



13th January 2015

Payday lending market investigation: Consultation on amendments to the price comparison website and the statement of borrowing remedies.

The Consumer Finance Association (CFA) is pleased to have the opportunity to comment on the CMA proposed amendment to the price comparison website (PCW) and the statement of borrowing remedies.

Price comparison website

The CFA agrees with the revised CMA proposal to implement the PCW through the FCA's authorisation regime. This will be a more efficient approach and reduce the risk of confusion around whether or not a PCW is authorised.

We support the other changes proposed by the CMA, such as including online lenders only and allowing lenders who are able to demonstrate to the CMA that they have been unreasonably excluded from PCWs to continue to provide loans.

The CFA is confident that at least one existing PCW will come forward and work with lenders to set up a price comparison tool for short-term loans. However, in the event that an authorised PCW does not come forward, the CFA is concerned that six months is insufficient time for the industry to identify, commission and achieve authorisation for its own PCW. The FCA authorisation process is not a simple process and it is likely that it would take at least six months to commission a PCW, ensure it has the necessary structures, systems and controls in place and bring together the information necessary for an application for FCA authorisation. The CFA believes the time allowed for this contingency position should be extended to at least twelve months.

Summary of the cost of borrowing remedy

The CFA continues to have concerns about the value that this remedy offers to consumers. The proposals need further consideration, taking account of experience elsewhere in the consumer credit market. We suggest that consumers are consulted for their views on what information would be helpful to them. The CFA believes the introduction of the price cap also reduces the value of this remedy to consumers. The price cap means the cost of a loan cannot go above a specified level, so a statement will simply show how many loans have been taken in a fixed period at a uniform cost. It is

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unlikely that customers will not be aware how many loans they have taken in a twelve month period or that they will change their decision to borrow as a result.

If the CMA is to proceed with this remedy, the CFA believes the amended definition of the 12-month period (a 12 month rolling period) to be covered by the statement should be used. This would have the advantage of enabling a consumer to see the cost of loans over the preceding twelve month period at any particular point in time, whether this be immediately after a loan is paid off or when a customer is considering taking out another loan. This approach is also consistent with the information a customer would see when they accessed their account with an online lender. Any requirement to capture and store data at a particular point in time will have a cost to lenders and this cost is unlikely to be proportionate to the value to consumers of being able to access this information.

We would of course be happy to discuss these points with you further.

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