

## **COMMENT FROM THE FINANCIAL OMBUDSMAN SERVICE**

Thank you for giving the Financial Ombudsman Service the opportunity to comment on the Competition and Markets Authority's draft Payday Lending Market Investigation Order 2015. We have one small observation on the text of the report, relating to a reference to the ombudsman service on page 290.

Paragraph 9.22 (pp. 289-290) reads:

*"We considered the reputational barriers to entry that exist in the market. We considered that introducing specific minimum standards for payday loan PCWs would complement the emerging regulatory and enforcement regime of the FCA in improving the perceived reputation of the market. This would help address some of the concerns that non-payday lenders (such as mainstream credit suppliers) and other established businesses (such as PCW operators) raised as factors that have inhibited entry so far. In addition to the points identified in paragraph 9.21, a payday loan PCW operating under set standards would allow lenders to attract new borrowers without having to rely on advertising, direct marketing or the use of lead generators, which have been a significant source of new loans for existing lenders but which have also been the subject of a number of concerns from consumer groups. [Footnote 565]"*

In its current drafting the final sentence of the paragraph, and footnote 565, might be taken to imply that the Financial Ombudsman Service is a consumer group. This would be inaccurate. The ombudsman is an independent service for settling disputes between consumers and financial businesses, not a body that represents consumers.

To avoid accidentally misleading readers of the report, we would be grateful if the drafting of the final sentence of paragraph 9.22 could be amended. For example, the end of the sentence might alternatively read:

*"...which have been a significant source of new loans for existing lenders but which have also been the subject of a number of concerns from the Financial Conduct Authority and the Financial Ombudsman Service. [Footnote 565]"*

We hope that's helpful. Once again, thank you for the opportunity to comment on the draft.

**Financial Ombudsman Service**

**1 June 2015**