

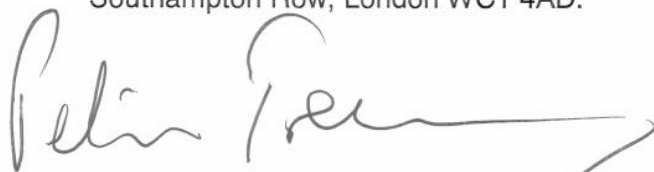
**The Home Credit Market Investigation Order 2007**

**Notice of intention to make an Order  
under section 165 of, and Schedule 10 to, the Enterprise Act 2002  
and public consultation on the proposed Order**

1. On 20 December 2004, the Office of Fair Trading (OFT), in exercise of its powers under section 131 of the Enterprise Act 2002 (the Act), referred to the Competition Commission (CC) for investigation and report, the supply of home credit in the UK. The OFT made the reference to the CC following receipt of a supercomplaint from the National Consumer Council under section 11 of the Act.
2. The CC investigated the matters referred to it in accordance with section 131 of the Act and concluded, in accordance with section 134(1), that there were features of the market, either alone or in combination which prevent, restrict or distort competition within the relevant market, and in accordance with section 134(2) that an adverse effect on competition existed.
3. The CC found that the features which prevent, restrict or distort competition in this market fall into three categories:
  - (a) Factors which contribute to the weakness of price competition:
    - The insensitivity of customers to measures of price other than the level of weekly repayments. This is exacerbated by the difficulties of comparing products.
    - The failure of lenders to compete in any significant way using price as a competitive weapon. This also encompasses failure to compete on rebates.
  - (b) Information shortfalls which contribute substantially to incumbency advantage:
    - The inability of customers to convey information about their creditworthiness to lenders with whom they do not currently have a relationship.
    - The asymmetry of information about customers' creditworthiness between lenders which have a relationship with the customer and lenders which do not.
  - (c) Factors which contribute to the preservation of incumbency advantage and the absence of price competition:
    - The lack of data sharing.
    - The inability of agents not already known to a customer to convey their reliability to that customer.
    - The regulatory prohibition on door-to-door canvassing of cash loans.
4. The CC found that there was a detrimental effect on customers resulting from the adverse effect on competition and considered, in accordance with section 134(4)

whether action should be taken by it, or whether it should recommend the taking of action by others, for the purpose of remedying, mitigating or preventing the adverse effect on competition concerned or the detrimental effect on customers so far as it has resulted from, or may be expected to result from, the adverse effect on competition.

5. The CC consulted on a range of possible actions outlined in a Remedies Notice published on 28 April 2006. In its Report, published on 30 November 2006, the CC considered that a package of remedies consisting of the following key elements would be effective and proportionate in remedying the various features of the market identified as having an adverse effect on competition:
  - (a) Home credit lenders will be required to share data on the payment records of their customers through credit reference agencies;
  - (b) Home credit lenders will be required to publish the prices of their home credit products on an independent website and will also be required to provide certain items of information on request to customers;
  - (c) Statements of loan accounts will provide information that is relevant to home credit customers. Customers will also be able to request statements without charge;
  - (d) Rebates paid when loans are settled early will be calculated on a fair basis. In calculating a minimum rebate, no home credit lender will be allowed to defer the settlement date for more than 13 days or to use actual payments rather than contractual repayments as the basis for calculation.
6. The CC indicated in the report that it intended to implement the remedies by an order rather than undertakings. The CC now gives notice of its intention to make an Order. A draft of the Order is attached. The CC invites written representations from any interested person or persons.
7. This notice and the draft Order together with an Explanatory Memorandum have been published on the CC website.
8. In accordance with paragraph 2(2)(f) of Schedule 10 to the Act, which requires that consultation extends for a period of not less than 30 days from the date of publication of this notice, representations should reach the CC by 30 July 2007.
9. Comments on the draft Order should be provided to the CC, preferably electronically, or in writing and should be addressed to: [douglas.mccreadie@cc.gsi.gov.uk](mailto:douglas.mccreadie@cc.gsi.gov.uk) or Douglas McCreadie, Inquiry Secretary, Competition Commission, Victoria House, Southampton Row, London WC1 4AD.



Peter Freeman  
Group Chairman  
Competition Commission  
29 June 2007.