difficulty in Britain, 2012: a report using data from the YouGov DebtTrack survey’, 20 June, figure B2, p. 95.

Our customers shop around for loans

Our evidence shows that QuickQuid customers shop around to a considerable extent when choosing short-term credit facilities. QuickQuid web-tracking data shows that a large proportion of customers that start the registration process on our main website application page drop off and do not complete the application. Our web data shows that many people visit our website, check out our terms and then go elsewhere. Since QuickQuid offers one of the shortest funding times for approved loans in the industry, it seems unlikely that speed is the main consideration for these shoppers to go elsewhere.

- Only [✂]% of unique, new visitors to QuickQuid Rates & Terms page in March 2013 actually took a loan (number of loans originated / number of unique IP addresses visiting QuickQuid Rates & Terms page).

- [✂]% of customers who start the registration process on our main website application page drop off and do not complete the application or take the loan offer.

Furthermore, the Bristol University report found that 46% of payday loan customers shopped around for the best deal before taking out their most recent loan.[4] This estimate is comparable to other parts of the economy for which there are no particular concerns regarding price competition. For example:

[4] University of Bristol (2013), ‘The impact on business and consumers of a cap on the total cost of credit – Appendix tables ‘, 6 March, p. 29.

- market research commissioned by Santander recently found that 47% of people use price comparison websites to shop around; the most common reasons for using these websites are for buying insurance and holidays;

- an OFT survey indicates that: 'in total 41 per cent shop around for their credit product'.[5] For first-charge mortgages, this percentage was around 64% and for personal loans around 33%;[6]

- recent research commissioned by the Competition Commission shows that 48% of consumers compared motor insurance policies offered by different providers before purchasing or renewing their policy.[7]

A 2012 survey of a sample of 336 QuickQuid customers ranked 'cost of loan' as the most important factor in selecting a lender

[✂]

Shopping around is also facilitated by price comparison websites such as allthelenders.co.uk, which provides information on the cost of credit per lender;

The OFT has indicated that payday firms should use quotation searches when customers apply for a loan. These searches are credit report requests that do not leave a 'footprint' on the applicant's credit report. Their use, rather than footprint searches, will remove a disincentive for customers to receive quotations from multiple lenders.

The supply of loans is an important factor in the competitive environment

The availability of loans varies for different consumers depending on the nature of creditworthiness and affordability assessments. QuickQuid's stringent (and continuously evolving) creditworthiness and affordability assessments result in [✂] of loan applications being rejected. As an inevitable consequence of providing short-term credit facilities, the credit histories of our customers are often lower than those required for mainstream credit products.

QuickQuid has always used its own proprietary and automated creditworthiness and affordability assessment model to evaluate applicants for credit. We believe that one of our key competitive advantages arises from the effectiveness of our creditworthiness and affordability assessments, which determine who is likely to be able to afford the loan (and hence not default). [✂]

Competition is driving change in the sector

With the competitive landscape changing so rapidly, our products and lending policies also have to change.

QuickQuid is increasingly introducing risk-based pricing in order to be able to price most competitively in a highly diverse market with many different borrowers.

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[5] OFT (2006), 'Payment Protection Insurance: Report on the market study and proposed decision to make a market investigation reference – Annexe B: Research into Consumers' Experience of Payment Protection Insurance', A research report for The Office of Fair Trading produced by GfK NOP, October, p. 26.

[6] Competition Commission (2009), 'Market investigation into payment protection insurance – Appendix 3.4: Evidence on the extent of PPI search', 20 January, p. A(3)419.

[7] IFF Research (2013), 'Private Motor Insurance Market Inquiry', Prepared for Competition Commission, 12 June, p. 122.

QuickQuid payday loan price tiers are risk-based and designed to offer cheaper credit terms to those customers we have determined as having lower risk of default.

We feel that the favourable prices that we offer to ‘Good’ and ‘Excellent’ tier customers provides a competitive advantage in customer classes that we find to have a lower risk of default.

We are also seeking to provide our customers with a broader suite of lending options, as, for some customers, a longer-term instalment loan may be more suitable than a short-term credit option.

- During Q3 of 2010, QuickQuid introduced the ‘Pounds for Pocket’ product to offer longer-term loans to potential payday customers that have better credit scores than typical payday loan customers or whose affordability characteristics dictated a longer repayment term.

- In June 2013 we introduced ‘FlexCredit’, a running account product with a price similar to payday loans but with daily interest accrual rather than a flat fee. FlexCredit behaves like a credit card with a much higher minimum monthly principal payment (10%). Repayment of a FlexCredit balance is flexible, and customers can make payments as needed to match disposable income.

  [✂] [8]

Continuous innovation is a central feature of the online payday lending sector, and we need to continually adapt to the changing competitive environment.

It is therefore vital that the Competition Commission examine the latest developments and product offerings in the payday lending industry.

Creditworthiness and affordability assessments

QuickQuid’s creditworthiness and affordability model takes into account the six variables recommended in the OFT Irresponsible Lending Guidance as the basis for sound affordability assessments:

> *4.12 Creditors may employ the use of a variety of types and sources of information to assess affordability which might, depending on the circumstances, include some or all of the following examples (this is a non-exhaustive list):*
>
> 1. *record of previous dealings with the borrower*
> 2. *evidence of income*
> 3. *evidence of expenditure*
> 4. *a credit score*
> 5. *a credit report from a credit reference agency*
> 6. *information obtained from the borrower, whether on an application form or separately*

Our credit scoring and affordability model takes account of up to [✂] data points from the customer application (including income), [✂] individual data points (data points vary from organic, lead or return customer channels) from [✂] and various

[8] [✂]

identity verification and anti-fraud online databases. Typically, [✂] of new customer applicants receive a creditworthiness and affordability decision in less than [✂] from this automated process. The remaining [✂] present enough ‘red flags’ to our model to require manual loan processing and verification. These customers will not receive a credit decision until the manual verification is completed.

The results of the creditworthiness and affordability assessment are decisions on [✂]. Approved customers are presented with an offer of credit in the form of a Standard European Consumer Credit Information (SECCI) disclosure. The amount of the loan and the cost of credit are clearly described.

The regulatory regime is also changing

The payday lending sector will also experience significant change in the regulatory regime over the coming months, most notably due to the ongoing Compliance review by the OFT and then the new FCA regime from April 2014. This comes on top of the self-regulatory actions of our trade association, the Consumer Finance Association (CFA), to raise standards among its members.

The regulatory framework

History of payday lending

The Cheque Act 1992 introduced Account Payee crossed cheques as the norm (replacing the ‘open’ cheque which could be used much in the same way as cash), which could be paid only into the payee’s bank account. This promoted the development of third-party cheque-cashing businesses for those with no bank account. As bank account usage grew, particularly with the introduction of basic bank accounts to enable Government to pay benefits directly into bank accounts to replace the Post Office Giro, cheque cashers offered delayed presentation of personal cheques where a customer was given value for a cheque drawn on his or her personal bank account, but this was not cleared by the business for a contracted period of time—in effect enabling a consumer to draw today upon money due to him or her in the near future. With the popularity of the product, store-based payday lenders offering such services began to multiply.

The Consumer Credit Act 1974 (Electronic Communications) Order 2004 came into force on 31 December 2004 enabling consumer credit contracts to be executed online. This one regulatory reform produced the necessary environment for online payday lending which emulated the store-based advance on future income.

This form of lending has been the only major innovation in consumer credit products (as opposed to delivery mechanisms) since the credit card was introduced in 1967.

QuickQuid welcomes the forthcoming improvements in the regulatory framework

QuickQuid expects that the FCA will apply a more stringent enforcement regime, which will benefit the sector and consumers. The regulatory environment is already changing, however, owing both to improving self-regulation and the impact of the OFT Compliance review.

QuickQuid and other payday lenders are acting to improve practices in the industry. The CFA recommends best practice terms to members, but members remain free to take their own commercial decisions. On a number of aspects, QuickQuid has introduced stricter limits for the benefit of its customers.

Recent changes to practices include the following.

- The CFA Code limits the maximum time period for using Continuous Payment Authority (CPA) to 35 days from loan maturity.

- The CFA Code has limited to 3 the number of credit extensions (defined as paying the interest amount but carrying forward the entire principal balance); [✂]

- QuickQuid has improved its affordability assessment at the point of application.

- QuickQuid enacts more rigorous affordability standards and processes at the stage when the customer requests an extension. [✂]

- The CFA Code has limited the period for post-default interest to 60 days; QuickQuid has a stricter limit of no post-default interest.

[✂]

QuickQuid expects the transition to FCA regulation to result in drastically increased compliance leading up to 1 April 2014. The OFT has traditionally lacked proper enforcement tools and resources to establish the level of fear of enforcement among lenders, as noted by the Public Accounts Committee in May 2013.[9]

The OFT's recent enforcement steps are leading to some suppliers exiting the industry for a variety of reasons.[10] The FCA will have a robust and effective set of enforcement measures available, and its senior officials have made clear that vigorous and thorough regulation of the payday loan industry is a priority. Furthermore, the approved persons and authorisation regime will screen out firms that do not have qualified management and compliance personnel and procedures. We expect that the level of respect accorded to the FCA and its enforcement capabilities will result in better compliance and better outcomes for customers throughout the industry.

Effective enforcement and compliance

To highlight that effective enforcement is possible in the payday lending industry, Exhibits A–D provide high-level details of US state regulatory schemes, penalties and enforcements. States were chosen based on Enova's experience and the availability of public data provided by the regulator. The samples provided are biased towards the states with the most rigorous regulatory regimes.

It is noteworthy that, despite active and experienced personnel, annual examinations and reporting, these regulators have found little evidence of non-compliance in

[9] Committee of Public Accounts (2013), 'Regulating Consumer Credit, Eighth Report of Session 2013–14', 31 May.

[10] See, for example, http://www.credittoday.co.uk/article/15586/online-news/payday-lenders-surrender-licences-after-oft-pressure.

payday or any consumer credit business within their remit. This is a result of a strong track record of enforcement, combined with a healthy respect of the regulator by the licensees. Fines for non-compliance typically exceed $500 per instance and wilful and systematic non-compliance fines can exceed $1,000,000 for large lenders with thousands of customers.

Examination teams will typically become familiar with the lenders they cover and gain experience over time. Enova affiliates were typically the first Internet lender licensed in most states, and observed the education process as state examiners found objections to processes missed through inexperience in past examinations. Conversely, early in our existence, we were cited for violations that were later reversed because the examiners did not understand the Internet platform and our adaptation of rules to the online space.

This is not to say that the US regulatory system is better, just that these states have an experienced enforcement mechanism that is currently lacking in the UK.

The FCA can therefore be expected to achieve similar high levels of compliance in the UK online payday lending sector. The payday lending industry in the UK has grown rapidly in recent years, with many new firms and an immature regulatory regime that lacked the enforcement tools necessary to police effectively.

These changes to the regulatory regime can be expected to have an impact on the competitive environment. We expect that FCA regulation is likely to lead to exit by some firms, especially those that currently do not comply with even the most basic regulatory requirements and some smaller firms. FCA regulation should, however, improve consumer protection, particularly by controlling default charges and improving transparency for consumers.

Overall, QuickQuid hopes that FCA regulation will improve the payday lending sector, which should benefit consumers and the industry as a whole.

Market definition

Payday loans compete with a broad range of short-term credit products

The OFT High Cost Credit Review found that the high-cost credit sector (consisting of pawnbroking, payday and other short-term small-sum loans, home credit and rent-to-buy credit) is a significant and valuable sector in the economy with loans to consumers totalling £7.5 billion in 2008:

- around £900 million of payday loans;
- around £600 million of pawnbroking loans;
- around £1.26 billion of home collected credit;
- around £340 million of loans from credit unions; and
- around £4.25 billion of sub-prime retail credit.[11]

[11] OFT (2010), 'Review of high-cost credit final report – Annexe E: Competition and profitability Detailed analysis', June, p. 9.

At the time of publication (in 2010), therefore, the OFT estimated that the payday lending industry in 2008/09 was worth £900 million, just 12% of the overall high cost credit market.

A 2011 Policis report shows that fewer than 3% within the lowest 50% of household incomes use payday loans, whereas:

- 58% of lower-income borrowers use bank overdrafts as a credit facility;
- for those incurring charges, the average number of overdraft fees is 6.2 per annum;
- 44% of those with credit cards have missed payments;
- the average number of missed payments on credit cards is 3.4 per annum;
- 29% of payday loans are refinanced, with those refinancing rolling over an average of just 2 occasions.[12]

This indicates that consumers' use of unauthorised bank overdrafts and structurally fluctuating non-repayment on credit cards must be considered as part of the context in which to evaluate the payday loan industry.

Around 4 million people a year use unarranged bank overdrafts (as indicated in the OFT High Cost Credit Interim Report). New more transparent charging means that many banks now charge a daily fee of £5 or £6 for using an unauthorised overdraft, and some impose transaction fees of around £25 at the same time. This makes borrowing a few hundred pounds over, say, 30 days relatively expensive. One bank caps its £5 a day fee to 20 days per month, but charges £25 for each transaction. If the 'month' straddles two monthly statements then more than 20 days would be charged. So, the cost of borrowing £200 for 30 days would not cost less than £100 in charges, and could be a lot more. A payday loan could cost between £30 and £60 in charges, depending on the lender. There is no real limit on extending an unauthorised overdraft, and the charges will add up at the same rate.

If one were to borrow £200 from a payday lender and clear the debt on day 30 for, say, £250. The APR is 1413.1%. Borrow £200 on an unauthorised overdraft (no requirement to show an APR) and clear the debt on day 30 for £350. The cost of the loan is £100 more than the payday loan over the same loan term, and the actual APR of the overdraft transaction is 90,888.9%, considerably higher than a payday loan.

Over 85% of people have a bank account and, although only around a quarter of those have an agreed overdraft facility, four million people use unauthorised overdrafts or go over their agreed overdraft limit. It is the quick way to get instant cash. No credit checks, no creditworthiness assessments, no credit contract and no affordability checks—all of which other lenders have to undertake.

British Bankers' Association data published on 24 January 2013 shows £8.7 billion of net overdraft lending, and £36.1 billion of net credit card lending—the other form of

[12] Policis (2011), 'Credit and low-income consumers, a demand-side perspective on the issues for consumer protection', December.

instant borrowing provided that an individual is within his or her credit limit. These amounts clearly dwarf the payday loan industry (which, as mentioned above, the OFT estimated at £900m in 2008/09).

QuickQuid competes with a broad range of short-term credit products

QuickQuid serves and targets a range of types of consumer, whose preferences are likely to vary. The range of alternative credit products these consumers have access to is also likely to vary. This means that QuickQuid competes with quite a broad range of different types of lender. 'Competitors', in this sense, encompass the main alternative sources of credit for a consumer, including unauthorised overdrafts, even though this is arguably a form of default rather than a credit product.

QuickQuid faces various competitors, some of which have an advantage in terms of their cost base, while others have an advantage in terms of their customer reach (banks have both of these advantages). Some competitors offer different services, such as the way in which fees are calculated, that may be more appealing to customers in different circumstances.

QuickQuid's competitors include, among others:

1) bank current accounts—unauthorised overdrafts;

2) other Internet payday lenders, such as:

   a) Wonga;
   b) PaydayUK, Payday Express;
   c) Lending Stream;
   d) Quid.co.uk.
   e) various other Internet lenders.

3) high-street payday lenders;

4) pawnbrokers;

5) home collected credit.

More generally, QuickQuid customers can choose not to borrow at all, to borrow from family and friends, or even to turn to an unlicensed lender.

The extent to which these options are suitable and available varies across the potential customer base, although all of these options are likely to be available in principle to most QuickQuid customers.

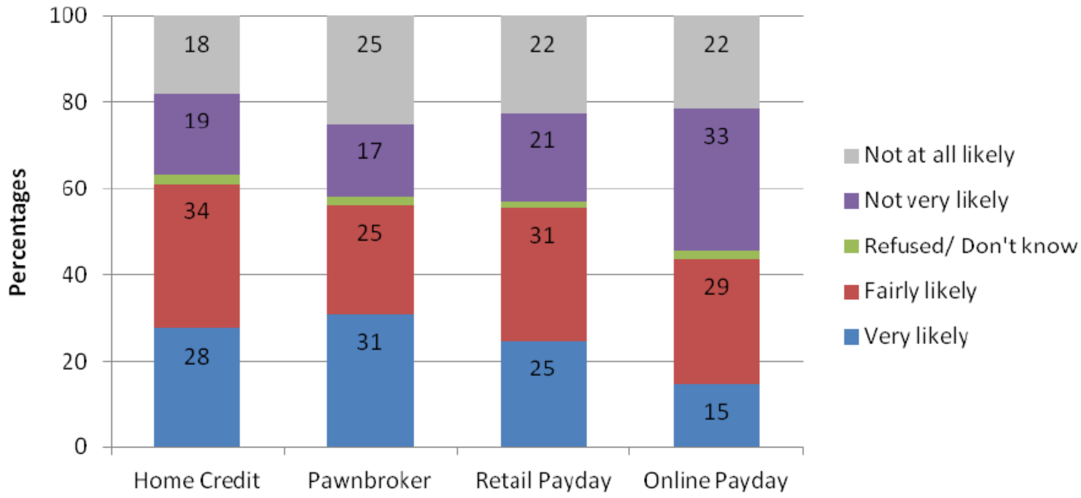
QuickQuid believes, therefore, that the relevant market from the perspective of its customers contains a relatively broad and diverse range of short-term credit options, including informal borrowing.

Competition

QuickQuid competes primarily in terms of price and quality of service

As can be seen from Figure 5.1 of the Bristol University report, many customers do consider price to be a key factor in selecting providers of payday loans, particularly in the online market.

Figure 5.1: If the cost of taking out a loan from this lender on this occasion had been higher, how likely are you to still have taken the loan out? *



Source: University of Bristol (2013), 'The impact on business and consumers of a cap on the total cost of credit', March, figure 5.1, p. 29.

Price is related to the creditworthiness and affordability assessments. Consequently, QuickQuid uses forms of risk-based pricing in order to offer the most competitive price to customers, given the default risk involved (which is one of our primary costs of production).

Speed of service is one of the main innovative features of online payday loans, designed to meet the needs of customers who are often dealing with financial emergencies. While banks have been criticised for the unnecessary length of time it takes to process loan applications and transfer money, payday lenders have developed the ability to process applications quickly and transfer funds in minutes.

Competitive advantage therefore arises from effective creditworthiness and affordability assessments conducted at speed, to be able to provide the customer with the required service while ensuring responsible lending.

It should be noted that QuickQuid does not see an inherent conflict here. Speed of service does not stop us from continually developing and improving our affordability assessments, and does not require non-compliance with current regulatory requirements. We believe that effective affordability assessments for the purposes of a relatively small, short-term loan can be conducted at high speed based on detailed analysis of information provided by the customer and by credit rating agencies.

QuickQuid customers frequently shift between a range of different options – not just between payday lenders, but between other forms of short-term credit as well.

Our affordability assessments are affected by a wide range of borrowing options for customers, and others exist that are not captured by credit rating agencies (CRAs).

Our assessments of customers indicate that they are switching between a range of different options—not just between payday lenders, but between other forms of short-term credit as well. This is supported by the evidence provided above showing that our customers shop around for loans to a large extent. As long as fees and charges are transparent, we believe that it is easy for our customers to compare prices for payday loans, as explained below.

The costs of payday loans are easy to understand

The representative APR is provided, although the Bristol University report found that the vast majority (89%) of online payday customers compare prices based on the total amount they had to repay (interest plus premium), presumably as this is a much more tangible figure.[13] This was supported by research from Which?, which concluded that: 'The cost of all high-cost credit, including both authorised and unauthorised overdrafts, should be shown in ££ terms per £100 borrowed over 30 days, as well as showing the APR.'[14] The Public Accounts Committee recently concluded in its report that: 'Many consumers do not understand the APR measure, which lenders are required to display, leaving them unable to compare products properly.'[15]

2011 EU Harmonisation required standard disclosure for all UK credit products (except unauthorised overdrafts). The intention of the SECCI disclosures was to give customers a detailed description of all pertinent loan terms in standard format. Firms that had not offered compliant SECCI disclosures prior to the release of the OFT individual company requirements have been ordered to correct these disclosures under threat of disciplinary action. Compliance with this simple measure is expected, and should ensure that all consumers receive the appropriate information to make informed decisions.

We particularly draw the attention of the Competition Commission to the analysis in Annex A of the OFT High Cost Credit Review Final Report.[16] The analysis included an online experiment conducted on more than 2,500 respondents, testing how varying the information shown for some hypothetical high-cost credit products (payday loan, pawnbroking and home credit) affected respondents' subsequent perception, understanding and decision on the products. One of the conclusions to be drawn from the analyses contained in this report is that, overall, respondents had very good understanding of the high-cost credit products tested. A large majority of the respondents were able to comprehend the financial implications of purchasing such loans.

Of all loan features, the total repayment amount (something unavailable for users of bank overdrafts or credit cards until after full repayment has been made) had the most impact on perception, understanding and decision quality. In particular, consumers deemed APR to be less important than total repayment amount for products with shorter loan periods. Additionally, when total repayment amount was absent, this had a major impact on respondents' likelihood of preferring the less costly loan.

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[13] University of Bristol (2013), 'The impact on business and consumers of a cap on the total cost of credit', 6 March, p. 31.

[14] Which? (2013), 'Credit Britain, Making lending work for consumers', 1 May, p. 23.

[15] Committee of Public Accounts (2013), 'Regulating Consumer Credit, Eighth Report of Session 2013–14', 31 May, p. 5.

[16] OFT (2010), 'Review of high-cost credit final report – Annexe A: A report prepared for the OFT by Dr Stephen Woodcock and Dr Benny Cheung at Decision Technology Ltd. Consumer decisions, information and understanding - A behavioural economics perspective', June.

The potential policy implications of this include, for example, mandating the inclusion in product literature and advertising of information on the total repayment amount instead of, or in addition to, the APR. This would be especially relevant for short-term credit products with single repayments, but could nevertheless be applied to all credit products.

As stated in the Public Accounts Committee Regulating Consumer Credit May 2013:

- Many consumers do not understand the APR measure, which lenders are required to display, leaving consumers unable to compare products properly.
- A new measure to replace the outdated and misleading APR rules is needed and, like others including the NAO and the BIS Select Committee, we favour a clear statement of the total amount repayable, in cash, and would support this being put on a statutory basis.

QuickQuid provides excellent transparency on fees and other charges

QuickQuid provides customers with excellent price transparency, which should assist customers to choose the best option for their needs. Payday loans are relatively simple products with relatively simple pricing, and on the QuickQuid website under the 'Rates & Terms' tab,[17] all of the charges applied on short-term loans are set out clearly, with examples provided.

1-Period Loan | 2-Period Loan | 3-Period Loan

The loan is repaid after 1 pay period. The finance charge and the full loan principal is due on your next pay date. You can pay off all or parts of your loan early and only owe us the finance charges till the date of prepayment (charges calculated and applied on a daily basis).

Rate Tier	Loan Amount	Finance Charge per Period[1]	Total Amount Paid to QuickQuid	APR[2]
Excellent	£100.00	£20.00	£120.00	819.12%
Good	£100.00	£25.00	£125.00	1410.33%
Average	£100.00	£29.50	£129.50	2222.46%

[1] *Your actual finance charge and term will be set out in your loan agreement*

[2] *Based on a 30-day loan term*

Barriers to entry and expansion

New entrants to online payday lending face only those barriers typical to new lending businesses in a healthy market.

[17] See https://www.quickquid.co.uk/fee-schedule.html

QuickQuid has operated in a rapidly changing industry with much entry and exit. Internet lender Speed-E-Loans.com Ltd has been forced into administration.[18] The OFT has announced that 10 payday lenders have withdrawn or surrendered their lending licences recently.[19] Some of these traders kept OFT licences intact for activities besides payday lending; they closed only the lending parts of their business, but continue to trade for other licensed activities. In particular, the OFT's licensing process is reasonable and only a barrier to unfit applicants. As previously stated, the regulatory burden faced by licensed lenders may be less than that faced by lenders in other nations.

The OFT's statements that there are significant barriers to entry and persistent market concentration simply do not fit with our experience of this industry.

Like other Internet-based sectors, an innovative new entrant who is willing to invest in systems and customer acquisition/marketing can quickly grow and capture market share. The success of Wonga is a clear example. Information on credit histories is readily available to a new entrant, as all of the main online payday lenders provide both positive and negative credit information to CRAs. This provides new entrants with the vital credit scoring data they require (just as QuickQuid required, when it first entered).

New lending businesses can typically expect to see higher early loan losses as part of the learning process, but the UK market offers certain advantages to new internet payday lenders. Commercially available credit reporting, analytics, anti-fraud and software systems for Internet payday lenders have evolved to the point that start-ups do not need to invest substantial time and capital to develop these capabilities internally. Firms such as Lend Protect, Welcom and CoreLogic have well-developed systems for hire that allow small and medium-sized lenders to compete on a level playing field with larger lenders.

Furthermore, CRAs are looking to develop real-time information. The CFA, [✂] are working with the Steering Committee on Reciprocity (SCOR) and CRAs [✂] to implement real-time credit report update and data-sharing of payday loan data. The majority of payday lenders use [✂] as their primary CRA. Currently, the three large CRA firms, [✂], share data and update credit files on a monthly basis only. Plans are under way to develop a real-time data-sharing network among CRAs that service the payday industry. This will give all payday firms access to the same customer credit reporting data. In addition, real-time credit reporting will have a substantial positive impact on affordability assessments for all industry firms.

Finally, QuickQuid does not charge any switching fees to customers wishing to take their business elsewhere. This is typical within the industry, as most lenders have daily interest charges and the regulations require cancellation rights within 14 days. The customer can, if they wish, borrow from another payday lender (of which there are many) and settle with QuickQuid at no additional cost.

[18] See http://www.caox.org.uk/newsshow.php?newsid=192

[19] See http://www.oft.gov.uk/OFTwork/credit/payday-lenders-compliance-review/#.Ud1NAY43KbU

Summary

QuickQuid is pleased to participate in the Competition Commission investigation into the payday loan industry. There has already been considerable change and improvement in the sector since the OFT Compliance review and we believe that better enforcement of regulation in the sector will address many of the concerns that exist about the industry.

It is vital that the Competition Commission examine the latest developments and product offerings in the payday lending industry.

Exhibit A

State of Missouri Consumer Credit Regulator

Overview: the consumer credit section of the Missouri Division of Finance is responsible for licensing and regulating various types of consumer finance companies to assure compliance with numerous state and federal laws. As of October 2009, there were over 2,600 such companies licensed by the Missouri Division of Finance. In addition, the section examines Missouri state-chartered banks and thrifts for compliance. The section also handles complaints and inquiries concerning entities that must comply with consumer protection laws.

Examination schedule - annual on-site examination by 2 examiners for 2 – 3 days

Reporting requirements – standard form payday lender annual report

Penalties – Revoke license, refund of charges to customer (unlimited), fines:

Whenever it shall appear to the director that any lender licensed pursuant to this section is failing, refusing or neglecting to make a good faith effort to comply with the provisions of this section, or any laws relating to consumer loans, the director may issue an order to cease and desist which order may be enforceable by a civil penalty of not more than one thousand dollars per day for each day that the neglect, failure or refusal shall continue

2013 Payday Loan Survey (from 2012 Annual Report)
During the reporting period, there were approximately 25 calls per month to this office about payday loans or payday lenders. While most of the calls from citizens were resolved by explaining the law, the Division did document 135 complaint files during the reporting period.
Of those, 54 involved licensed lenders while 81 involved unlicensed internet lenders. Complaints consisted of issues such as checks being deposited early, collection tactics, proper crediting of payments, and customer being unable to make payments due to the location being closed. Most cases were resolved by telephone with the licensee.

Enforcement Report
The Division of Finance continues to perform examinations of all payday lenders and overall compliance with current statutes continues to be monitored. During 2012, 97.9% of the licensees examined received a satisfactory compliance evaluation. Refunds totaling over $70,600 were ordered. Cease and desist orders were issued in instances of serious noncompliance. During 2012, there were two such orders issued.

Exhibit B

State of California Consumer Credit Regulator

Overview: On December 31, 2004, regulatory responsibility for Deferred Deposit Originators transferred from the Department of Justice to the Department of Corporations ("Department") when the California Deferred Deposit Transaction Law (Financial Code Section 23000 et. seq.) became operative.

Examination schedule - large lenders: annual off-site examination, average one month duration

Reporting requirements – standard form payday lender annual report

Penalties - Revoke license, refund of charges to customer (unlimited), fines, criminal penalties

Payday Compliance and Enforcement
In the February 2007 Deferred Deposit Originator Bulletin, the Department informed all licensees of the common violations that were found during the regulatory examinations and that the level of non-compliance with the CDDTL was a major concern to the Department. One of the main areas of non-compliance involved the failure to provide the consumers with the disclosures required under the CDDTL. In a letter dated July 3, 2007, the Department informed all licensees that disciplinary actions would be imposed against licensees for violations of the CDDTL found during the regulatory examinations. The disciplinary action would include, but not be limited to, a citation not to exceed $2,500 for each violation and an order to discontinue the violations in accordance with the applicable provisions of the Financial Code. More egregious violations and repeat violations would result in more severe actions and penalties.

Enforcement Report – *last year reporting offered*

The disciplinary actions taken by the Department's Enforcement Division against licensees that were assessed penalties/citations and/or were ordered to pay restitution to consumers is summarized in **Table VI**.

Table VI

	2007	2008	01/01/09 To 06/30/09	Total
Number of Enforcement Actions	5	21	7	33
Penalties/Citations	$100,500	$625,948	$238,000	$964,448
Restitution Ordered To Be Paid To Consumers	$40,948	$404,373	$212,744	$658,065

Exhibit C

Official consumer complaints on payday loans as reported by various state regulatory officials for 2012

State	Complaints - licensed lenders	Complaints - unlicensed internet lenders
Oklahoma*	42	
Nebraska	3	89
Kentucky	13	116
Tennessee	35	41
Iowa	11	18
Kansas*	28	
Missouri	54	81

* Complaints not separated

Official consumer complaints on payday loans as reported by State of Utah regulatory officials for 2012

7-23-503 Required Reporting by the Commissioner†

1. The total number of written complaints concerning issues material to deferred deposit loan transactions received by the department in a calendar year from persons who have entered into a deferred deposit loan with a deferred deposit lender 16

2. For deferred deposit lenders who are registered with the department:
   A) The number of complaints the department considers resolved; 6
   B) The number of complaints the department considers unresolved; 0

3. For deferred deposit lenders who are not registered with the department:
   A) The number of complaints the department considers resolved; 10
   B) The number of complaints the department considers unresolved; 0

Exhibit D

State of Oklahoma Consumer Credit Regulator

Overview: the Department of Consumer Credit annually licenses or registers over 7,400 credit-related organizations including supervised lenders, mortgage brokers/loan originators, deferred deposit lenders, credit service organizations, pawn brokers, rent to own dealers…

Examination schedule - large lenders: annual on-site examination by 2 – 4 examiners

Reporting requirements – standard form payday lender annual report

Penalties - the Administrator of Consumer Credit may order and impose civil penalties upon a person subject to the provisions of this act for violations of this act or the rules promulgated to implement this act in an amount not to exceed One Thousand Dollars ($1,000.00) per violation.

Consumer credit problems of creditors and debtors (from 2012 Annual Report)
An area of concern is the borrowing of money from unlicensed Internet creditors. Many unlicensed creditors typically do not follow Oklahoma State Laws regarding payday loans which happen to be one of the most stringent of all the states.

Most creditors licensed by the Department strictly follow the requirements of the Consumer Credit Code or the various other statutes the Department enforces. If a compliance issue arises, most creditors licensed by the Department take appropriate steps to correct the issue after notification by the Department.

Enforcement Report
The Department filed five (5) Cease and Desist Orders during fiscal year 2012. The Department filed six enforcement actions that resulted in civil penalties totaling $25,000.00.