

Introduction

Cash Finance Direct Limited trading as Horizon Finance operates a Consumer Credit live service.

The service was created to address the needs of consumers seeking loans who may not receive a great deal of assistance from lenders operating an 0800 telephone service, unless the caller fell into a narrow group of likely borrowers who required financial products, there was little value of the enquiry to the lender in question.

Potential borrowers, particularly those seeking personal unsecured loans would often be quickly disregarded by the call centres operated by most financial institutions. There was simply not enough commission in the financial transaction for those calls to be continued.

Cash Finance Direct therefore based its business model on providing a new service to consumers seeking loans and whose needs were not being met by Lenders. A licence was granted to operate the premium rate service in 1999, we are licensed to take information pertinent to a loan enquiry by way of a first call for a maximum duration of fifteen minutes, the callers personal details are captured by a live telephone operator and forwarded to potential lenders via electronic means in the hope of obtaining an offer of finance. The caller is invited to either wait for the lender to contact them directly with the outcome of their enquiry using the details they provided, or offered the use of a results service, which is a second premium rate call lasting no longer than ten minutes in duration, providing feedback and lenders details relevant to the enquiry.

All calls are charged at £1.53 per minute, all scripts and promotional material state the cost of the call per minute, and the total maximum cost and duration of the call allowing the user to make an informed decision prior to any call being made and cost incurred. All clients must demonstrate minimum criteria before the premium rate number is promoted, ensuring that only those clients who we feel have a good chance of success, will be invited to use the service. Every caller is advised that we cannot guarantee the acceptance of a loan, within both the promotion and any subsequent live premium rate call.

Once a caller is connected, an automated recording will further confirm the company name, cost of the call and maximum call cost and duration before continuing their enquiry, so ensuring that on every single occasion, the caller is fully aware of the company they are dealing with, the pricing structure and length of call before deciding to continue.

If, within the fifteen or ten minute time frame we have to speak to the caller we are unable to take all of the details necessary, or provide the feedback the client requires, we employ a customer services department which will attempt to call the client back within the hour and complete their enquiry or provide the enquiry result at our expense. We also provide this direct number within the scripts we use and also on our web site to ensure that if there are any further questions raised as a result of their enquiry, they can be dealt with by using a 0800 number, completely free of charge to the user.

Should the caller wish to bypass the premium rate telephone service, we also offer an online enquiry service, where the enquiry can be made through our web site, and a postal enquiry form that can either be downloaded from our web site, or sent by 1st class post for completion by the client, which will be data inputted on return to our offices and forwarded to our lending panel, normally on the same day, all of these services are offered completely free of charge.

We have a "no questions asked" refund policy which is open to all and completely without restriction, all we ask that if available, a copy of the clients telephone bill is sent to us through our

freepost service, where a full refund of all costs associated with our service is made. Details of this refund policy are provided within the initial script, including all promotional material, and also highlighted in detail on our web site, along with our complaints procedure.

We are jointly regulated by both Phonepay Plus, and the Office of Fair Trading. The OFT permits CFD to retain £5.00 of the costs incurred by the caller to cover our administration costs, however, we choose not to retain any of the income received and refund 100% of the costs incurred by the caller as a gesture of goodwill.

We are members of Action4, executive members of AIME, and trade members of the Consumer Credit Trade Association, so ensuring that any updated regulatory requirements, whether Premium rate or Consumer Credit, are communicated and swiftly implemented into our service.

We are fully transparent and seek to hide nothing at every stage of the promotion and eventual use of our premium rate service to all callers, our web site further explains in great detail how we work, and why we use premium rate numbers as part of our enquiry service. It also displays our investor in people accreditation demonstrating the commitment we have to staff training, including an extensive apprentice and NVQ programme, and the benefit this has for the users of our service along with our ISO 9001 award for quality management systems. We also employ an internal compliance department that constantly monitor every aspect of the level of service we offer, all agents are monitored on a regular basis and scored against exacting benchmarks to ensure they achieve the expected level of service we wish to offer our clients.

Since 1999, we have handled in excess of four and a half million premium rate live service calls, and generated in the region of fifty million premium rate minutes. We employ over 160 staff and spend in excess of £350,000 annually in compliance and training alone to ensure that our operation enjoys what must be one of the highest levels of compliance per live call in the industry.

We enjoy an unprecedented low level of complaints from the users of our service, information provided by the executive in recent years demonstrates that as little as one in every 18,750 potential customers has ever sought to raise any form of question in relation to the service we operate, further reinforcing the transparency and exceptional value for money the service we operate provides to those who choose to use it.

General

Cash Finance Direct is pleased to respond to the consultation for potential changes to the prior permission Consumer Credit Services.

The consultation has been triggered by recently updated guidance provided by the Office of Fair Trading, and also new best practice measures proposed by BIS. The OFT and BIS updates have been created in response to a super-complaint raised by the Citizens Advice Bureau in March 2011 concerned at potential consumer harm. Both updates relate to the consumer credit market, more specifically Payday, Debt Management and fee charging, the latter being where clients are charged an upfront fee (as much as £70.00) prior to any submission to a lender or any form of offer of a loan being made. The CAB report refers to the Premium rate element specifically in relation to unscrupulous firms whom have either taken a fee for a service they have not offered, or taken money directly from a consumers bank account without permission, and then provided a premium rate telephone number as the only means of contact, with complete disregard for the pricing and other relevant regulatory requirements in accordance with the 12th code.

Since the date of the super-complaint, we have been the subject of an extremely thorough and lengthy audit by BIS, who are satisfied that the service is operated in a fully compliant and proper manner in accordance with all current regulatory requirements.

Questions

Q1. Do you have any views on the PRS consumer credit model, the potential benefits and risks to consumers and the interaction between OFT, BIS and PhonepayPlus regulations?

The Consumer Credit model provides real value, convenience and choice for consumers, it costs a third of the price of most traditional fee charging brokers mentioned within the CAB's super-complaint. It is fully transparent at every stage and consumers are made fully aware of any costs attributed prior to, and during the use of the service. We offer free to use alternatives through the use of paper based enquiry forms and online web page which the fee charging brokers simply cannot compete with.

As a live service, we are able to offer a completely bespoke, one to one tailored service for each and every client, each enquiry is treated individually, and the needs of the clients are considered at all stages. A single enquiry can be sent to multiple lenders simultaneously, vastly reducing the time it would take the client to apply individually to each and every lender on our panel. Once an offer is made by the lender, the consumer simply selects the offer best suited to their needs. If there is any element of the service the consumer may be dissatisfied with, regardless of the outcome of their enquiry, the client is able to secure a full refund with the minimum of effort, and at no further cost.

As Phonepay Plus has not sought to update the Consumer Credit Prior permission service prior to the consultation, it reaffirms that the service is working well for consumers, indeed, we note that Phonepay Plus has responded to the report directly to the OFT confirming that the Consumer Credit services operating within the PRS market generate a very low level of complaints.

The OFT is responsible for issuing a Consumer Credit licence, currently a requirement of a Prior Permission certificate, the licence is only issued to those who demonstrate a "fitness test" that satisfies the OFT the business will be operated to the standards expected, including compliance with their legal obligations, activities from advertising and sales, through to refund of fees and complaints handling.

Just as we would look to Phonepay Plus for any form of guidance and compliance advice in relation to the operation of any premium rate service under the 12th code, equally, we would look to the OFT for guidance and compliance advice in relation to credit services, recognising each regulatory body has a specific role and responsibility within the overall service offered to consumers.

Acknowledgement of both BIS and the OFT's specialist knowledge and extensive research into the general credit market has resulted in updated guidance and best practice measures, it is important that their advice and guidance is incorporated within the service we operate, and not exceeded.

Q2. Do you have any views on the new conditions we are proposing for transparency around rates of interest charged and their impact on either consumers or providers? Please provide any evidence to support your views.

We support the provision of interest rates to the consumer prior to using the service; this is already incorporated within the service we operate.

Q3. Do you agree with our assessment that publishing the average acceptance rates of lenders will help consumers to make an informed decision? Please provide any evidence to support your views.

Although we are not opposed to publishing the average acceptance rates of lenders, we would ask why this is a unique requirement of the consumer credit industry.

Will this be extended to other services where they are required to display their effectiveness in the form of conversion, or success rates, such as Tipster services, the effectiveness of professional advice, dating pairing rates, gambling pay-out rates etc.

Q4. Do you have any views on the impact this may have on PRS-based providers? Please provide any evidence to support your views.

As we already state to clients prior to, and during the use of the service that the loans we provide are not guaranteed, we feel that publishing the acceptance rates will merely serve to provide the consumer with a greater level of transparency and therefore not have an overly adverse impact on the service we operate.

Q5. Do you have any views on the new condition we are proposing for the price transparency of calls and its impact on consumers or providers? Please provide any supporting evidence.

The price per minute and total cost and time duration is already promoted within the service, we therefore feel that the new pricing conditions will merely serve to provide the consumer with a greater level of transparency and therefore not have an overly adverse impact on the service we operate.

Q6. Do you have any views on the new conditions we are proposing around the total number of calls and their impact on consumers or providers? Please provide any supporting evidence.

We require all clients to pass an initial criteria check to ensure that the premium rate service is only offered to those who we feel have a good chance of being successful.

We restrict any client from using the premium rate service more than once within an eight week period as their chances of further success are reduced within such a short time frame.

We utilise an auto call cut off to ensure that no call ever exceeds the maximum time threshold; any incomplete enquiry is completed at our expense through the use of a customer services department.

To further restrict the number of calls or the way the service operates will render the business costs and viability of the service offered completely unsustainable. This will see the closure of a business that employs over 160 staff which has operated for the last fourteen years and helped many hundreds of thousands of clients to achieve their goals.

The outcome of any enquiry is as unique as the individual and reflects the client's circumstances and requirements, any offer made by a lender will therefore be completely unique to the panel, there is a variance of interest rates, repayment terms, loan styles, supporting documentation, the speed of completion, and more besides that varies significantly between lenders.

Every client is offered the choice at the end of the initial call to either wait for the lender to contact them directly over the coming 4-5 days, or if they wish to discover which lenders we have sent them to sooner, they are able to call back in around an hour via a second call. Every client is told that any follow up call will not speed up their enquiry.

On this second call, we are able to advise the names of the lenders, in most cases we are also able to confirm an accept or decline decision directly from the lender through an XML feed, confirm the interest rates and typical repayments for the loan, provide telephone contact details of the lenders or address and opening hours of the clients local branch should an interview be required, confirm any further supporting documentation the lender requires pertinent to their loan enquiry, explain to the client which contact mediums the lender will use to follow up from their enquiry to ensure that vital communications are not deleted as they are assumed to be spam SMS messages or junk email, and more besides.

Recommendations made by both BIS and the OFT's specialist and extensive research into the general credit market has resulted in updated and specific guidance and best practice measures, it is important that the advice and guidance is adhered to and incorporated within the service we operate. The total number of calls does not form part of this guidance and therefore it is imperative that Phonepay Plus is proportionate in its proposals, including any suggestion to restrict the number of calls permitted to the service. There is no requirement to go beyond the guidance offered by BIS and the OFT and therefore no restriction should be placed on the clients being able to decide if they wish to make the second call or simply wait for the lenders to contact them directly.

Q7. Should PhonepayPlus consider introducing new measures to improve refund rates for eligible consumers?

A full refund of all call costs is offered to every client at the stage of promotion, both on the first and any second call, and also through any communication to our customer services Freephone line, it is further promoted through our web site, there can be no doubt that the clients are fully aware of the "no questions asked" refund policy we have employed for the last 14 years.

Indeed, Phonepay Plus has previously stated that we "offer refunds beyond that required"

To "improve" refund rates suggests that there is a higher element of clients who are not satisfied with the level of service they have received; this would of course be reflected within the number of complaints which is amongst the lowest in the industry.

Will other PRS services be the subject of a refund policy? Would this result in consumers being forced to accept refunds in relation to a service due to value based opinions, for example, a horoscope that failed to come true, a tip for a horse that did not win the race, a directory enquiry search that failed to locate the number, a ringtone that failed to please, etc.

To consider improvements in the refund rates for consumer credit services would be unfair and disproportionate without comparing them to every other services operating under the guidance of Phonepay Plus. Only then could a true benchmark be made against all other services to determine if the current refund rates need to be improved, or if in fact they should be applauded as they are far higher than that of any other service.

Q8. Do you have any views on what steps could be taken to improve the current refund rates?

To artificially impose a rate that refunds must be issued to would not be practical, what criteria would be used to determine who is to be issued with a refund and who is not?

The current mechanism and guidelines as directed by the OFT require a customer to make a request for a refund, we provide clients with a Freephone number, freepost address and an email address to request a refund. All requests are honoured, and processed in a prompt and courteous manner.

Q9. Do you agree with our impact assessment? If not, why not?

The impact assessment suggests the implementation of all of the recommendations made by Phonepay plus may “present quite a challenge” and “may have a material impact on revenues”

By halving the number of calls to the service and engineering an artificial increase in refund rates, it will completely cripple any consumer credit business, and unfairly and disproportionately penalise those who choose to utilise premium rate services as part of the financial broker business model.

It will make it completely impossible for any new entry to market due to the restrictions placed on the way a business is permitted to operate.

Margins are already incredibly tight with little or no room for any further cost savings. For an entity who take great pride in their compliance with an extraordinary low level of complaints, the only way to make further savings is to reduce the amount we invest in compliance, we feel this is not a choice we wish to be forced into as it will reflect poorly on the industry in which we have been part of for the last 14 years.

Conclusion

We wish to express our continued intention to work closely with Phonepay plus, Action4, AIME and the CCTA to ensure that the recommendations from the OFT and BIS that have given rise to this consultation, are implemented swiftly and to the benefit of the consumer.

We hope to continue to enjoy a fair and proportional regulatory framework for the industry in which we work and longevity in the service we offer to our customers.