

## **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 home-collected credit sector rise but, crucially, the demise in recent years.

Our core message to the CMA is that the market differs considerably from the one it reviewed over a decade ago.

We welcome the recognition by the CMA that there are applicable changes in circumstances that must be reviewed. Those changes being, as the CMA highlights:

- A reduction in the number of 'large' lenders
- A reduction in the number of home credit lenders in general and, ultimately, the reduction in supply of the home collected credit product
- A reduction in the number of visits to the comparison site

### **Reduction in 'Large' lenders**

The market is well aware of the exit of five of the original six large lenders who were part of the 2007 Order.

There is one remaining large lender (Mutual). For transparency they are a long-standing member of the Consumer Credit Trade Association.

Even medium-sized lenders are either exiting the market or scaling back operations. Due to administration, CLC Finance (Hamsard 3225), a medium-sized lender and past CCTA member, exited the market.

As a Trade Association, we know that other small-to-medium sized firms have, or are planning to, exit the market and/or move to traditional online lending (we are unable to disclose names due to confidentiality).

As mentioned in our first Invitation to Comment, from 2019 to date, the number of overall lenders has decreased from 400 to approx. to 165 firms. We believe none of these remaining firms have national coverage, and in some cases, some postal code areas do not even have a home credit provider remaining.

Therefore, we believe that the original Order aimed at maintaining transparency and competitiveness in the market no longer works.

Furthermore, as the CMA states, Morses Club's exit before paying their share towards the lenders-compare website means that there would be insufficient funds to continue operating the website for 2024.

There is no firm scaling up (or large enough) to step in and fill the gap. Going forward, it cannot be left to one lender to fund this. This is unsustainable and unfair.

### **Reduction in supply of Home-Collected Credit loans**

It is now well documented that access to credit in the home credit market has significantly contracted. At the height of the market, home collected credit loans issued totalled over £1.3 billion per year. With 80 to 90% of firms having exited the market and lending is now only around £200-£250 million.

This data is available on the FCA website and has also been noted in the recent Fair4All research.

Heavy regulatory intervention, coupled with high costs to maintain 'field agent'-based models, has taken a significant toll. This is why we now see a sector that is only 10-15% of the size it once was. In addition, the CCTA made an FOI request to the FCA in 2022. The response highlighted that the regulator had not issued any new authorisations to any home collected credit firm. There is simply no one new entering the market either.

Whilst the Order was relevant and an argument was made when it was introduced, continuing to apply it today is seen as unnecessary and does not serve its former purpose.

The supply of home credit continues to contract year after year. In our view, it is clear that the Order is no longer appropriate and should be revoked.

### **Effectiveness of the price comparison website**

Whilst the original purpose of the website, back in 2006/7, was to provide transparent price comparison in the home collected credit market for consumers, the introduction of the FCA regulation in 2013/14, coupled with the new Consumer Duty requirements, mean that lenders are required to be as transparent as possible. The FCA regulations require lenders to publish Representative Examples as well as ensuring the price paid by consumers represents fair value. There is no additional information provided by the price comparison website that lenders are not already required to provide.

Therefore, whilst the site was a useful comparison tool at the time, the reduced number of providers now means that 'comparison' is impossible at the intended level. Some postcode areas do not have any providers at all to compare. For other areas, there is only one provider.

Similarly, the number of consumer visits has also declined. This is partly due to no comparisons available in certain postcode areas, but largely down to the reduction in the number and supply of the home collected credit product.

We are also in a different environment, and there are other ways to find credit and provide comparison.

As the CMA recognises, visits to the website have dropped by around 60% from 2017 to 2023. Our view is that even those consumers visiting the website will largely be doing so through the lender's website. Consumers will largely be unaware of the website themselves, i.e., going directly to the website to choose/compare suppliers.

**It is clear that the original home credit order is now no longer effective, does not provide the benefits it was intended for and should be revoked. Your focus is on the necessary changes around the website, but the larger question remains.**