



**Equifax Ltd's response to the Competition & Markets Authority market investigation into payday lending – Notice of possible remedies**

**For queries please contact:**

Steve Martin  
Head of Compliance & Regulatory Affairs  
Equifax Ltd  
Capital House  
25 Chapel Street  
London  
NW1 5DS

Dated: 3rd July 2014

## **Background**

### **Equifax Corporate Profile**

Equifax empowers businesses and consumers with information they can trust. A global leader in information solutions, we leverage one of the largest sources of consumer and commercial data, along with advanced analytics and proprietary technology, to create customised insights that enrich both the performance of businesses and the lives of consumers.

Customers have trusted Equifax for over 100 years to deliver innovative solutions with the highest integrity and reliability. Businesses — large and small — rely on us for consumer and business credit intelligence, portfolio management, fraud detection, decisioning technology, marketing tools, and much more. We empower individual consumers to manage their personal credit information, protect their identity, and maximize their financial wellbeing.

Headquartered in Atlanta, Georgia, Equifax Inc. employs approximately 7,000 people in 19 countries through North America, Latin America and Europe. Equifax is a member of Standard & Poor's (S&P) 500® Index. Our common stock is traded on the New York Stock Exchange under the symbol EFX.

Equifax is a registered trademark of Equifax Inc., Atlanta, Georgia. All rights reserved.

In the UK, Equifax operates as one of 3 consumer credit reference agencies and also supplies commercial data. In addition to the supply of information for credit decisions and credit account management, Equifax also provides data for other purposes such as fraud prevention and money laundering prevention under the Prevention of Money Laundering Regulations. Additionally, Equifax hold and supply the Full Electoral Register under the Representation of the People (England and Wales) Regulations 2001.

## Response to notice of possible remedies

The response below is the view of Equifax Ltd. We do not consider any information in this response to be confidential.

As a consumer credit reference agency (CRA) we have focused our reply to just Remedy 3.

### **'Measures to help customers assess their own creditworthiness'**

***39(b) Requiring lenders to provide CRAs with a real-time update of any new credit facility granted and also prohibiting the visibility of a credit search by a lender. This combination of measures would enable customers to search the market without adversely affecting their credit history, while enabling lenders to have better visibility of actual loans taken out by customers.***

1. Equifax support the concept of real-time updates of newly granted credit to facilitate better lending decisions and are working towards introducing a solution to the market shortly. However for a real-time solution to be truly effective, data must be shared with all relevant CRAs to ensure there is a robust real-time database check available to all payday lenders, irrespective of which CRA a lender selects as their preferred agency. However the suggestion to prohibit the visibility of a credit search by a lender, we believe requires careful consideration.
2. In mainstream credit, a lender's assessment of previous 'credit' or 'applications' searches often form an important element of the credit risk and fraud risk assessment process. Whether this is the case for the payday lender market is likely not to be fully identified at this time, however we would suggest this be fully evaluated before a decision is taken to prohibit the visibility of such a search to payday lenders.
3. Furthermore, consideration would need to be given as to how in practice such a restriction would be enforced, assuming it only applied to payday lenders. If the CRAs are to be required to categorise and filter credit searches depending on who the enquiry originates from and for what purpose, there would likely be new and significant systems and control changes required.

***39(c) Increasing customers' ability to discover whether a lender would be willing to offer them credit, without an 'application' or 'credit search' being carried out, for example by:***

- (i) improving clarity to customers about the use of 'application' or 'credit' searches and 'enquiry' or 'quotation' searches by lenders and brokers;***
- (ii) prohibiting the use of application searches by lenders prior to conducting an initial eligibility assessment; or***
- (iii) requiring lenders to provide an indication of the likelihood that they would grant credit to a customer prior to a full application.***

4. Equifax support the use of quotation searches prior to conducting an eligibility assessment. We do not think it is always clear to the customers in this market exactly what type of CRA search is being performed and when in the process this takes place. We would welcome the need for brokers and lenders to improve clarity.

***40 Views are invited on the specification, effectiveness and proportionality of this remedy and, in particular, on the following:***

- (a) Which of the above approaches, or which combination of approaches, is most likely to achieve the objectives of this remedy? Are there alternative approaches which would be more effective?***

5. Equifax believe the most effective combination of remedies would be the following:

- 39(a) in its entirety.
- 39(b) requiring lenders to provide CRAs with a real-time update of any new credit facility granted. However we have reservations with the suggestion credit searches be prohibited from a lender's view. Instead we believe fair processing can instead be achieved by use of remedy 39(c)(ii).
- 39(c)(i) and (ii) in their entirety.

We have no opinion on 39(c)(iii) and 39(d)

**(b) To what extent are credit checks undertaken before the submission of a formal application for credit?**

6. From our understanding of the market we believe the practice varies from lender to lender and is also dependent on whether the application is made direct to the lender or via a credit broker. We understand it is not uncommon for credit checks to be performed as early in the process as the lead generation stage, at the point the leads are being sold to the highest bidders.

**(i) Where searches are made, are these typically quotation or application searches? What further benefit does an application search give to a lender over a quotation search?**

7. We do not think it is always clear to the customers in this market exactly what type of CRA search is being performed and when in the process this takes place. The type of data returned to the lender on a quotation search is the same as that on an application search. In practice the potential difference in the actual data returned to the lender will be related to the different timing of the searches. An application search, typically performed at a later stage in the process, would be more likely to show other recent credit activity relating to the customer's interest in a payday or other credit facility, either in the form of other application searches or recently acquired loans.

**(ii) Would there be any benefit to the reference in the FCA's handbook on the ability of a customer to undertake a quotation search without affecting their ability to access credit being elevated in status from guidance to a rule?**

8. No opinion.

**(iii) Is there any benefit to other lenders and/or customers from searches leaving a footprint if a lender provides real-time CRA data updates of newly-issued loans?**

9. There is a risk that if application searches are not visible to lenders, a number of applications could be made by the customer and provisional approval obtained on multiple applications without lenders realising this. Unless lenders were to always check the real-time database for newly issued loans immediately prior to loan completion, the risk of unaffordable lending remains, with multiples loans being opened in quick succession.

**(c) How can customers' understanding of which lenders would lend to them prior to the point of application be improved?**

10. No opinion.

**(i) Where an initial eligibility check is performed by a lender and the customer is deemed 'eligible', should the lenders be required to ensure that all deemed eligible customers are approved should they make a formal application in the absence of evidence?**

11. See our answer above (para 9).

**(ii) Should lenders be required to present an indicative 'credit score' (from one or more CRAs) that a certain proportion (eg 90%) of their respective customers have at the point of application?**

12. No opinion.

**(d) To what extent are customers aware of and/or concerned about the possible impact of multiple credit searches on their ability to access credit?**

13. No opinion.

**(e) What are the practical challenges of integrating an eligibility check into a price comparison site?**

14. No opinion.

**(f) What are the likely costs of this measure and how do they vary with the design of the remedy?**

15. No opinion.