

Invitation to Comment: Whether the CMA should launch a review of Part 3, Article 29 and Part 1 of Schedule 4 of the Home Credit Market Investigation Order 2007

We are the Consumer Credit Trade Association (CCTA), one of the longest-established trade associations in the financial services sector. We represent over 150 regulated firms in alternative lending and are at the heart of a more extensive network of smaller firms.

These are, generally, smaller firms involved in various alternative lending sectors such as home-collected credit, high-cost short-term loans, motor finance, logbook loans, pawnbroking, and lending for smaller retailers.

Throughout our long history, we have represented many of the well-known Home-Collected Credit providers and still do. We have seen the rise of the home-collected credit sector but, crucially, also its demise.

Market leaders have left the market.

Around 2013, the lending in the home credit market reached an estimated £1.2 billion. Over time and due to regulatory action, 80 to 90% of firms have exited the market, and lending is now only around £200-£250 million.

With the exit of five of the six largest lenders in the market, who funded the Lenderscompared website, we agree with the CMA's decision to suspend Part 3, article 29 and Part 1 of Schedule 4 of the Order.

It would be unfair and inappropriate for the one remaining lender to bear the cost of the six lenders combined. Therefore, the funding mechanisms contained in the original 2007 Order are no longer sustainable.

Given how the market size, both in terms of lenders and value of credit granted, has significantly declined, it questions whether the comparison tool is still required.

As the CMA acknowledges, there is a clear change in circumstances in the market:

- With only one of the six original large lenders remaining
- Through a significantly reduced number of overall lenders
- A much-reduced number of visits to the comparison site.

Likewise, specific lenders remain the only lending provider in certain postcodes. The comparison tool is ineffective in these postcodes as there is no other lender to compare against.

Wider market decline.

Furthermore, the market is continuing to decline. In 2019, there were approximately 400 firms still operating in the home credit market. Currently (2024), about 160-170 lenders remain.

In addition to this, following a Freedom of Information request to the FCA in 2022, CCTA found that no permissions were granted to any new firms for three years.

The CMA can obtain this information from the FCA, but it is evident that as the market declines and the supply of home-collected products declines, no new firms are coming in to address the reduction in supply.

There are more extensive questions as to the future of Home-Collected credit.

The website is no longer sustainable.

This significant reduction in home credit loan supply calls into question whether enough lenders are remaining and providing home credit for the Lenders compared to be an effective price comparison tool.

Not only are there reduced providers to compare against, but the number of site visits has declined. In addition, firms are now required to provide evidence of price and fair value under their Consumer Duty requirements introduced by the FCA.

This requirement did not exist at the time of the initial 2007 Order, so price competition is still a requirement for home-collected firms. We feel there would be a relatively low impact on consumers if this part of the Order was revoked.