PAYDAY LENDING MARKET INVESTIGATION

Summary of a response hearing with Money Gap Group Ltd held on Thursday 28 August 2014

Background

1. Money Gap Group (Money Gap) began operating approximately seven years ago across multiple products in the UK and US affiliate markets. From 2007/2008 payday lending lead generation became the primary focus of the group, as it worked with Payday UK and developed a pingtree. It had six primary affiliates, the majority of which were lenders selling declined leads. The company had grown rapidly in 2012/2013 due to increased brand awareness of Cash Lady, after a large amount of TV advertising.

2. Money Gap had two primary brands: Cash Lady and Kwik Cash. Cash Lady was a traditional lead generation website, directing users to the first interested lender. Money Gap were trying to differentiate Kwik Cash by giving customers the option of using a comparison table or the pingtree. It had also adjusted its pingtree to build a list of all lenders willing to lend to an applicant, rather than just one lender. Currently, customers were choosing the option of the pingtree over the comparison table and Money Gap believed this was because Kwik Cash was an established brand and had a large number of repeat customers who were more familiar with the pingtree model.

3. Money Gap said that about 80% of users to its two websites do not actually end up with a loan at all.

4. Money Gap did not on-sell declined leads to fee-charging brokers or third parties, rather these applicants were redirected to an exit screen. While Kwik Cash suggested other options, Cash Lady used a mini-comparison site with credit cards, credit reference agencies, guarantor loans, debt consolidation loans and advice on reducing debt.

Marketing

5. Since mid-2013 the company had significantly decreased the amount of marketing it had undertaken, particularly with regards to affiliates. This was partly due to decreasing volumes and revenue as lenders were purchasing less leads

but also Money Gap had ceased relationships with non-compliant affiliates and lenders. During its years of operation it had noticed much more marketing from lenders in order to build brand awareness. This had led to less reliance on lead generators, with lenders from less-established brands purchasing the most leads.

6. One reason for only having two primary brands was Google advertising standards. Until recently, Money Gap had not shown in Google results due to penalties incurred from poor quality content. Google also considered many sites performing the same function to be spam, which incurred penalties. Based on this, it was much simpler to operate and maintain two websites rather than many.

FCA proposed price cap

7. Money Gap believed it was too early to predict how the FCA price cap would impact on its business but believed it would push poor credit customers out of the market. Money Gap previously operated in Australia, Canada and the US but were forced to exit these markets after the introduction of regulations as it became unprofitable. However, these were small operations in comparison to the UK.

Consumer's use of lead generators

8. Money Gap believed its website made it very clear that it was a broker and not a lender but agreed that other broker websites were not as clear. Furthermore, it stated that it was a broker in most communications – if a customer was sent an email from Money Gap, it would contain the text "We have a panel of lenders. We can help you find a loan". From research conducted on its website, Money Gap had found that only some users understood lead generators but believed most were unconcerned as long as they received a loan. Applicants were not price or brand sensitive. In addition, the results of a Money Gap survey found that the key reasons customers used its site (and lead generators in general) was speed, convenience and it reduced the number of applications a borrower needed to make.

9. Money Gap were concerned with the growth of fee-charging brokers, particularly the business practices used. It had found some using Money Gap's brand names while others hacked to the top of Google search terms by inserting code into non-payday websites. Money Gap were also concerned brokers were using multiple websites to ensure users pay fees although they had been declined a loan. The

amount of marketing fee-charging brokers were able to do was also greater as they had an additional revenue stream.

Regulation and oversight

10. Money Gap did not believe there had been enough enforcement action on fee-charging brokers and had expected the majority of these to be investigated by the FCA by this time. It also believed some regulated lenders should not be working with certain brokers and should also be investigated. As such, it was perhaps better that lenders were not responsible for monitoring lead generators. However, Money Gap had noticed many lenders and lead generators had become much more compliance focused.

11. While Money Gap did not disagree with disclosure of how pingtrees were funded, it did not believe a pop-up box was the best way. From experience in Australia, pop-up boxes reduced conversion rates as it provided extra time for the customer to reconsider their options. It would prefer this to be disclosed on the home page or with APR information, and for lenders to have a similar disclosure.