



Notification Number: 2015/235/UK

PAYDAY LENDING MARKET INVESTIGATION ORDER 2015

Date received : 01/05/2015

End of Standstill : 03/08/2015

Issue of comments by : Commission

Message

Message 001

Communication from the Commission - TRIS/(2015) 01310

Directive 98/34/EC

Notificación - Oznámení - Notifikation - Notifizierung - Teavitamine - Γνωστοποίηση - Notification - Notification - Notifica - Pietiekums - Pranešimas - Bejelentés - Notifika - Kennisgeving - Zawiadomienie - Notificação - Hlásenie-Obvestilo - Ilmoitus - Anmälan - Нотификация : 2015/0235/UK - Notificare.

No abre el plazo - Nezahtuje odklady - Fristerne indledes ikke - Kein Fristbeginn - Viivituste perioodi ei avata - Καμμία έναρξη προθεσμίας - Does not open the delays - N'ouvre pas de délais - Non fa decorrere la mora - Neietekmē atlikšanu - Atidėjimai nepradedami - Nem nyitja meg a késések - Ma' jiftaħ il-perijodi ta' dawmien - Geen termijnbegin - Nie otwiera opóźnień - Nao inicia o prazo - Neotvorí oneskorenia - Ne uvaja zamud - Määräaika ei ala tästä - Inleder ingen frist - Не се предвижда период на прекъсване - Nu deschide perioadele de stagnare - Nu deschide perioadele de stagnare.

(MSG: 201501310.EN)

1. Structured Information Line

MSG 001 IND 2015 0235 UK EN 01-05-2015 UK NOTIF

2. Member State

UK

3. Department Responsible

Department for Business, Innovation and Skills
European Reform Directorate
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3. Originating Department

Competition and Markets Authority
Victoria House,
37 Southampton Row,



London, WC1B 4AD

4. Notification Number

2015/0235/UK - SERV

5. Title

PAYDAY LENDING MARKET INVESTIGATION ORDER 2015

6. Products Concerned

The Payday Lending Market Investigation Order 2015 will apply to the provision of payday loans, which are defined as unsecured loans with an APR equal to or greater than 100%, taken out for 12 months or less, and where the amount borrowed is less than £1,000 (excluding home credit loan agreements, credit cards, store cards, credit unions and overdrafts).

7. Notification Under Another Act

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8. Main Content

The Payday Lending Market Investigation Order 2015 would require the following:

1. Online payday lenders are prohibited from entering into any payday loan agreement with borrowers in the UK unless they cause up to date details of their payday loan products to be continuously published on at least one payday loan price comparison website (PCW) that is authorised by the Financial Conduct Authority (FCA).

Each online lender is required to display a hyperlink prominently on its own website to at least one FCA-authorised PCW on which its loans appear and/or to a web portal containing hyperlinks to all FCA-authorised payday loan PCWs in the event that such a web portal has been created.

Where no authorised payday loan PCW exists within a period specified in the Order, a fall-back position will require online lenders individually or collectively to commission a payday loan PCW and apply for authorisation.

The prohibition will not apply where an online lender can prove to the CMA's satisfaction that it has been unreasonably excluded from all FCA-authorised payday loan PCWs.

2. Online and high street payday lenders are prohibited from entering into any agreement to supply payday loans to UK customers unless they ensure that a summary of the cost of borrowing with that lender is made available to the borrower, and the borrower is informed of how to obtain this summary.

The summary will tell borrowers what the total cost of their most recent loan was, as well as the cumulative cost of their borrowing with that lender over the previous 12 months and how late repayment affected their cost of borrowing.

9. Brief Statement of Grounds

In its investigation into the payday lending market, the CMA concluded that features of the market for the supply of payday lending in the UK prevent, restrict or distort competition and thereby have an adverse effect on competition (AEC).



The CMA decided on a package of remedies to be implemented by it in order to remedy, mitigate or prevent the AEC and detrimental effects flowing from the features identified in paragraphs 30 to 52 of the Payday Lending Market Investigation Final Report, dated 24 February 2015.

The Payday Lending Market Investigation Order 2015 gives effect to some of these remedies. Other remedies are the subject of recommendations to the Financial Conduct Authority to take action, specifically in relation to standards to be adopted by the operators of price comparison websites and the transparency of operations of lead generators.

The Order will remedy the AEC that we have found in the following manner:

(a) Measures to promote shopping around through the use of PCWs with greater functionality, in particular a requirement for online lenders to publish details of their loans on an FCA-authorised payday loan PCW combined with a recommendation to the FCA to raise the standards which apply to payday loan PCWs. We have identified a number of aspects of our AEC which this remedy will address:

(i) We consider that encouraging the development of PCWs with greater functionality will allow customers to easily and quickly compare multiple loan products to establish the best-value loan product for their needs. Customers find this difficult to do at present and in any event often do not perceive there to be significant differences between loans. This remedy also helps address the context in which borrowers take out loans, where customers often perceive a sense of urgency.

(ii) Clear presentation of fees and charges on a competitively neutral basis will make it easier for customers to identify loan costs, including those arising from late fees and charges.

(iii) By presenting loan products in ascending order of price, new lenders can seek to enter the market and gain share by competing on price and improving brand awareness through being present on a PCW.

(iv) Our requirement for lenders to provide a hyperlink on their websites and on summaries of the cost of borrowing will increase customers' awareness of the availability of PCWs and reinforce the effectiveness of the remedy.

(b) A requirement for all lenders to provide existing customers with a summary of the cost of borrowing:

(i) By presenting borrowers with a summary of the cost of their borrowing and identifying the impact of late payment, this remedy seeks to encourage customers to actively shop around and to address customers' over-confidence in their ability to repay a loan and their insensitivity to fees and charges for late payment.

(ii) By providing details of one or more PCWs this will encourage shopping around and increase customers' understanding of the costs of their loans.

10. Reference Documents - Basic Texts

References of the Basic Texts: Payday Lending Market Investigation Final Report, dated 24 February 2015.
Draft Explanatory Note to the Payday Lending Market Investigation Order 2015.

11. Invocation of the Emergency Procedure

No

12. Grounds for the Emergency

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13. Confidentiality

No



14. Fiscal measures

No

15. Impact assessment

Yes

16. TBT and SPS aspects

TBT aspect

No - The draft has no significant impact on international trade

SPS aspect

No - The draft is not a sanitary or phytosanitary measure

European Commission

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