

MoneySavingExpert.com Limited response to the CMA's provisional decision on remedies

Dear Sir/Madam,

MoneySavingExpert.com would like to submit a short response to the above consultation. We appreciate our comments do not constitute a full response but we would like to send a few statements which Martin [Lewis] has made on this consultation.

On the proposals to make fees more transparent and to develop real-time data sharing

"Anything that scares people into realising quite how damaging these loans can be is a good move. So I welcome the move to make late fees more transparent.

We've also been calling for better data sharing for a long time. The problem is even if rollovers are banned, which is when payday lenders extend customers' loans, what many people who are desperate and in trouble do is just go to another payday lender to borrow money to pay off the initial loan.

So one way to protect people from being able to take out multiple loans with different lenders is for data to be shared, so this is an important move."

On the plans for payday loans to appear on price comparison sites

"The CMA has misunderstood the payday loan market when it comes to its proposals for these loans to appear on comparison sites. If people were bothered about price they wouldn't get these loans in the first place. This is far more about technology and ease of access.

The bigger worry for me here is that we seem to be trying to encourage payday loan competition. This is a manufactured industry; they have created a demand where it didn't exist before. I would like to see fewer payday lenders, not more, especially as the regulator's cost cap will come into force next year.

My concern is that the FCA has set a target for a 100% cost cap, which means borrowers will never have to pay back more in fees and interest than the amount borrowed. But I believe it should be closer to a 50% cost cap.

The regulator's reason for not wanting the cap to be lower is because it would make it uncompetitive for some payday lenders and that this would be bad for competition. But that's irrelevant. What we want if we're going to have payday loans is for them to be as cheap as possible. So fewer lenders offering cheaper loans is better than more lenders.

What we need is to encourage alternative types of sustainable borrowing, such as credit union borrowing and social fund borrowing, that aren't out there to reap every penny off victims.

I don't think the CMA is doing anything negative, but this isn't a competition issue - it's a regulation issue and the idea that price comparison sites will solve the problem is just not right

for this market place. It will help a few at the periphery, but as we've seen with doorstep lending comparisons, it's just not the market for it.

So while I don't object to it being done, I don't believe it will have a huge impact."

We hope the above comments are useful.

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