

PAYDAY LENDING MARKET INVESTIGATION

Summary of a response hearing with Gagemax held on Monday 14 July 2014

Background

1. Gagemax operated two websites, Allthelenders.co.uk and Everything-payday.com. The websites were developed as a result of Gagemax's market research on affiliate marketing opportunities in payday lending and the perceived difficulty of identifying actual lenders rather than lead generators or brokers. Gagemax's websites only listed lenders.
2. Allthelenders was launched in 2012 with around four or five lenders, increasing to a round 20 lenders eight months later. It currently worked with 32 lenders. During the last two years Gagemax had worked with over 50 different lenders. Gagemax told us that it provided its users with the core information needed to enable them to make the decision as to whether they wanted to click through to a lenders website and make an application for a loan. There were four or five other websites providing a similar function.
3. Around 35,000 people visited its websites each month with approximately 27,000 clicking through to lenders. Gagemax thought the remainder might be using its websites as a directory to find information or to identify a direct lender and then going to the lender directly. Of the two websites Everything-payday generated the largest amount of traffic with around 32,000 visits and 230,000 page views with an average of 7.14 pages viewed per session. The average duration of each session was five minutes and 57 seconds and the bounce rate, the number of users viewing the home page and leaving without viewing another, was very low at 13.3%. There was a general misconception that anyone could obtain a payday loan. Loan conversion rates were extremely low. Gagemax did very little business with the large lenders (e.g. Wonga and QuickQuid). Its conversion rates varied between 3–7%. Gagemax thought the main reason these rates were so low was that the leads it was supplying to the lenders had been bought elsewhere.
4. Gagemax had good relationships with 90% of the payday lenders it worked with, though the extent of contact it had with different lenders varied significantly. It noted that some lenders were difficult to contact because they were not based in the UK. In a number of instances Gagemax did not have a

direct relationship with a lender but relied upon working with affiliates of the lenders. Gagemax kept up to date with developments in the market and so was able to advertise Sunny exclusively on its website when the product was launched last year.

5. Gagemax collected no personal information on its own websites and did not consider itself to offer broking services.
6. Gagemax had two methods of generating revenue from its websites: one was based on visitors to its site clicking through to a lenders site and then successfully completing an application and being issued a loan ('fully funded'), the second was agreeing a fixed fee with a lender regardless of volume of leads in return for a specified level of prominence for that lender's brand on one of Gagemax's websites. Gagemax estimated that its commission varied between £10 and £50 per loan with the average across lenders being in the region of £25 to £28.
7. Gagemax had been looking at expanding its business in the future by moving into other areas such as personal loans and credit cards. It had also been working on a price comparison service for its website but had found this extremely challenging.

Price comparison websites

8. Gagemax thought that creating a new price comparison website (PCW) like allthelenders.org.uk would require promotion to be successful but would also potentially reduce the revenue Gagemax could achieve by diverting traffic. Gagemax did however recognise the potential benefits to consumers.
9. Gagemax would be keen to seek accreditation as a PCW if such a scheme existed.
10. The payday loan market was dominated by spam sites and quasi-websites, the majority of which were based overseas. Accredited PCWs would give customers the confidence that the content of those websites was reliable. A government agency not-for-profit PCW would similarly benefit consumers but would create significant competition for Gagemax's business.
11. All lenders regulated in the UK should be required to take part in such a scheme. Gagemax did not believe that there was a need to include credit unions within a PCW because their loan products were very different, and, consumers looking for a payday loan were looking for a very quick, simple process which was not available to most credit unions. If more products were added to the site it would lose its focus of its purpose. The site should be aimed at purely at online, short-term, payday loans.

12. Brokers (lead generators and other intermediaries) should not be included on the site because they would not be able to guarantee the APR on the cost of a loan, as they would not know which lender was going to purchase a lead, which meant that it would not be possible to compare the actual cost of the loan. The consumer also did not know to which lender its application was going to be sent.
13. If a lead was not bought by a lender it was automatically directed to brokers who would sell this information on. A big problem with brokers was that many brokers charged consumers £69/£70 to obtain a loan. In the majority of cases customers did not receive the loan they thought they were getting. Quite often they were misled into entering their card details and then having £70 withdrawn from their account leaving them in a worse position than before. These companies could not be found in search engines and could only be accessed through lead generators. Data was sold on, on a daily basis.
14. A lot of the problems arising in the payday lending sector were caused by the way brokers handled consumers' information. For example, within ten minutes of completing an application online a customer would receive 30 text messages and 10 phone calls from debt consolidation companies, injury specialists and companies seeking payment by cash vouchers in order to issue a loan. This was the reason that Allthelenders was set up.
15. Gagemax told us that it obtained as much information from a lender as possible (including details of age and income). This would give the customer an idea as to whether they would be successful in their loan application. Some lenders accepted a lot more applications than others who were very strict with their criteria. Allthelenders did not have access to the lenders scorecards and so did not know what their criteria was for accepting a loan.
16. In March 2014 Allthelenders had decided to trial offering the lenders it worked with the opportunity to purchase a fixed cost position on its price comparison table, between April and September, on a first come first served basis. It had previously placed the lenders it had better relationships with higher up the table (e.g. Sunny, which Allthelenders considered offered a good product). The positions had never been driven by commission or sales. Allthelenders had always been interested in making sure that consumers taking out a loan were receiving the best deal they could or were using a reputable, chartered lender who would not abuse the process and drive the customer into further debt. When the trial period ended in September Allthelenders thought it would return to its cost funded model which would probably be based on its knowledge of, and relationship with, its lenders.

17. Allthelenders had been subjected to many attacks on its website. In order to provide resilience in the event that Allthelenders was taken offline Gagemax had built an additional website called Everything Payday. Everything Payday was set up in May 2013 and contained four different categories with new payday lenders at the top of the table followed by high acceptance lenders, instalment loans and cheapest lenders. The website contained reviews based on Everything Payday's experience of working with the lenders. It also contained a loan comparison function and a page with a drop down box enabling the user to select the product they were looking for. The results were sorted according to APR. It also had a "read more" button and an "apply now" button. Every time Everything Payday listed a new lender on its website the lender concerned generated a large volume of interest for the first month or so before settling down and evening out. Everything Payday noted that the conversion rates for new lenders were generally quite low.
18. Gagemax thought that the Competition and Markets Authority accredited PCW could operate in a similar way but should not offer an "apply now" button as soon as the customer had received the comparison. They should first visit a "read more page" containing information about fees and charges. No two lenders provided the same offering. Gagemax thought that the actual cost of the loan should be displayed on the front page.
19. The principal design issue for Everything Payday was the space limitation on the webpage as it was not possible to display all the information Gagemax wanted in one comparison box without the box taking up the entire page. Gagemax thought that consumers would lose interest in the site if too much information was displayed on the first page. This was particularly an issue given that half of its visitors accessed its website through mobile devices (with a further 10% using tablets) and so Everything Payday just displayed what it considered was key information. The challenge had been selecting the most important information to display to the user in a short table. The other challenge was obtaining details of lenders application fees, part-payment fees and subsidiary costs. Some of this data was available on the lenders websites but other lenders were not so forthcoming about the cost of a loan.
20. With regard to lenders supplying information to a PCW, Gagemax noted that there was no universal business model that payday lenders followed (e.g. some lenders charged interest on a monthly basis, others on a daily basis and some changed their APR regularly) and so price comparisons for short-term lenders were far more complex than those for personal loans where the criteria was standardised across the board.
21. Gagemax thought that having a link from a lenders website to a PCW would benefit search engines and the lender. If a lender was seen to be participating

in the site it would be viewed as being credible and trustworthy. Gagemax was not sure how much business would be generated for the lender as a result.

Promotion

22. There were around a million searches a month for payday loan products, so Gagemax considered that the best way of promoting the PCW would be through the lenders websites and by organic search. It also thought that issuing a press release would be a useful means of promoting the site. Having an accredited PCW with a dot org or a dot gov website address would enable it to receive links from other credited sites such as the Money Advice Service. Gagemax thought that using these resources to promote the site would result in some excellent back links and so it would rank well in organic search results.
23. The cost of developing the site would be subject to the complexity of the desired functionality (e.g. the size and the type of business and whether the website would be run on TV and radio which would necessitate an increase in bandwidth and web space). Gagemax thought that it would be possible to have a working model up and running within three months.
24. It was not possible to determine whether a customer would be accepted for a loan based on the basic criteria lenders put on their website. Gagemax did not believe there was truly a way to pre-score customers without access to the lenders scorecards. Gagemax was not sure that the lenders would be prepared to release this information for a PCW. Trying to access this data would be particularly difficult and would increase the development time.
25. Gagemax thought that the reason it did not do much business with Wonga and QuickQuid was because customers went directly to their websites. Wonga had a powerful brand name. However, Gagemax noted that consumers using Wonga were not getting the best deal. Wonga was one of the most expensive members out of the 32 using Everything Payday or Allthelenders.