

PAYDAY LENDING MARKET INVESTIGATION

Summary of a response hearing with MoneySuperMarket.com held on Wednesday 23 July 2014

Background

1. MoneySuperMarket.com said that it was a price comparison service that helped customers find the best deal. It said that there were many price comparison websites (PCWs) in the market, however it was probably the only PCW that covered insurance, money and energy products itself. It was also the only independent PCW as some of its competitors were linked with insurance companies.
2. It had direct experience of customers looking for loans and credit card products, two of the alternatives for payday loans. It believed this was key as its aim was to bring transparency to the market and allow customers to decide what was the best product was for them.
3. MoneySuperMarket.com thought that it had brought greater competition to the motor insurance market by allowing new entrants to compete on a level playing field with some of the existing household name motor insurance brands as they did not need to spend millions of pounds on TV advertising. It also thought that more insurers had entered this market over the last six or seven years than would have been the case without PCWs.
4. As a PCW for motor insurers, MoneySuperMarket.com said it got paid a small fee if a customer found a product, clicked through to a provider and bought the insurance product. The fee was not related to the value of the motor insurance or any add-ons. Hence MoneySuperMarket.com did not have any incentive to sell a particular insurer's products.
5. PCWs started in 2006 and at this point the majority of TV advertising had been by motor insurers. The trend had now been reversed as PCWs advertised more and hence it had become more economical for the insurers to acquire customers this way.
6. MoneySuperMarket.com saw itself providing a service as it allowed customers to shop around and have a transparent view of the market, rather than just choosing the brand with the biggest marketing budget.

7. Having succeeded so well with motor insurance, MoneySuperMarket.com was attempting to achieve a similar success with credit cards and loans, ie making sure the product stood out more than the brand, and MoneySuperMarket.com said that on its loans comparison site, it had the same pricing structure as with motor insurance.

Price comparison websites

8. MoneySuperMarket.com said that PCWs brought transparency of complex products to customers. However, PCWs could only list products that providers allowed them to list. For motor insurance, not all brands were listed because some said that they did not want to appear.
9. MoneySuperMarket.com said that in addition to transparency, comparison sites also helped new entrants enter markets and allowed suppliers to test new products, or specific features of a product, for a minimal cost to see if they would resonate with customers.
10. On transparency, MoneySuperMarket.com said there were two types of price comparison model. One offered a table of available products and the second went further and highlighted which products the customer was most likely to be accepted for. This benefitted the customer and also helped providers as they would only get customers that they wanted for their product.
11. For motor insurance, MoneySuperMarket.com said that there was an application form that customers filled out on its site and it then sent the application to every insurer that had signed up to the site, in real-time, so that MoneySuperMarket.com could return an actual insurance price, based on the customer's details and risk. A response was received within seconds and this personalised result had more value to customers as they were able to see what they were being offered by every insurer on the site and assess the different products, rather than having to apply to each individually.
12. MoneySuperMarket.com said that with home and motor insurance, the products were personal and there was a lot of data that had to be inputted. The benefit of PCWs was that they could increase their complexity as each provider increased their product complexity, and being an online business, MoneySuperMarket.com had the capacity to move with the industry going forwards.

Payday loans on MoneySuperMarket.com

13. MoneySuperMarket.com said that historically it had had a payday loans business. However, in 2012 it had decided not to continue to aggregate payday loans for two reasons. Firstly, MoneySuperMarket.com had found it

difficult to differentiate payday loans and aggregate the particular products. Secondly, Google had stated that if MoneySuperMarket.com wanted to launch a payday product within its site, it would not allow MoneySuperMarket.com to run its business for paid search in any other category as it would be viewed as a payday lender, even though it would not be selling payday loans. At the time MoneySuperMarket.com had had around [X] searches to its credit card business and around [X] searches to its loans business, with around a million visitors looking for payday.

14. MoneySuperMarket.com decided to stop aggregating payday for these reasons. It said that as a marketing tool to allow customers to be able to search for payday loans, Google was a key method of communicating its service to customers. Therefore if it was not possible to be on Google paid search, MoneySuperMarket.com though it would be challenging to have a payday service that would serve customers.
15. MoneySuperMarket.com supported Google's global policy as it believed its intent was to ensure that people taking out payday loans would know that they were loans. However, this policy was stopping MoneySuperMarket.com from trying to show consumers what other options were available and until Google changed its policy, MoneySuperMarket.com could not aggregate payday loans within its domain.
16. MoneySuperMarket.com said that if it set up a comparison site for payday loans under a subdomain or a different brand, the issue would be whether customers would use it. If a site had no brand, then it would not have a marketing presence that customers could find and hence it would be a fruitless exercise to build it.
17. During 2014 MoneySuperMarket.com had been actively looking at payday loans. It did not think that a simple payday loans comparison was the answer as the customer had a short-term lending need and hence MoneySuperMarket.com wanted to alert them to other lending options and also to the help/advice that was available. Therefore the site MoneySuperMarket.com had considered building aimed to educate consumers and inform them about whether a payday loan was really appropriate for them. It would bring in results tables highlighting all the possible options and it would also provide information explaining how payday loans worked.
18. As MoneySuperMarket.com's intent was to route people from a payday loan to alternative credit, it did not think there was any danger that people would come to its site looking for one of MoneySuperMarket.com's other products and then leave with a payday loan. It also stated that few people arrived at a

PCW on the home page, most came through Google and landed on the specific page. For example in 2012 it had had [X] visitors to its payday site and [X] had come through paid search. Of the remainder, about [X] had come in through organic search and [X] through MoneySuperMarket.com's brand for payday.

19. MoneySuperMarket.com said that if it did launch a payday comparison site, lenders would have to sign up to a Terms of Practice, which it would regularly audit. It said it would only compare FCA-regulated lenders and would only want to deal with organisations who it thought were the right type of organisations to have its brand associated with. As long as it was offering customers a choice of products in addition to payday loans, it said it would be happy to have its brand linked with payday loans as it would be helping customers to find the right solution. It also stated that the increase in regulation over the past year had increased its willingness to get involved.
20. MoneySuperMarket.com thought that a result of the FCA regulation would be that the payday lending market would change, either through new entrants, or existing lenders leaving the market. It thought there was clearly a customer need and that it was an appropriate product for a certain segment of customers, so its aim was to help these customers find the best payday loan for them and point other customers to different options that were more appropriate for them.
21. Along with the overall cost of borrowing and highlighting how much would be payable if payments were late, MoneySuperMarket.com also said that it would want to get people's email addresses so that it could understand the customer's experience.
22. MoneySuperMarket.com wanted its site to be an education channel, not just a sales channel, so one key feature of its site would be that customers would have to see a 'more info' page before they applied. This would make the loan fully transparent as it would show all the costs that could be applied eg the additional fees if the loan were to be rolled over.
23. MoneySuperMarket.com said that it would conduct regular reviews of lenders and work with independent authorities to ensure its customers were treated fairly. All benefits and limitations of the products would also be brought out.
24. MoneySuperMarket.com was also concerned about the passing of data as when someone got a client for a payday loan they sold it to a pingtree and it went round the market. MSM would want to make it impossible to do this.

A payday loan PCW as a remedy

25. MoneySuperMarket.com thought that the price comparison model would be the best option for payday customers as each payday lender would return real rates based on that customer's data and the customer would only have a small set of soft credit-score footprints.
26. MoneySuperMarket.com believed having a rate that could be properly compared was helpful, but also stated that if customers could find out which products they would be likely to get, this would take out the problem of people just looking for the first lender who would say yes, instead of shopping around and making an informed decision.
27. MoneySuperMarket.com expected that the industry would evolve over the next few years and develop different credit-scoring questions that would help them offer better products to customers. However it was very clear that PCWs could only help customers if there were differences in the product. The market could not be aggregated if the result of the remedies process or the FCA's price cap was that every payday loan ended up having exactly the same rate, fees etc. There needed to be different factors that meant that each lender had a different risk profile.
28. MoneySuperMarket.com had recently asked one of its team to spend two weeks going to each payday lender's website to find out the fees. It had taken between two and three hours to get all the basic fees from each website and MoneySuperMarket.com said that this was a huge issue for consumers as they did not work in the lending and banking sector and so may never get to the bottom of the fee structures.
29. MoneySuperMarket.com thought some compulsion for payday lenders to be on a PCW would be useful as it would help to create critical mass and then with consumers going to the site, a virtuous circle would be created.
30. MoneySuperMarket.com said that it would anticipate the cost of building a comparison site to be around £[X]. However, it would depend on the degree of sophistication desired. Aggregation technology was off-the-shelf, so it would be fairly easy, and content management systems were also off-the-shelf. To build the full aggregation system like MoneySuperMarket.com's motor insurance pages, it would cost between £[X] to get it up and running. This did not include what each payday lender would need to make sure their systems were in place to allow customers to apply on line. It also did not include advertising costs. MoneySuperMarket.com's marketing budget was £[X] and it spent around £[X] a year on TV advertising, with the majority of the rest going to Google paid search.

31. MoneySuperMarket.com said that in its experience the comparison site would need to be a brand that was recognised for people to trust it. It thought if comparison sites were accredited by the CMA, it would help new price comparison services enter the payday lending market as they would not need to build up trust in their brand. If MoneySuperMarket.com had to build a new site due to Google's policy, it thought having the CMA's accreditation would be helpful. It also said that as it operated in the utility markets through an accredited scheme, it was used to the system.
32. MoneySuperMarket.com highlighted the fact that the site and the service needed to be more visible to customers than the individual payday lenders. Hence the level of investment and the level of brand behind the comparison site were things MoneySuperMarket.com thought the CMA would need to consider. If necessary, the CMA or FCA would potentially need to lift the site's presence for customers if they weren't aware of it.