



**PAYDAY LENDING
MARKET INVESTIGATION**

**RESPONSE TO PROVISIONAL FINDINGS REPORT
AND NOTICE OF POSSIBLE REMEDIES**

July 4, 2014

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I. INTRODUCTION

1. This Response is submitted on behalf of Google Inc. It responds to the Provisional Findings Report (the “Report”) and Notice of Possible Remedies (the “Remedies Notice”) published by the Competition and Markets Authority (the “CMA”) on June 11, 2014.
2. Specifically, this Response addresses two principal issues arising out of the Report and Remedies Notice.
 - First, it addresses certain inaccuracies and misconceptions in the descriptions of Google contained in the Report.
 - Secondly, it responds to the suggestion in the Remedies Notices that search providers might be “*encouraged*” to display a link to a newly created price comparison website (the “Payday Lending PCW”) in their search results.

II. DESCRIPTIONS OF GOOGLE IN THE REPORT

3. The Report makes, or includes, several observations (including comments by third-party respondents) about search engines, and about Google’s search service in particular. They include the following [Emphasis added]:
 - 6.85 “*We considered the reasons why comparison websites are relatively undeveloped in payday lending. These reasons appear to be primarily related to the reputation of the payday lending market: [...] Dollar emphasised the role played by search engines, in particular Google, in regulating and controlling the amount of traffic that a website received. In its view, the risk of experiencing repercussions on the total traffic generated by the website influenced the decision by moneysupermarket.com to drop its payday loan page. Similarly, Think Finance told us that the reason why many comparison sites did not feature payday was because they were being penalised by Google for having payday sites.”*
 - 7.74 “[...] we identified further limitations associated with acquiring customers via search engines.
 - 7.75 “*First, pay-per-click advertising can be an expensive method of acquiring new customers, because lenders must compete with each other and with lead generators in auctions for advertising space [...].*”
 - 7.76 “*Second, it may be difficult for a lender to rely on influencing its position in Google’s search results for payday-related terms as a source of new customers, given the lack of transparency regarding the precise factors which will determine the relative ranking of different websites.”*

7.78 “We were told that changes to Google’s algorithms had had an impact on different lenders’ rankings, and we were aware that one outcome of these changes had been to push lenders’ websites further down the rankings, in deference to news articles and other non-commercial pages relating to payday lending. One specific example brought to our attention was a penalty imposed by Google on [confidential], which [confidential] told us took place because a number of poor-quality sites were linking to its website. The penalty reduced the ranking of the [confidential] website by 50 positions for all search terms.”

7.79 “The unpredictable nature of organic search was supported by our consideration of Google search results for a number of payday-related terms.”

4. Google makes four principal submissions in response to these comments:

- Google Search is designed for users, not to generate traffic to websites;
- Google develops its algorithms regularly, to improve the user experience;
- Google publishes extensive information on the operation of its search service;
- Advertisers using AdWords pay only as much as they are willing to pay, and have many other advertising options.

A. Google Search Is Designed For Users, Not To Generate Traffic To Websites

5. Google does not “demote” websites or otherwise interfere with their ranking in its search results simply because they concern payday lending, or compare payday lending products.¹ It ranks search results according to the quality and relevance of the website, for the benefit of the user. Similarly, where additional steps are needed in order to preserve the relevance of search results (e.g., to mitigate the effect of spam), Google takes action against payday lending sites in exactly the same way as it does against other sites.²

6. Further, the suggestion that payday lenders are dependent on internet search for users is misconceived. There are many sources of users available to payday lenders and PCWs. They include a wide range of online and offline advertising, internet discussion forums

¹ As reported in the press (for instance, <http://searchengineland.com/google-pay-day-loan-algorithm-google-search-algorithm-update-to-target-spammy-queries-162941>, and <http://searchengineland.com/official-google-payday-loan-algorithm-2-0-launched-targets-spammy-queries-192027>), Google has introduced algorithmic changes that allows it to fight spam even better, and targets queries that are traditionally more spammy than others, including payday lending. However, Google does not treat payday lending websites differently; it applies the same criteria to determine whether or not a website is spammy for each and every website.

² Also, as recognised in the Report, because a consumer advisory notice has been issued by a relevant consumer protection authority in relation to payday lending, Google will display advertisements relating to payday lending only in response to relevant phrases, such as [payday loan]. See: <https://support.google.com/adwordspolicy/answer/1314225?hl=en>

and blogs, recommendations by self-help or Citizens Advice services, and specialist financial search services.

7. Google focuses on providing the best user experience possible, to help the user find the most useful answer and/or accurate source of information to answer their query, in the fastest time possible, using the fewest clicks.³ It is not to generate traffic for third party websites.⁴
8. Providing the best user experience is not just a science, but also an art. There is no single right way to decide on and present search results. Indeed, there is no such thing as a “wrong”, “right”, or “objective” ranking. Instead, Google seeks to decide on, and present, results in the way it believes best addresses users’ needs. This relies on human ingenuity, persistence, and hard work.
9. The worldwide web is made up of over 60 trillion individual webpages, and is growing constantly. To provide relevant responses to user queries, Google uses a three-step process: crawling, indexing, and ranking:
 - First, Google gathers documents for its index by “crawling”. This is done via software known as “Googlebot”. Googlebot retrieves a web page, then extracts links from the web page and follows links from page to page, unless it is told not to do so by a webmaster. New web pages which are linked to from other known pages on the web are crawled and indexed; webmasters may also manually submit a sitemap to Google.
 - Second, Google automatically organises the information which is gathered through the crawling process into an index. When a user performs a search, at the most basic level, the search engine’s algorithms look up the user’s search terms in the index to find the appropriate information for the user’s query. The index is currently over 100 million terabytes in size, and continues to grow as the internet expands.
 - Third, once pages have been crawled and indexed, Google ranks the information in response to a user’s query through a series of algorithms. Google’s algorithms are computer programs and formulae that use various clues from the user’s query to pull out relevant web pages from the index.
10. Google takes into account over 200 different factors or signals when ordering the search results. A few generic examples of these factors are described below.
 - Site and page quality, which are assessed by a number of different algorithms, one of which is based on “PageRank”, one of the earliest Google algorithms. PageRank characterises how trustworthy, reputable or authoritative a source is by looking at the number and importance of links between different pages.

³ To Google’s knowledge, users have not complained to the CMA about the quality of Google’s search results.

⁴ Therefore, the comments referenced in paragraph 6.85 of the Report are misconceived.

- User context, which helps to provide more relevant results based on the geographic region of the user, web history and other factors. Results will differ depending on where the search was conducted.⁵
 - Other signals include, for example:
 - the content of the page (including signals meant to detect low-quality content and certain manipulation techniques);
 - the extent to which the text of the website matches the user’s search query; and
 - analysis of the search term itself, including consideration of the position and meaning of individual words within the term, synonyms, and spelling errors.
11. Google’s search results are based on these algorithms. Google does not accept payment to crawl a site more frequently, or change its ranking. Google’s search algorithms do not take account of clicks on AdWords or advertisements served via AdSense (*i.e.*, a site will not be ranked higher because it advertises via AdWords or AdSense, or uses any other Google advertising tools). In the same way, for ranking purposes, Google keeps the search side of its business separate from its revenue-generating AdWords service, *i.e.*, whether and how much advertisers pay Google does not in any way affect the ranking of their websites on Google search. Similarly, Google’s search algorithms do not take into account whether Google has any relationship with a particular website or their owners.⁶
12. For all of these reasons, it is unclear what criticism is being made, or could be made, about the ranking of individual payday lenders’ websites or PCWs in Google’s search results. They appear in search results in the same way that any other website does. Nor is it clear what respondents to the CMA expect Google to do differently. As Commissioner Almunia recently confirmed:⁷

“it is neither possible nor desirable to regulate Google's ranking algorithm ... With what means and which objective in mind would a competition authority do that?”

⁵ For example, the query [football] will yield different results in the UK (where soccer pages would be prioritised) from the US (where American football pages would rank highly).

⁶ Indeed, Google is willing to forego revenues in order to increase the relevance of search results. For example, Google had to announce a drop in revenues when it introduced the “Panda” algorithm, which was a massive quality improvement, see <http://searchenginewatch.com/article/2272712/Matt-Cutts-Google-Didnt-Make-Panda-Penguin-to-Force-People-to-Buy-Ads>. See also, for instance, <https://support.google.com/adwords/answer/156066?hl=en>, where Google explains that “[i]n order to be consistent with our philosophy of showing the right ad to the right user at the right time, we'd rather show no ads on a page than show low-quality ads. That's why you might find that there are no ads on a page, even when an advertiser is bidding on the query that generated those results.”

⁷ “EC Google pact not 'gentlemen’s agreement’ - Commissioner Almunia,” Policy and Regulatory Report, February 21, 2014. See <http://app.parr-global.com/intelligence/view/1076374>

B. Google Develops Its Algorithms Regularly To Improve The User Experience

13. Google is constantly innovating and developing its algorithms in an effort to ensure that it provides users with the most relevant and up-to-date results. Each year, over 500 algorithmic improvements and innovations are implemented. Before a new substantial algorithm is launched, precision evaluation, side-by-side experiments (where the old algorithm is compared against the new one), and live traffic experiments on a small percentage of users are carried out to make sure that the algorithmic change is accurate and useful to users.
14. A natural consequence of ranking search results is that there can only be one website in the number one position. Further, if one website's ranking increases, for instance because it has improved the quality of its website, another one will automatically decrease. Indeed, it has been said that “[y]ou have no more right to rank at Google than the billions of other pages on the web.”⁸
15. If websites of payday lenders or comparison websites move in Google's search results, to rank lower now than they ranked before, that may have been the result of many different factors, including changes on the website itself, changes on other websites, and ever more sophisticated algorithms that can more precisely measure what users wish to see. The flipside is that other (more relevant) websites will move up in Google's rankings.
16. As stated, Google does not penalise websites or comparison sites because they concern or refer to payday lending. It is simply a natural consequence of a dynamic search service that rankings will change over time. Indeed, it would be highly detrimental to the search experience if it were otherwise, *i.e.*, if rankings were somehow static or guaranteed. The fact that particular payday lending websites move up or down in Google's search results (or, indeed, the rankings on any other search provider) over time is therefore not a valid criticism.

C. Google Publishes Extensive Information On The Operation Of Its Search Service

17. There is considerable information available to payday lenders and PCWs (and website designers in general) to help them improve their websites so they are more likely to be relevant and useful in respond to queries on Google Search.
18. The details of Google's search algorithms themselves are highly sensitive business secrets, and are the product of significant investment and innovation. The disclosure of these algorithms would allow competitors to free-ride on these efforts, discouraging future innovation, with a detrimental effect on users.
19. Disclosure of those details would also be damaging to the quality of Google's search service in the short term, because it would enable sites to manipulate their ranking and circumvent Google's quality-protection mechanisms. As explained, Google's

⁸ Mike Grehan, “*Should the Government Decide Where You Rank at Google?*”, Search Engine Watch, October 10, 2011. See: <http://searchenginewatch.com/article/2115721/Should-the-Government-Decide-Where-You-Rank-at-Google>

algorithm includes signals aimed at detecting low-quality content and manipulation techniques. Public disclosure of the details of these signals would help low-quality and spam sites to avoid detection and feature prominently within Google's results, which would harm users.

20. Over recent years, Google has nevertheless put significant effort into making its search methods more transparent. In particular, it launched "Inside Search", a website explaining how search works.⁹
21. Google has also made significant efforts to explain the principal characteristics of a website that will be relevant to, and favoured by, users (and therefore also by Google's search engine). Google's Webmaster Guidelines¹⁰ aim to provide a set of best practices webmasters can adopt when developing their websites to help Google find, index and rank their sites. (See further below.)
22. In short, Google is as transparent as it is possible to be about its search service without undermining the quality of its search service for users. The criticism that Google does not provide sufficient information to allow payday lenders and PCWs to ensure their websites appear prominently in Google's search results is therefore unfounded and inaccurate.

D. Advertisers Using AdWords Pay Only As Much As They Are Willing To Pay, And Have Many Other Advertising Options

23. Finally, in response to the comments in the Report about the apparent cost of pay-per-click advertising (quoted above), Google makes the following observations. Google sells online advertising space through its AdWords Programme. The pricing model for AdWords relies on a cost-per-click based auction. With Google's cost-per-click bidding, the advertiser can set a maximum price it wants to pay for someone clicking on its AdWords ads. Therefore, advertisers pay no more than they are willing to pay.
24. Moreover, the advertiser will often be charged less than it has bid. This is because in the AdWords auction, an advertiser only pays the amount necessary to beat the Ad Rank of the advertiser with the next highest Ad Rank. Ad Rank determines an advertiser's ad position (*i.e.*, where an ad shows on the page in relation to other ads), taking into account several factors, including the advertiser's bid, and the quality and format of its ads, keywords and website.¹¹
25. This model ensures that paid-per-click advertisements are displayed only if they are relevant to the user's query. Further, it allows advertisers to monitor and manage their

⁹ http://www.google.com/intl/en_us/insidesearch/howsearchworks/algorithms.html. The comments in paragraph 7.76 are therefore misconceived.

¹⁰ <https://support.google.com/webmasters/answer/35769>

¹¹ For more information about the AdWords auction and Ad Rank, please visit https://support.google.com/adwords/answer/2464960?hl=en&ref_topic=3119128, <https://support.google.com/adwords/answer/1752122?hl=en-GB> and <https://www.youtube.com/watch?v=PjOHTFRaBWA>.

advertising spend in real time, and ensures that no advertiser pays more than is necessary to win an AdWords auction.

26. It is also important to note that advertisers have many different options when considering where to target their advertising efforts. Advertisers consider a wide range of advertising methods (both online and offline) and target spend where they expect to receive the best return on that investment. If a payday lender considers AdWords to be too expensive, it can (and will) target its advertising efforts elsewhere, or simply lower its bid within AdWords to the level it feels comfortable with.
27. For all of these reasons, the allegation that payday lenders are in some way handicapped by the price of AdWords advertising is inaccurate and opportunistic. There is a wide range of competing advertising options available and advertisers regularly compare the expected returns on investment offered by each. As to AdWords itself, where ads are displayed on a search page and where other bidders are participating in the auction, the advertiser will pay no more than its maximum CPC (cost per click) bid (and will often pay less). Therefore the "price" to advertise on AdWords is largely governed by the value placed on the service by advertisers at any given moment.

III. THE PAYDAY LENDING PCW IN SEARCH RESULTS

28. Google supports the CMA's proposal to create a price comparison service for payday loan customers. Price comparison services improve transparency for consumers, reduce search time and make it easier for consumers to choose the product that is best suited to their needs.
29. There are many ways in which users become aware of price comparison services, which would apply equally to a new Payday Lending PCW. They include internet discussion forums and blogs, printed literature (*e.g.*, government leaflets), Citizens Advice services, and self-help organisations. Internet search is only one source of users.
30. It is well understood by the CMA (and its predecessor bodies) that PCWs often have strong brand recognition.¹² Many users of PCWs will simply type the name of the PCW (*e.g.*, [Moneysupermarket]) into their browser address bar or into a search engine, rather than using a generic phrase, such as [insurance price comparison]. The Remedies Notice itself suggests that awareness of the Payday Lending PCW could be strengthened through targeted advertising, including in the materials produced by payday lenders.
31. Google nevertheless acknowledges that internet search providers (such as Google, Bing, Yahoo!, AOL and others) can be an important source of users for PCWs. As far as Google is concerned, there is every reason to believe that a well-designed PCW would already appear prominently in its search results.¹³ As explained above, Google

¹² See, for example, Private Motor Insurance Market Investigation Provisional Findings Report, December 17, 2013, paragraph 2.27 ff. See also, the OFT's decision in *Google/Beatthatquote* (ME/4912/11), July 1, 2011, paragraph 52.

¹³ While Google does not know for certain, the same is likely to be true of other search providers.

Search aims to return the most relevant results to a user's query. Relevance is determined by a large number of factors (more than 200). They include incoming links to the website (*i.e.*, which other sites link to the website in question¹⁴) and also the click-through rate, *i.e.*, whether previous users clicked on that search result having performed similar searches. Further, as the Report accepts, Google works very hard to mitigate the effect of spam in its search results. This means that websites containing spam will appear lower in its search results than those containing original content, improving the user experience.¹⁵

32. This process is necessarily dynamic. Web content changes all the time. It would therefore be detrimental to the user experience (*i.e.*, it would not return the most relevant results) if search engines did not respond differently to the same search terms over time.
33. Indeed, as awareness and use of a new PCW increases (*e.g.*, through recommendations in internet blogs or discussion forums), this itself is likely to improve the site's ranking in Google search results.
34. Moreover, and contrary to the suggestion in the Report¹⁶ (quoted above), Google provides considerable guidance to website designers, to help them ensure that their websites respond to relevant search queries. In particular, Google publishes Webmaster Guidelines for designers, comprising: (i) Design and Content Guidelines; (ii) Technical Guidelines; and (iii) Quality Guidelines.¹⁷ Google also publishes design tools, videos and other online assistance, for the same purpose.¹⁸ Different search engines of course apply different search algorithms. However, in Google's experience, a website that is optimised for Google Search will also respond well to search terms on other search engines.
35. There is therefore every reason to believe that a well-designed Payday Lending PCW – particularly one that does not include spam or links to spam – would respond well to relevant terms on Google Search, and would appear high in its search results (of course, any website's ranking also depends on the quality of other websites that respond to relevant terms on Google Search).
36. The CMA has carried out its own experiment and found that searching for terms relevant to payday lending on Google Search produced a number of PCWs on the first page of search results.¹⁹ This is unsurprising. Google does not “demote” sites simply

¹⁴ Google recognises that not all links are equal. It works hard to improve the user experience by identifying spam links and other practices that negatively impact search results.

¹⁵ The Report, paragraph 7.78.

¹⁶ The Report, paragraph 7.76.

¹⁷ See: <https://support.google.com/webmasters/answer/35769>

¹⁸ See: <https://support.google.com/webmasters/#topic=3309469>

¹⁹ The Report, paragraph 2.136.

because they relate to payday lending or are PCWs. Indeed, Google’s search algorithms responds to PCWs in exactly the same way that they do to any other web content.²⁰

37. For these reasons, Google does not accept there is any need to “encourage” Google to display the Payday Lending PCW in its search results. Indeed, it could be counterproductive to try to do so. For example, any attempt to distort Google’s search algorithm artificially would result in less relevant content being returned in response to users’ queries, it would allow the manipulation of search results, and would harm the value of Google’s service for users. The same would presumably be true of any attempt to distort the algorithms used by other search providers as well.
38. It is, in any event, unclear what steps the CMA has in mind when it suggests that search providers might be “encouraged” to display a link to the Payday Lending PCW in their search results. Google therefore reserves the right to respond to any specific proposals that the CMA may develop and that could affect Google’s interests.²¹

* * *

Google would be happy to provide any further information or clarification on the points raised in this Response that the CMA would find useful.

²⁰ It is unclear from the Report whether the CMA carried out the same experiment using other internet search providers.

²¹ Google understands that the CMA has a statutory obligation under section 169, Enterprise Act 2002 to consult with any party whose interests are likely to be substantially impacted by any decision it proposes to make.