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13 January 2015

Dear Matthew Weighill

CMA MARKET INVESTIGATION INTO PAYDAY LENDING

Response to: Consultation on amendments to the price comparison website and the statement of borrowing remedies

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 organisations 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 amendments to the price comparison website and the statement of borrowing remedies. Our detailed response is outlined below. We are happy for our comments to be made public.

Response

Overall we welcome the proposed remedies though we make a number of important comments in relation the proposed price comparison website.

Price comparison website remedy

We support the Financial Conduct Authority (FCA) considering Price Comparison Websites (PCW) to be credit brokers that will need to be authorised and therefore come under FCA controls. This seems

a practical solution and saves setting up a separate regime.

However the FCA needs to consider the following points and put systems in place to avoid:

- Possible close links between a Payday Lender and a PCW – currently many brokers/lead generators have common ownership. What is there in place to stop a lender creating a new and apparently unlinked company in order to set up a PCW? The FCA need to have a clear ban on the use of accommodation addresses/virtual offices for brokers registering with them as this is one method used to obscure identity.
- The danger of too many PCW's being created and only serving limited numbers of lenders – or excluding some lenders.
- The possibilities and associated dangers of the advertised loan being only available in limited numbers. They Payday lender may use “bait and switch” tactics. This has been a problem with holiday promotions when only a few packages are sold at the banner price with most consumers ending up with a more expensive holiday. The Advertising Standards Authority (ASA) may be able to help the FCA in drafting guidance to control this happening. The FCA should also consider links with the Pricing Practices Guide which is currently being reviewed <http://www.tradingstandards.gov.uk/policy/ppgreview.cfm>

Additionally the FCA needs to consider how consumers and lenders can complain about problems with PCWs. How would a consumer raise the issue of not receiving a loan at the advertised rate? The ASA, Financial Services Ombudsman and the Citizens Advice consumer service will be sources of complaint data for the FCA.

The FCA rules need to have clear specifications for PCWs (see para 32 in consultation paper).

The FCA needs to set rules to ensure there is clarity between credit brokers, lead generators and PCWs and that consumers understand the relationships between them and lenders. This must be something that the FCA builds into any authorisation process.

The FCA will need to ask applicants if they intend to run a PCW.

It is proposed that High Street lenders, with no online presence, need not subscribe to a PCW. Although CMA research suggests most users of high street lenders do make on line checks a significant minority (17%) of consumers may lose out on any benefits of competition. We would ask that more thought be put into protecting this small but possibly vulnerable group of borrowers.

We look forward to seeing the outcome of this consultation.

Yours sincerely

Grace Hussey

Chair of Islington Debt Coalition Payday Loan Working Group
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Circulation: Islington Debt Coalition, Payday Loan Working Group.

