

PAYDAY LENDING MARKET INVESTIGATION

Notice of addendum to provisional findings made under Rule 11.3 of the Competition and Markets Authority Rules of Procedure (CMA 17)

On 27 June 2013, in exercise of its powers under [sections 131](#) and 133 of the Enterprise Act 2002 (the Act) the Office of Fair Trading (OFT) made a reference to the Competition Commission (CC) for an investigation and report into the supply of payday lending in the UK.

On 1 April 2014, the Competition and Markets Authority (CMA) took over many of the functions and responsibilities of the CC and the OFT. Accordingly, the functions of the CC in relation to the reference were transferred to the CMA, under Schedule 5 to the Enterprise and Regulatory Reform Act 2013 and the Schedule to the Enterprise and Regulatory Reform Act 2013 (Commencement No. 6, Transitional Provisions and Savings) Order 2014 (the Order).

Provisional findings

1. On 11 June 2014, the CMA inquiry group (the Group) appointed to consider this reference provisionally found that there are features of the supply of payday lending in the UK that, either alone or in combination, prevent, restrict or distort competition such that there is an adverse effect on competition (AEC).
2. The Group provisionally found that price competition between payday lenders is weak, that competition from other forms of credit only imposes a weak constraint on payday lenders' prices and that the following features of the UK payday lending market contribute to, and help to explain, the failure by many payday lenders to compete on price and which either alone or in combination, gave rise to an AEC:
 - (a) a combination of structural and conduct features, which limited the extent to which customer demand is responsive to the price of payday loans, and thus reduced the pressure for lenders to compete to attract customers by lowering their prices; and
 - (b) a number of structural features which weakened the competitive constraint that might otherwise be imposed on payday lenders' prices by the prospect of new entry or expansion.

3. The Group provisionally found that the AEC was likely to result in customer detriment through higher prices and reduced innovation on pricing, relative to a market in which price competition was more effective.
4. The Group's reasons are set out in full in the [provisional findings report](#).
5. Following publication of the CMA's provisional findings report – and the subsequent [variation to the terms of reference](#) – further investigation was conducted into the operation of lead generators and their role in the UK payday lending market. The CMA invited lead generators, including pingtree operators, marketing affiliates and fee-charging brokers to comment on its provisional findings and [Notice of Possible Remedies](#) (the Remedies Notice) published on 11 June 2014 and extended our deadline for comment to these parties. The CMA subsequently sent a detailed questionnaire to lead generators requesting information about their businesses and UK activities, consumers, competition and the Financial Conduct Authority's proposals to impose a price cap on the cost of high-cost short-term credit. The Group also held response hearings and meetings with a number of lead generators. On the basis of the evidence it gathered, the Group has provisionally found that in combination with the features set out in paragraph 8.6 of its provisional findings report, the role of lead generators contributes materially to the AEC.
6. The Group's reasons are set out in full in the addendum to its provisional findings report (see Notes below) which confirmed the views set out in the provisional findings report and formed the basis for the remedy options set out in the Remedies Notice. The views of lead generators and other market participants were sought on those remedy options. The Group has provisionally decided that the remedy option set out in the Remedies Notice in relation to lead generators was appropriate and that no addendum is required to the Remedies Notice. In addition, market participants are invited at this stage, to make any further comments on the published provisional decision on remedies.

The next steps

7. The Group now invites interested parties to submit reasons in writing as to why the addendum to the provisional findings should not become final (or, as the case may be, should be varied).
8. Unless otherwise specified to a party, these reasons should be received by the Project Manager no later than **5pm on Thursday 30 October 2014**.

9. Unless a different date is agreed with any party, the Group will have regard to any such reasons provided by this date in making its final decisions in this investigation.

(signed) SIMON POLITO

Group Chairman

9 October 2014

Notes:

- (i) A copy of this notice and the addendum to the provisional findings report will be placed on the CMA website on Thursday 9 October 2014. The published version of the addendum to the provisional findings report will not contain any information which the Group considers should be excluded from the report, having regard to the three considerations set out in [section 244](#) of the Act. These omissions are indicated by [✂].
- (ii) In the addendum to the provisional findings we use the term 'lead generator' to refer to any party that acts as an intermediary between borrowers and lenders by collecting and passing to providers of payday loans details, including personal contact information, of individuals seeking loans.
- (iii) Comments should be made by email to paydaylending@cma.gsi.gov.uk or in writing to:

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