

**Title:**

Doorstep Lenders Receiving Unwanted Interest

**Word Count:**

570

**Summary:**

Unwanted interest has come from sources including industry regulator, the Competition Commission (CC), following an Office of Fair Trading (OFT) investigation which was in turn sparked by a super-complaint lodged by the National Consumer Council (NCC).

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**Keywords:**

payday loans, financial comparison, doorstep lenders

**Article Body:**

Unwanted interest has come from sources including industry regulator, the Competition Commission (CC), following an Office of Fair Trading (OFT) investigation which was in turn sparked by a super-complaint lodged by the National Consumer Council (NCC).

Doorstep loans offer small short-term loans to people who are on low incomes or without access to bank accounts, with repayments being collected weekly or fortnightly by collectors who directly call at the customer's homes.

Peter Freeman, chairman of the CC, said, "Customers value home credit because it suits their needs very well but the fact is that they are paying too much for it, because of the lack of competitive pressure in the market."

The regulator found that the lack of competition in the home credit market has meant that customers had, in their opinion, been overcharged by £500m during the past five years.

Peter Freeman believes, "Price competition between the existing lenders is weak, partly because customers seem insensitive to prices, given the greater value they place on factors such as the convenience of the loan and the difficulty in

comparing prices between companies."

Although there are more transparent alternatives to doorstep lenders through such high street companies as My PayDay Loan (<http://www.mypaydayloan.co.uk> ), which provide quick access short term loans, the six major door-step lenders still account for about 90% of the market, with the largest, Provident Financial, currently owning 60% of the £2bn per year industry.

Whereas there is ample regulation and there are high levels of competition for traditional unsecured loans, with financial product comparison sites like MoneyNet (<http://www.money.net.co.uk> ) providing consumers with quick access to comparisons across the standard loan industry, there is little competition and product comparison information is not readily available from doorstep lenders. The CC announced that the lack of adequate competition within the market was allowing lenders to overcharge their most vulnerable customers.

The CC recommended a series of changes to help reduce the problem, including suggestions that the lenders provide better information on their pricing and introducing regular statements in an effort to allow customers to shop around easier. Another suggestion to promote increased competition which was put on the table was for more data sharing with the credit reference agencies by the lenders about their customers' credit histories. The CC also threatened that if lenders did not follow the recommendations, then in future it might impose a price cap on the maximum interest payable for these types of loan.

The CC's announcements have provoked a furious reaction from the doorstep lenders who have challenged the calculations and the conclusion that this sector of the loan industry was making excessive profits.

A representative for Provident stated, "Customers are not being overcharged for their home credit loans nor is the home credit sector making excessive profits."

Provident commented that the method of calculating the loan profitability was "flawed", as it did not include the intangible costs of running a network of agents who collected payments door-to-door.

Peter Freeman, chairman of the Competition Commission, said recommendation by the CC might help to encourage some of the more mainstream banks to extend their lending practices into lending to lower-income customers.

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