

Islington Debt Coalition
Islington Council
7 Newington Barrow Way
London N7 7EW

Matthew Weighill
Project Manger
Payday Lending Market Investigation
Competition and Markets Authority
Victoria House
Southampton Row
London
WC1B 4AD

paydaylending@cma.gsi.gov.uk

29 October 2014

Dear Matthew Weighill

CMA PAYDAY LENDING MARKET INVESTIGATION

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

Introduction

These comments are from the Islington Debt Coalition Payday Loan Working group. We are a sub group of the Islington Debt Coalition a partnership of organizations led by Islington Council working to tackle the issue of debt in Islington. The Payday Loan working group comprise representatives from:

- Islington Council – Financial Operations
- Islington Council – Planning & Development
- Islington Council – Trading Standards Service
- London Capital Credit Union
- Islington Law Centre
- Islington People's Rights
- Islington Citizen Advice Bureau

We welcome the opportunity to respond on the proposed remedies derived from CMA's Payday Lending Market Investigation and following the further investigation that was conducted into the operation of lead generators and their role in the UK payday lending market. We are overall supportive of the addendum to the provisional findings becoming final. However we have made the following comments on a number of the CMA proposed remedies.

We are happy for our comments to be made public.

Comments

Remedy (Para 3.4 cf.) - Price comparison website remedy

The proposals are very comprehensive and include intention to make an Order requiring pay day lenders to use accredited price comparison websites.

We would encourage wide advertising and marketing of the scheme and its benefits to the public by the government and/or its agencies.

Para 3.12 points out that 17% of borrowers do not have internet access and might be disadvantaged as they would not be able to access a price comparison website. While accepting the remedies should, overall, improve the sector we feel the CMA needs to consider those who are not on line. Many in this group may be taking loans from doorstep lenders who visit their homes, as well as from high street shops. Could a price comparison site offer a phone service?

Para 3.38 discusses the options of a government sponsored single website or open market accredited sites. Currently price comparison websites do not have a good reputation as there have been reports suggesting bias towards suppliers offering incentives to the sites. The accreditation system needs to be robust enough promote confidence and may require sanctions for abuse to be included.

Para 3.106 goes on to ask for comments on 2 options to be given to lenders in providing links to either one comparison website or to all of them. Again the current reputation of some websites may work against the idea of having a link to one site. It could suggest bias. We would prefer the links to be to all comparison sites. Would an alternative option be for the lender to have a link to gov.uk where the consumer would find a link to all of the accredited sites?

Remedy (Para 3.114 cf.) - Improving the disclosure of late fees and other additional charges

As a parallel the open disclosure of fees in advance of entering into a contract has recently been considered by the CMA when examining the letting agency and property management sector. Agents have been reminded of their obligations under the Consumer Protection from Unfair Trading Regulations 2008 and the requirement not to omit material information. This has been backed by advice from the Advertising Standards Authority who say fees information should be available with advertisements, for a website this would be "one click away". Legislation is also proposed via Section 81 of the Consumer Rights Bill. There could also be issues in terms of unfair contract terms legislation for if the term was not made known then the lender cannot enforce it.

We welcome your intention to refer the matter to the FCA to find ways to remind lenders of the need to disclose to customers prominently and on a timely basis details of late fees and other charges payable if a loan is not repaid in full and on time.

Remedies need to consider consumers who are not on line and we would suggest that as with the advice given to letting agents lenders should have a fees menu displayed in shop premises, included in contract terms and available as a leaflet.

Remedy (Para 3.184 cf.) – A summary of the cost of borrowing

The proposed remedy seems very comprehensive and may be backed by legislation.

Remedy (Para 3.225 cf.) - Increased transparency regarding the role of lead generators

We agree that the FCA should have a greater role in ensuring lead generators make clear their role and activities to consumers.

With reference to para 3.238 the wording of option b is preferable. The dialog box in 3.240 would act as appropriate warning. It should be large enough to obscure the text on the screen – bold and compelling.

Para 3.243 declines to compel lead generators having links to price comparison sites. We feel the CMA should reconsider this view and suggest a link advice and information on the gov.uk site.

We look forward to seeing the implementation of the proposed remedies..

Yours sincerely

Grace Hussey

Chair of Islington Debt Coalition Payday Loan Working Group
Islington Council

Circulation:

Islington Debt Coalition, Payday Loan Working Group.

