Online Payday Lending: UK Market Profile and Forecast 2014

Description: This market involves the provision of high-cost, short-term loans via a website. As well as 30-day loans designed to tide the borrower over until the next payday, the report includes other loans with interest rates of over 100% and terms of less than one year.

This report quantifies the market size, historical growth rates, segmentation patterns and levels of industry profitability while reviewing key factors behind these figures. This report also carries out an in-depth analysis of the relevant drivers of industry growth – in particular the macroeconomic environment and regulatory framework – setting out historical trends and available forecasts. Our forecast for industry growth is based on this analysis of historical trends and growth drivers.

Payday lending has emerged and grown into a major industry with customers measured in millions in just a few years. The industry is frequently in the news.

- Lenders are often criticised for charging high rates of interest which exploit low-income consumers
- However, many lenders inspire high levels of customer loyalty and enjoy satisfaction rates that would be the envy of the mainstream banks
- Recently, regulators have taken a great interest in the industry and many lenders have pulled out of the market

This report aims to explore the industry behind these statements, probe the factors which have driven its historical growth and recent more mixed performance and provide a view on how the market is most likely to perform in the future.

Other questions the report considers include:

- Why did payday lending grow so rapidly in the UK and what factors have made it develop more rapidly here than elsewhere.
- Who takes out payday loans and why?
- Who are the main companies in the market, who owns them and how have they performed?
- What impact is the FCA's price cap likely to have on the market in future?
- How are lenders adjusting their business models in response to it?

It is intended for:

- Operators of payday lending businesses themselves
- Investors in these businesses
- Potential new entrants to the market
- Market regulators and policymakers
- Banks, analysts, consultants and other parties with interests in the sector

This report is based on:

- Interviews with senior-level contacts across the high-cost credit market
- Extensive research into published industry sources
- In-depth analysis of the macroeconomic environment and relevant market drivers
- Financial analysis of the accounts of companies in the industry.

Information from these sources has been synthesised and presented clearly and concisely with extensive use of charts and tables to illuminate points and support conclusions. Market forecasts have been constructed using simple assumptions which are clearly stated. Supporting evidence is provided for our assumptions but readers can easily flex them to model alternative scenarios.

The report can assist with the exercises such as the following:

- business planning and strategy formulation
- acquisition search and screening
- due diligence
- investment decision-making
- industry regulation and policy-making

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