



**Comments relating to the Notice of Provisional Findings into the Payday Lending Market
Investigation**

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Introduction

Experian is a leading global information services company, providing data and analytical tools to clients in more than 80 countries. Experian plc is listed on the London Stock Exchange (EXPN) and is a constituent of the FTSE 100 index. Total revenue for the year ended 31 March 2014 was US\$4,820 million. Experian employs approximately 16,000 people in 41 countries and has its corporate headquarters in Dublin, Ireland, with operational headquarters in Nottingham, UK; California, US; and Sao Paulo, Brazil.

The company helps businesses to manage credit risk, prevent fraud, and automate decision making. Experian also helps individuals to check their credit report and credit score and protect against identity theft.

Preliminary Comments to CMA Market Investigation

As a leading UK credit reference agency, Experian welcomes the opportunity to share some preliminary thoughts concerning the CMA Market Investigation (**‘the Market Investigation’**) into the payday lending sector. Due to the nature of our activities our comments will be restricted to our areas of operation and expertise, essentially the issues relating to real-time credit databases and quotation searches which arise in the context of Possible Remedy 3 (“Measures to help customers assess their own creditworthiness”).

As a general point, we note with interest the comments which have been provided by the CMA concerning the need for comprehensive credit data provision to those operating in the payday lending sector in order to facilitate their role in assessing risk and consumer suitability to their product offering. Experian fully supports the need for lenders in all sectors to carry out a comprehensive assessment of an individual’s ability to borrow and repay through creditworthiness and affordability evaluations. Experian pro-actively seeks to ensure that the data we hold is timely, accurate and comprehensive, ensuring that a lender has the most up to date and inclusive view of an individual’s financial situation. Experian is committed to help ensure that consumers attain the most appropriate and sustainable credit sources for them and, with this in mind, we work with the majority of lenders in the UK, to help them share their data so they can comply with affordability and creditworthiness requirements. This helps to

ensure consumers are treated fairly and protected against the consequences of over-indebtedness, but that credit is extended to those who can afford to take on the credit commitment and repay on time. We also actively work with a number of organisations to help people, who might otherwise be financially excluded, get access to competitive and suitable credit. For example, we are working with Big Issue Invest and social landlords on a scheme which provides for tenants to have their rental payment data recorded on their credit file. This will potentially help boost their credit scores, giving them access to more mainstream finance.

Experian has been providing services to lenders in the UK for more than 30 years, but recognises that the growth and nature of the payday lending market has created new issues.

Real Time Updates

As referenced in the CMA Market Investigation, there is an important role for CRAs to ensure that the data provided to lenders is comprehensive and timely, and for this reason Experian has committed (specifically in response to the challenges presented by the payday lending market) to invest in the launch of an infrastructure which permits 'real-time' updates of individuals' credit information. Experian believes that the system can only be at an optimum where the updates are truly 'real time' rather than on a daily or 24 hour basis. The Market Investigation acknowledges that the nature of applications and the decision-making used by consumers when applying for credit via a pay day lender are such that credit is normally required within a short time frame and can be to fulfil an urgent need. For this reason a consumer may make multiple applications in a short time period in order to attain the levels of short term credit that are needed.

If the lender is reliant on a 24 hour or once-a-day view, it may be that a consumer has applied for multiple payday loans online within the 24 hour period following the most recent update, which would mean that those applications would not be visible to any other lender considering a loan application in that same period.

The infrastructure which Experian has committed to develop will permit truly real-time updates. However, it is important to note that the only way that real-time data sharing can be fully realised is if all payday lenders also upload application data into the CRA system truly in real-time, rather than on a periodic batch basis. If uploading happens on a real-time basis it will work towards the recommendation of the CMA and others in having a comprehensive oversight. In order to achieve this

goal Experian would recommend, and will continue to seek to facilitate, engagement with the payday lending community to seek to attain comprehensive and timely data sharing.

Quotation searches

The Market Investigation makes a number of proposals in relation to quotation and full credit application credit searches, identifying that it may benefit consumers to be able to shop around for credit in a way which does not affect their credit rating.

In this context, Experian would comment as follows:

- There is undoubtedly value to consumers in being able to carry out quotation searches (searches which do not affect the future credit rating of the relevant individual). This improves consumer choice and helps achieve best value. Experian fully supports the use of quotation searches, and particularly their potential use in providing consumers with an indication of the likelihood of their being accepted for a particular payday loan.
- If a payday loan price comparison site were developed, it should be relatively easy to integrate quotation searches into it.
- Quotation searches can provide a good indication of the likelihood of acceptance, but cannot be a guarantee in any sector. By their very nature, quotation searches may not take into account all the data which would be used in a full application (for instance, full fraud checks might not be carried out at the quotation stage). Furthermore, the details on a consumer's credit file may change in the time between the quotation search and a full application, leading to a different outcome. This is particularly likely to be the case when full real-time data sharing is deployed in the payday lending market.
- For this reason, full application searches are important to lenders and consumers alike. The records (or "footprints") of full credit applications (whether successful or not) are also a very important feature of an individual's credit file. They help identify credit-hungry individuals, which may be an early warning sign of an individual becoming over-extended. They also play an important role in identifying patterns of potential fraud.¹ It is important therefore that they are not disregarded. The value of a real-time credit database would be achieved largely by making details of a full credit application immediately visible to other lenders. In this context we would

¹ Experian is not able to provide further detail on this in writing, as it would constitute information which would be helpful to fraudsters. However, we would be happy to discuss it in a face-to-face meeting.

like to understand more about the thinking behind the statement in paragraph 39(b) of the Notice of Possible Remedies that the CMA may be considering “prohibiting the visibility of a credit search by a lender.” Taken at face value, this would be a serious backward step.

- It is essential that a consumer is clearly informed of the type of search that will be undertaken (paragraph 39(a) of the Notice of Possible Remedies). Experian would suggest that as a credit search involves the processing of personal data, this notification and the provision of other information would in any event be required in order to comply with the Data Protection Act 1998.
- The Notice of Possible Remedies also raises the question of the level of consumer understanding of the effects of multiple searches. Experian’s view is that whilst UK consumers are becoming increasingly aware of credit file issues generally, this is a vital issue and there is still a long way to go. Experian is at the forefront of efforts to improve awareness, both through information and education campaigns (see for example the Experian leaflet [Your Credit Report Explained](#), and [the work Experian carries out on financial education in schools](#)) and through its direct-to-consumer products.

The whole area of quotation and full application searches is inherently complex and we would be happy to provide more detail if this were thought to be useful.

Development of a price comparison facility

Whilst not directly Experian’s area of expertise, we would encourage the CMA to evaluate why such a platform for comparison may have not, to date, been developed by an existing market comparison participant, as we suspect that this may be because the economics of a solution in relation to pay day lending are different from those which apply in other sectors. This would be an area of suggested potential further investigation by the CMA prior to determination of the set remedies to the issues identified.