

**CASHEURONETUK, LLC:
RESPONSE TO COMPETITION AND MARKETS AUTHORITY CONSULTATION ON
AMENDMENTS TO THE PRICE COMPARISON WEBSITE AND THE STATEMENT OF
BORROWING REMEDIES, PUBLISHED 19 DECEMBER 2014**

1 EXECUTIVE SUMMARY

Introduction

- 1.1 CashEuroNetUK, LLC (**CashEuroNet**) appreciates the opportunity to comment on the Competition and Market Authority's (**CMA's**) consultation on amendments to the price comparison website and the statement of borrowing remedies, published on 19 December 2014.
- 1.2 CashEuroNet sets out below selected comments on the following:
 - 1.2.1 *Price comparison website (PCW) remedy*
 - (a) authorisation requirement to apply to all PCWs operating in the market;
 - (b) the PCW "fall back position"; and
 - (c) additional CMA recommendations to the FCA.
 - 1.2.2 *Summary of the cost of borrowing remedy*
 - (a) CashEuroNet's proposals for an appropriate structure for the summary of the cost of borrowing remedy.

2 PRICE COMPARISON WEBSITE (PCW) REMEDY

- 2.1 *Authorisation requirement to apply to all PCWs operating in the market*
 - 2.1.1 It is CashEuroNet's view that the requirement of FCA authorisation for all PCW's operating in the sector could provide a strong basis for achieving the objectives of the CMA if it is supported by a specialist advisory board, bringing together industry expertise and consumer experience, to ensure effective payday lending price comparisons. The expertise of the advisory board is required in particular in the early stages. Although regulation can provide the framework for how these PCWs should operate, a lot of detailed parameters would have to be decided upon by the operators of the PCWs and in the context of PCWs, small differences in the detail (e.g. how information is presented) can have a significant impact on its effectiveness as a tool for consumers. We believe that an advisory body would be best placed to provide oversight and expertise, thereby ensuring good outcomes for consumers. There is also a significant risk of "gaming" of payday lending price comparisons and CashEuroNet believes that a dedicated advisory panel is required to address this risk.
 - 2.1.2 The use of an advisory board would not create a „dual standard“ and would not be visible to customers. All PCW operators would be required to participate with the advisory board for HCSTC activity as well as maintain FCA compliance. The customer would only be aware that the PCW is FCA authorised.

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- 2.1.3 CashEuroNet submits that it is likely that lenders will develop pricing models that guarantee high PCW placement in response to the publication of the relevant FCA rules. In other consumer credit markets, PCWs have struggled to provide effective price comparisons due to providers introducing introductory rates (e.g., credit cards) or reducing headline rates by increasing set-up charges (e.g., mortgages). Similar pricing innovations could make comparisons for payday loans also difficult. An advisory board would be well-placed to anticipate such behaviour and provide guidance on how to present payday loans on a PCWs. CashEuroNet is concerned that more formal regulation may be slow in responding to such “gaming”.
- 2.1.4 Facilitating effective price comparisons may also help to ensure that lenders are able to agree „reasonable commercial terms“ with PCWs, as lenders are less likely to be subject to unfair treatment in the price comparison.

2.2 *The PCW "fall back position"*

- 2.2.1 CashEuroNet supports the CMA's proposal that, if no authorised PCW is established within twelve months of the FCA's additional standards coming into effect, online lenders will be given a further period of six months to commission a PCW and apply for FCA authorisation,

2.3 *Additional CMA recommendations to the FCA*

- 2.3.1 CashEuroNet wishes to comment on certain of the additional recommendations to the FCA to be made by the CMA.
- 2.3.2 CashEuroNet is supportive of the recommendation that loan product information/results should be presented in ascending order of price unless the borrower requests a different presentation. CashEuroNet also agrees that the preferred pricing metric should be the "total amount payable".
- 2.3.3 CashEuroNet is also supportive of the recommendation that any authorised PCW should provide a search function and return results that reflect the key features of the loan the customer is seeking, including the ability to specify a desired loan amount, term (or repayment date) and repayment structure. The requirement that authorised PCWs should be as transparent as possible about all features of the loan (including the consequences of late or non-payment via the presentation of late fees and charges) is also supported by CashEuroNet.
- 2.3.4 In relation to the proposed exclusion of brokers or other third party intermediaries from the proposed PCWs, as previously stated, [§]. CashEuroNet is [§] in favour of the recommendation that authorised PCWs be required to disclose the number of lenders that they cover.
- 2.3.5 CashEuroNet submits that whilst it supports the FCA's proposal on that the total amount payable (being the total cost of credit plus the loan principal) is the most appropriate measure for ranking loans on a PWC, it would nevertheless welcome an opportunity to speak with the FCA to discuss issues that this approach may present.

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- 2.3.6 In relation to the CMA's recommendation that competitive neutrality in product ranking should extend beyond the initial sorting by price to any secondary sort criteria and that such criteria should also be independent of any commercial relationship with the PCW operator, CashEuroNet agrees and submits with respect to post-default charges that this approach will likely generate consumer benefit by incentivising lower late fees.

3 SUMMARY OF THE COST OF BORROWING REMEDY

- 3.1 CashEuroNet does not agree that customer account statements should be tied to repayment-in-full date for the customer's most recent loan. This proposal does not allow for cost comparisons between multiple providers, is difficult to implement and takes a form that is difficult for customers to recognise.
- 3.2 CashEuroNet submits that it would be preferable that all lenders must issue an annual statement to each customer at the same time and covering a defined period.
- 3.3 Concurrent statement delivery enables convenient cost comparison between providers and gives the consumer a clear picture of HCSTC use for the preceding year. It is difficult to understand how the customer will benefit from having statements delivered throughout the year in cases where the customer has switched providers.
- 3.4 The provision of routine annual statements will be simple for providers to programme and deliver. It is less complicated to code a date-driven process than an event-triggered process. Further, an annual process has much lower compliance and quality assurance burdens than testing for statements that are generated daily throughout the year.
- 3.5 CashEuroNet submits that an appropriate approach would be to require that the statement must be delivered by 31 January and incorporate all loans taken by that customer during the preceding 1 January to 31 December period.

4 CONCLUSION

- 4.1 CashEuroNetUK maintains that the advisory board feature will foster efficiency and fair competition for HCSTC PCW sites both in the short and long-term. The board will augment FCA's compliance and competition functions and do so in a way that is not confusing to consumers.
- 4.2 Coordinated annual account activity statements are preferred for maximum customer utility, reliability and ease of implementation.
- 4.3 Should you have any queries, please contact Andy LaPointe in the first instance.