

High-Cost Short-Term Credit Price Comparison Websites

A behavioural study for the Financial Conduct
Authority



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Executive Summary

Summary of the study

This behavioural economics study for the Financial Conduct Authority was designed to test the impact of imposing a series of potential standards for Price Comparison Websites (PCWs) for High-Cost Short-Term Credit (HCSTC) products.

Among the standards tested were:

- display of all loans on a single page (with the alternative being the need to ‘click-through’ to see all offers);
- using Total Amount Payable (TAP) as the measure of price for the purposes of comparison (with the alternative being Representative Annual Percentage Rate of Charge (RAPR) as the measure of price for comparison, with respondents themselves able to calculate the TAP from a Representative Example);
- ranking loans in ascending order of price by TAP, with the alternative ranking semi-randomly to imply ranking by commercial relationships;
- banning advertisements; and,
- ability for consumers to filter loans by loan amount and term.

Findings

The largest single effect was observed when requiring all loans to be displayed on a single page, compared to displaying offers on two pages with the need to click through to the second page to see all loans (with the cheapest loan appearing on the second page). This was to replicate a situation where a PCW gives more prominence to loans for which it has a commercial relationship with a lender by putting them on the initial page, and requiring consumers to then actively click through to see all loans. 3% of respondents seeing PCWs with loan offers on two pages chose the cheapest deal, compared to 63% of respondents seeing PCWs with all loan offers displayed on a single page (as seen in Table 4). The difference in the proportion of respondents choosing the cheapest deal is statistically significant at the 99% confidence level. Fewer than 4% of respondents clicked-through in order to view all loans.

The second largest single effect was observed when imposing the standard of using TAP as the measure of price for comparison. The alternative to this standard was using the RAPR and not displaying TAP, with respondents able to use the representative example to calculate the TAP for their loan. Respondents who were not explicitly shown the TAP chose the cheapest deal 13.5% of the time, compared to 63% of respondents who were shown the TAP (as seen in Table 4). This difference is statistically significant at the 99% confidence level. This result suggests that at least three fifths of respondents may have understood that the cheapest deal meant the deal with the lowest TAP (as suggested by the proportion of respondents choosing the cheapest deal when explicitly informed of TAP). However, it was more difficult for respondents to assess the lowest TAP when they were not explicitly informed of it, but needed to calculate it from the representative example.

The third largest single effect was observed when imposing the standard of ranking loans in ascending order of price using TAP. The alternative to this standard was displaying loan offers randomly, but with one restriction: the cheapest deals were never on top. This was to imply a

situation where a PCW ranks loans by commercial relationships. Respondents who saw loan offers ranked randomly chose the cheapest deal 27% of the time, compared to respondents who saw loan offers ranked in ascending order of TAP who chose the cheapest deal 63% of the time (as seen in Table 4). This difference is statistically significant at the 99% confidence level. One potential reason for this difference is that respondents may have tended to choose deals at or towards the top of the page, rather than actively searching for the cheapest deal.

No significant impact was noticed when allowing banner adverts on PCWs, or removing the functionality of filtering by loan amount and term (as seen in Table 4). One potential reason for the lack of impact of removing banner adverts may be due to the fact that exposure to advertising on the internet may lead respondents to ignore adverts, or even to be more careful when adverts are present. However, no definite conclusions can be drawn about the precise reason why removing banner adverts had no significant effect on respondent performance. In the case of filtering functionality, it should be noted that in this treatment loan offers were ranked in ascending order of the TAP. Respondents who chose the cheapest deal were more likely to just choose the deal at the top of the page, £100 for 30 days, rather than actively assessing deals and searching for the cheapest deal for their preferred loan amount and term¹. Therefore, whilst respondents in this treatment did choose the cheapest loan, it suggests that the lack of filtering functionality may prevent consumers from choosing the loan that is both cheapest and most consistent with their preferences about loan term and amount.

¹ As seen in Table 8, Annex 1, 85.2% of respondents in this treatment chose the deal at the top of the page (£100 for 30 days), against 52.4% of respondents who chose this deal in Treatment A.

1 Background and objectives

In February 2015, the Competition and Markets Authority (CMA) published its final report following its investigation into the Payday Lending Market.² The CMA found adverse effects on competition resulting in consumer detriment. The CMA's market remedies included an Order on all online Payday Lenders that will prohibit them from lending unless they publish loan product details on at least one price comparison website (PCW) that is regulated by the Financial Conduct Authority (FCA). Alongside this Order, the CMA made recommendations to the FCA to raise the standards of PCWs that compare High-Cost Short-Term Credit (HCSTC) to help to ensure better outcomes for consumers. The objective of this behavioural economics study for the FCA was to test potential standards for PCWs that compare HCSTC and inform the FCA's response to the CMA's recommendations. Specifically the standards tested were:

- The display of all loans covered by the PCW on one single webpage without the need to 'click-through' to another page to reveal all loans.
- The ordering of loans by ascending price using total amount payable (TAP), as opposed to ordering loans randomly to mirror the situation where product rankings are based on commercial relationships between the PCW and loan providers, or featured products are placed at the top of a search page.
- The ordering of all loans by total amount payable (TAP), as opposed to RAPR as an alternative measure.
- The effect of advertising.
- The inclusion of input functionality.
- Disclosure of market coverage.

2 Methodology

The study was comprised of an online behavioural experiment combined with an online questionnaire. All respondents who completed the experiment also completed the questionnaire. The questionnaire is presented in Annex 3 and screen shots from the experiment are presented in Annex 2.

2.1 Sample

YouGov maintain an engaged community of panellists who have specifically opted in to participate in online research activities. Such panels provide continuous access to a responsive audience ready-profiled on important demographic, attitudinal and lifestyle attributes.

Recruitment from the YouGov panel was controlled using the YouGov proprietary sampling technology, a process called 'turbo sampling'. This is an active sampling system which assigns panellists to the most appropriate survey at the time they respond to an invite. The most appropriate survey is defined based on a number of factors including demographic needs, time left in field and any criteria based on other surveys in the field that may mean a respondent is not suitable for a current study. This ensures that, as well as being demographically balanced, we also have a number of responders of differing response times rather than the sample being just made

² CMA Payday Lending Final Report <https://www.gov.uk/cma-cases/payday-lending-market-investigation>

up of those that responded to the survey invitation immediately. The step-wise process behind this active allocation of panellists to surveys is described below:

1. System randomly selects 5-10% of the panel
2. Evaluates who is wanted (taking into account all demographics of the respondents, and the targets of all the surveys)
3. Chooses who we want and sends invites
4. Repeats every 30 min
5. When people come in (click on the invite) they are allocated to surveys currently in field according to fit and greatest need

For the purposes of this research, the FCA stipulated that the sample group should be UK adults who have taken out a payday loan in the past 12 months and/or intend to take out a payday loan in the coming 12 months. YouGov used a combination of the above approach and individuals pre-identified through panel screening to recruit for the survey.

Please note that in order to achieve the niche sample required within the fieldwork time period required by the FCA, YouGov worked with its panel partner Research Now, who provided approximately one quarter of completed surveys.

In total, 808 individuals completed the survey. However, it should be noted that there were a number of individuals who had to be removed from the final data set for reasons of quality control and data robustness.³ **Therefore, 791 respondents are included in the final analysis.** The sample break down is presented in Table 1.

Table 1 Sample

	Count	% of sample
Total	791	100%
Gender		
Male	416	53%
Female	375	47%
Age		
18-24	45	6%
25-34	223	28%
35-44	230	29%
45-54	171	22%
55+	122	15%
Region		
North East	41	5%
North West	94	12%

³ 15 respondents completed the survey in well under 3 minutes. These responses appeared to be invalid and were removed. In addition, in 2 cases respondents were incorrectly coded as being allocated to Treatment E, but did Treatment C instead. Therefore, observations for these 17 respondents were dropped from the analysis.

	Count	% of sample
Yorks & Humber	60	8%
East Midlands	61	8%
West Midlands	73	9%
East of England	60	8%
London	125	16%
South East	113	14%
South West	51	6%
Wales	40	5%
Scotland	61	8%
N. Ireland	11	1%
N/A	1	0%
Payday loan usage⁴		
Taken out a payday loan in the past 12 months	690	87%
Expect to take out a payday loan in the next 12 months	184	23%
Previously taken out a payday loan, but not in the past 12 months	11	0.1%
Expect to take out a payday loan in the future, but not in the next 12 months	7	0.9%

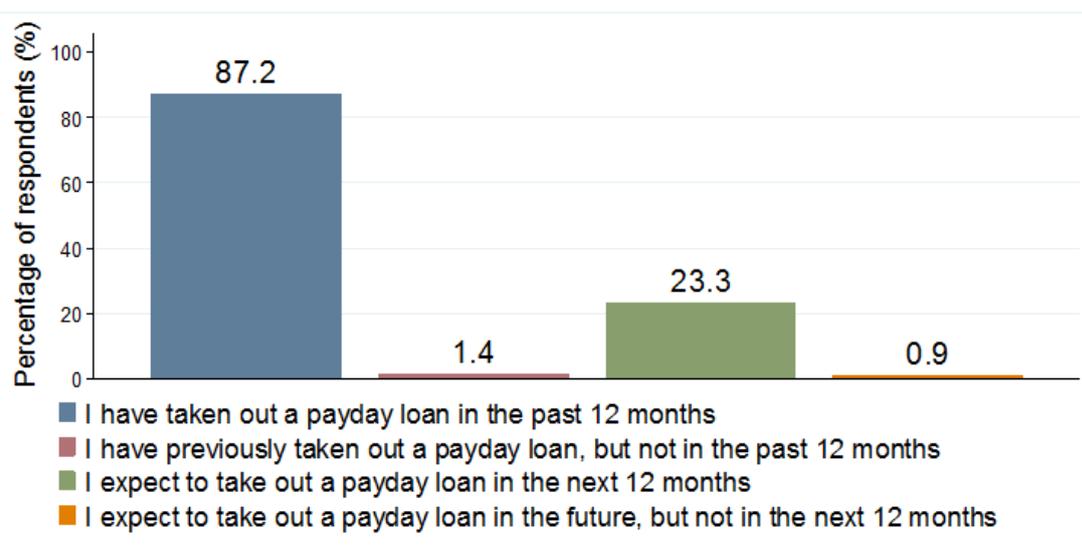
2.1.1 Screening by previous use or expectation of using payday loans

In order to screen respondents based on payday loan usage, question S1 in the survey asked respondents whether they:

- had taken out a payday loan in the past 12 months;
- had previously taken out a payday loan, but not in the past 12 months;
- expected to take out a payday loan in the next 12 months; and
- expected to take out a payday loan in the future, but not in the next 12 months.

Respondents were able to select more than one of the screening criteria. As seen in Figure 1, 87% of respondents (690 respondents) had previously taken out a payday loan in the past 12 months; 23% (184 respondents) expected to take out a payday loan in the next 12 months. Few respondents reported that they had previously taken out a loan but not in the past 12 months (1.4%), or expected to take out a loan in the future but not in the next 12 months (0.9%).

⁴ Respondents could choose more than one of these categories. Three respondents indicated that they had never taken out a payday loan and did not expect to do so in the future. They have been retained in the sample because two of them also answered yes to the first option, and one responded yes to the second. Respondents who only answered that they had never taken out a payday loan, and never expected to, were screened out of the experiment and survey.

Figure 1 Previous or expected use of payday loans by respondent

Note: N=791

Source: LE - YouGov final dataset

2.2 Incentive payment

Respondents were given a flat fee as an incentive to participate in the survey and experiment. The option was explored to add an incremental payment to respondents who chose the cheapest deal, in order to incentivise respondents to pay attention in the task. However, it was ultimately decided that respondents would be paid only a flat fee for participation. This was because it was felt to be more important for respondents to behave more like they would in ‘real-life’ rather than make choices in the experiment that had been conditioned by an additional incentive.

2.3 Experiment design

The experiment was designed in close consultation with the FCA. In total, seven treatments were included. The experiment also tested the effect of including a statement disclosing market coverage.

2.3.1 Treatments

Table 2 presents the treatment design.

Table 2 Experiment treatments

Treatment	All loan products displayed on 1 page	TAP or RAPR in loan table header	Loans ordered by TAP ascending	Loans sorted randomly by RAPR	Banner adds included	Input functionality loan amount and term	Market coverage disclosure
A	Yes	TAP	Yes	No	No	Yes	Yes
B	No	TAP	Yes	No	No	Yes	Yes
C	Yes	TAP	No	No	No	Yes	Yes
D	Yes	RAPR	No	Yes	No	Yes	Yes
E	Yes	TAP	Yes	No	Yes	Yes	Yes
F	Yes	TAP	Yes	No	No	No	Yes

Treatment	All loan products displayed on 1 page	TAP or RAPR in loan table header	Loans ordered by TAP ascending	Loans sorted randomly by RAPR	Banner adds included	Input functionality loan amount and term	Market coverage disclosure
G	No	RAPR	No	Yes	Yes	No	Yes

Treatment A encompassed all the standards that the FCA wanted to test. Firstly, it mirrors a situation where loan rankings are not affected by any commercial relationship the PCW may have with lenders. This situation is simulated in the experiment by presenting all loans available on the PCW on one screen such that the respondent could scroll up and down to search all loans available. The loans were also ordered by TAP in ascending order so that the cheapest loan for each amount and term would come up at the top of the result page. Finally, the respondent could also sort the loans by term and loan amount, and there were no banner advertisements on the page.

Treatment A is used as the baseline in this study. All respondents did Treatment A.

Treatment B was designed to directly test the impact of having some loans displayed only on a second page, and respondents needed to ‘click-through’ to reveal all loans available. This was to reflect a situation where the PCW would give more prominence to those lenders they have commercial relationships with. In this case loans were still ranked by TAP in ascending order but the three lowest priced offers for each loan amount and term were displayed only if the respondent clicked-through.

Treatment C loans were ordered randomly by TAP with the lowest priced loans never appearing at the top of the table. This was to reflect a case where loans are ordered on a PCW by commercial relationship and where some loan offers appear as featured products at the top of the page.

Treatment D loans were ranked randomly by Representative Annual Percentage Rate of Charge (but in addition, ensuring that the cheapest loan for each amount was never at the top of the table), and a Representative TAP was displayed in small text within the text of the representative example.

Treatment E introduced banner ads on-screen above and next to the result table offering loans where respondents could choose to click on the ad to reveal more information about the advertised loan and could also select the advertised loan from within the ad without needing to return to the main screen.

Treatment F is a case where respondents had no ability to filter loans by amount and term. In this treatment loans were ranked in ascending order of TAP with the lowest priced loans appearing at the top of the table.

Treatment G is a combination of potentially concerning practices. Respondents needed to click-through to reveal all loans, loans were ranked randomly by RAPR, there were banner ads and no option to sort loans by amount and term.

2.3.2 Market coverage disclosure statement

In all treatments a **market coverage disclosure statement** was displayed on-screen. This statement was ‘We cover **N** lenders. We aim to provide a reasonable coverage of relevant products, but we do not cover the whole of the market. Other products may be available that you will not find on this Price Comparison Website’. **N** was randomised across participants such that

50% saw N=5 and 50% saw N=25. N was also fully randomised such that there was no correlation with the treatments.

2.3.3 Allocation of respondents to treatments

All respondents completed Treatment A and two other treatments. The order in which respondents completed the treatments was randomised. Randomisation ensures that the sequence in which treatments are experienced does not impact the performance of respondents. For example, if every respondent completed Treatment A first, Treatment B second and Treatment C third then the effect of learning may lead to the incorrect conclusion that respondents make better choices in Treatment C when this is not due to treatment design but instead due to learning (this is discussed further in section 2.3.8).

In addition, respondents were randomly allocated across treatments in such a way that the socio-demographic characteristics of respondents did not systematically vary across treatments (that is, the socio-demographic characteristics of respondents were randomly and evenly allocated across treatments). As seen in Table 3, the number of respondents was reasonably evenly balanced across Treatments B through to G.⁵

Table 3 Respondent allocation across treatments

Treatment	Number of respondents
A	791
B	259
C	247
D	282
E	279
F	257
G	258

2.3.4 Performance measures

Behavioural experiments are quantitative approaches that facilitate the objective measure of decisions made within the experiment environment. In this study the objective performance measure is the proportion of respondents in each treatment who selected the cheapest deal by total amount payable (TAP) for each combination of loan amount and duration of loan (loan term). This was possible because all other characteristics of the loan, apart from amount and loan term, were kept constant across all the loan offers throughout the experiment, and so there were no other dimensions for respondents to make alternative comparisons.

Two major factors contribute to isolating the impact of the standard tested on respondent performance: the design of the treatments; and, the random and balanced allocation of respondents across treatments.

As seen in Table 2, treatments were designed so as to be able to isolate the impact of individual standards⁶. Treatments B to F are designed in such a way as to be identical to Treatment A, except

⁵ All respondents did Treatment A.

⁶ Except in the case of Treatment G, which combined several potentially concerning practices.

for one feature. For example, Treatment A and Treatment C are identical in all respects (e.g. loan products were displayed on one page, banners ads are not included, respondents can filter loans by loan amount and term etc.) except one: in Treatment A, loan offers are ranked in ascending order of TAP, whereas in Treatment C, loan offers are ranked randomly by TAP (with one restriction: the cheapest deals are never on top of the page).

In addition, as described in Section 2.3.3, respondents were randomly and evenly allocated across treatments, helping to ensure that there was no bias owing to respondent socio-demographic characteristics in any treatment.

These two factors helped to ensure that any difference in performance between Treatment A and Treatment C could be attributed solely to the standard of presenting loan offers in ascending order of TAP.

2.3.5 The mock PCWs

The screens were designed to capture the look and feel of real PCWs for HCSTC. LE and YouGov used desk research, visiting real PCWs for HCSTC loans, in order to capture the information typically conveyed to consumers (for example, whether information on both TAP and RAPR was provided, or whether only RAPR or TAP were provided to consumers) and functionality (for example, whether it is possible to filter loan offers by loan amount and/or term) of an authentic PCW. Figure 2 shows a screen shot from Treatment B. Screen shots for other treatments are included in Annex 2.

Figure 2 Treatment B – with click-through to view all loans and ranking by ascending TAP

The screenshot shows the Loans2Compare.com website interface. At the top, there is a navigation menu with 'Home', 'Credit cards', 'Mortgages', and 'Loans'. Below the menu, there is a promotional message: 'Are you looking for a payday loan? Use this website to compare and choose a loan from a range of UK payday lenders. We make it easy for you to apply for a loan.' A warning box states: 'WARNING: Late repayment can cause you serious money problems. For help, please visit moneyadvice.service.org.uk'. A filter section titled 'Please filter by loan amount and term...' includes sliders for 'Filter by loan amount' (with options £100, £300, £500, All) and 'Filter by term' (with options 30 days, 60 days, 90 days, All). Below the filter is a 'Featured' tab and a 'View all' link. A table of loan offers is displayed with columns for Lender, Loan amount, Term, Total amount payable, and an 'Apply now' button. Each row includes a representative example of the loan terms and costs.

Lender	Loan amount	Term	Total amount payable	Apply now
	£100	30 days	£121.50	Apply now
Representative Example: The Representative APR is 969%. If you borrow £500 over 30 days at an annual rate of 261.58% (fixed) the charge of credit will be £107.50 and the total amount you will need to repay is £607.50 as a single repayment.				
	£100	30 days	£121.50	Apply now
Representative Example: The Representative APR is 653%. If you borrow £100 over 90 days at an annual rate of 261.58% (fixed) the charge of credit will be £64.50 and the total amount you will need to repay is £164.50 as a single repayment.				
	£100	30 days	£122.50	Apply now
Representative Example: The Representative APR is 1081%. If you borrow £300 over 30 days at an annual rate of 273.75% (fixed) the charge of credit will be £67.50 and the total amount you will need to repay is £367.50 as a single repayment.				
	£100	30 days	£122.50	Apply now

2.3.6 The loans

The loan offers shown to respondents had the following features:⁷

- **Loan amount** (in the experiment kept to £100, £300 and £500);
- **Loan term** (in the experiment kept to 30 days, 60 days and 90 days);
- **Total Amount Payable (TAP):** this is the **total amount to be repaid** at the end of the loan term. This was shown to respondents in all treatments except Treatments D and G;
- **Representative APR (RAPR):** this is the APR of a typical loan provided by a firm that at least 51% of potential customers would be likely to be offered. The RAPR is always shown in the Representative Example text, but is not shown to respondents separately in the excerpt in Treatments D and G where the RAPR was given more prominence in the table;
- **Representative Example Text:** in all treatments respondents are shown text containing the RAPR of the loan, as well as an example that helps them to **calculate the amount they need to repay**, even if TAP is not provided separately in the table (as in the cases of Treatments D and G).
 - For example, text for a loan of £100, for a term of 30 days, could be: ‘The Representative APR is 819%. If you borrow £300 over 60 days at an annual rate of 243.33%, the charge of credit will be £120 and the total amount you will need to repay is £420.
 - In this case, the respondent could make the following calculations to work out the total amount she would need to repay:
 - TAP for £300 for 60 days = £420.
 - Total Charge of Credit for £300 for 60 days = TAP (£420) – Loan Amount (£300) = £120
 - Therefore, Total Charge of Credit for £100 for 60 days = £120/3=£40.
 - Total Charge of Credit for £100 for 30 days = £40/2=£20.
 - And TAP for £100 for 30 days = £120.

Respondents were shown a total of **162 loans** on the Price Comparison Website (PCW)⁸. **Respondents in all treatments saw the same set of loans.** However, the order in which loans appeared on a PCW screen could vary across treatments, as shown in Table 2. Some information about loan features (specifically, whether respondents were shown the Total Amount Payable (TAP) or the Representative APR (RAPR) of the loan) varied across treatments, as shown in Table 2.

Key aspects of the loans are the following:

- There were 18 loan offers (i.e. 18 lenders) with 9 different repayment prices (TAP) for every loan amount and term. Since there were 3 loan amounts tested (£100, £300 and £500) and 3 loan terms (30 days, 60 days and 90 days), this made a total of 162 loans;
- There were two firms offering the same offer (TAP) for every loan amount and term combination (for example, for loans of £100 for 30 days, 2 firms offered loans with TAP of £120, 2 firms offered loans with TAP of £120.50). Thus, there were two ‘best’ loan

⁷ All loans on the mock PCW were single repayment loans. This was done for the sake of simplicity.

⁸ All loans on the mock PCW were fictional offers and the lenders names and logos were all fictional and were made up just for this experiment.

offers for every loan amount and term: that is, on the PCW, two firms were offering loans for the lowest TAP for each loan amount and term;

- In order to keep the PCW environment realistic, the RAPR, price of the loan and text of the representative example were kept the same for each firm on the PCW: this meant that on each screen the respondent saw, all loans offered by a firm had the same RAPR and the same unit cost of credit (that is, the Cost of Credit, in £s per month) regardless of the loan amount or duration the respondent was looking at. For example,
 - Firm 'Pineapple' would offer loans with an RAPR of 819% for all loan amounts and terms that were on offer;
 - The representative example text would be as follows for all loan amounts and terms offered by 'Pineapple': 'The Representative APR is 819%. If you borrow £300 over 60 days at an annual rate of 243.33%, the cost of credit will be £120 and the total amount you will need to repay is £420.'
 - As described earlier, the Cost of Credit for £100 for 30 days = £20
 - Therefore, the unit cost of credit = £20/£100 = 20% per £, per month for every loan amount and term combination.

2.3.7 Prices of loans

As described in Section 2.3.4, the performance measure for the experiment is whether respondents choose the cheapest loan subject to their preference for loan amount and term. In addition to this measure, it is also possible to compare the average prices paid by respondents across treatments. This section describes how the prices of the hypothetical loans appearing on the mock PCWs were calibrated for this experiment.

- **Maximum price charged:** On 2 January 2015, the Financial Conduct Authority introduced a price-cap limiting the rate that HCSTC lenders could charge.⁹ Prior to the introduction of the price-cap, there was significant price dispersion among the prices charged by HCSTC lenders. The price-cap means that lenders can charge interest of no more than 0.8% per day, or £24 per £100 borrowed over 30 days (that is, a monthly interest rate of 24%). After the introduction of the price-cap, the FCA observed that prices mostly clustered around 24%. Therefore, the maximum price charged in the experiment was a monthly interest rate of 24%.
- **Minimum price charged:** The FCA observed prices charged by HCSTC lenders both before and after the introduction of the price cap, and found that minimum prices ranged between 18% and 20%. The minimum price used in the experiment was 20%.
- **Distribution of prices used in mock PCWs:** A uniform distribution of prices was assumed for loans in the mock-PCW, with a minimum of 20% and a maximum of 24% (in increments of 0.5%). The mid-point of this range (22%) is similar to 22.5% which is the price that the Competition and Markets Authority indicates may be the price in a more competitive market¹⁰.

It should be noted that the price range was consistent across loan amounts and terms. This enabled an estimation of the money consumers saved in the experiment by choosing the cheapest

⁹ <https://www.fca.org.uk/news/ps14-16-detailed-rules-on-the-price-cap-on-high-cost-short-term-credit>

¹⁰ CMA Payday Lending Market Final Report, Appendix 8.1 https://assets.digital.cabinet-office.gov.uk/media/54ebb75940f0b670f4000026/Appendices_glossary.pdf

deal, as well as the average amount of money saved by consumers across treatments. This is shown further in Table 6 and Table 9.

2.3.8 Randomisations to address bias

As mentioned above in Section 2.3.3, respondents went through three treatments (note that all respondents completed Treatment A as one of the three, as it was used as the baseline). There may be concern about respondents either tiring as they went through the experiment (which would have a negative bias for the treatments coming later), or learning as they went through the experiment (which would have a positive bias for the treatments coming later).¹¹ In order to address these possible biases, the order in which respondents were taken through the different treatments was randomised. This meant that, for any given treatment, the number of respondents doing that treatment as their first was approximately equal to the number of respondents doing the treatment as their second or third. Therefore, on average, performance in a treatment was not biased by the order in which respondents did the treatment (since roughly equal shares of respondents were doing the treatment first, second or third).

In addition to learning through use of PCWs, it may be a concern that respondents would remember the names of firms offering the cheapest deal in one treatment, and choose deals offered by the same firm in subsequent treatments. This would have the impact of a positive bias on performance in subsequent treatments. In order to address this bias, firm names were randomised across treatments, so the firms that were the cheapest in one treatment were not the cheapest in the other treatments.¹²

3 Findings

3.1 Use of PCWs

Before beginning the experiment, an online questionnaire assessed respondents' prior use of PCWs, their intentions to use them and their reasons for using or not using PCWs.

Previous use of PCWs

Respondents were asked about their previous use of PCWs for a number of products including financial products, utilities, travel/holidays and home products. In question R1 of the survey, respondents were asked whether they:

- had used PCWs in the past;
- had heard of PCWs and had an idea of what they were, but had never used them;
- had heard of PCWs but had no idea of what they were; or,
- had never heard of PCWs before doing the survey

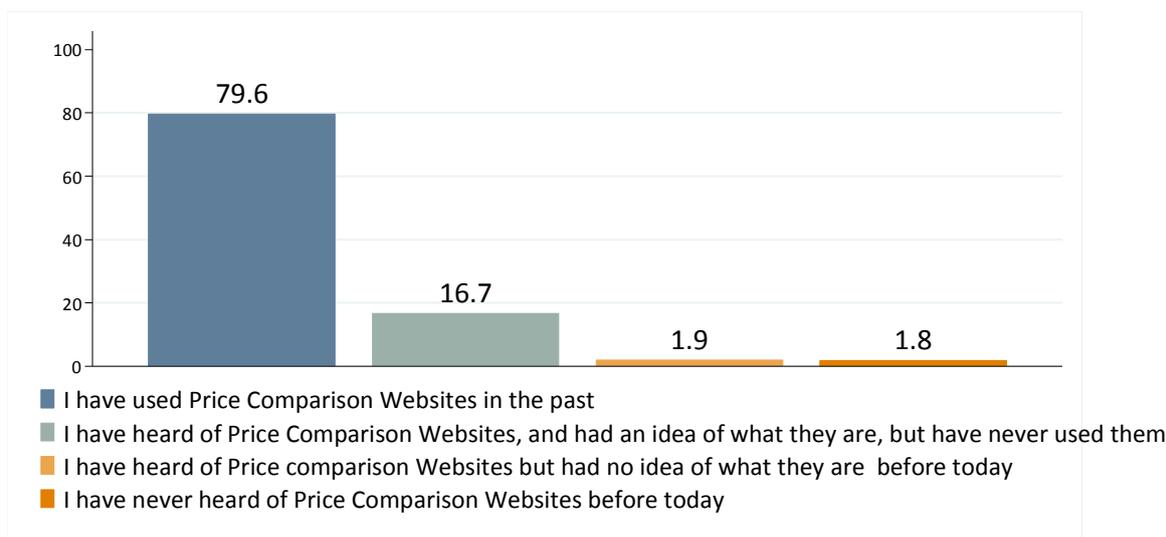
As seen in Figure 3, almost 80% of respondents (630 respondents) had used PCWs before, followed by 17% (132 respondents) who had heard of PCWs and had an idea of what they were

¹¹ There is slight evidence of tiring: 41.6% of respondents chose the cheapest deal in the first treatment, 40.1% of respondents chose the cheapest deal in the second treatment, and 38.7% of respondents chose the cheapest deal in the third treatment. However, the difference is small and not statistically significant (Figure 26, in Annex 1).

¹² Respondents were informed that the firm names would change across treatments.

but had never used them. Very few respondents had never heard of PCWs, or had heard of PCWs but had no idea of what they were before the experiment (below 2% in each case).

Figure 3 Previous use of PCWs



Note: N=791

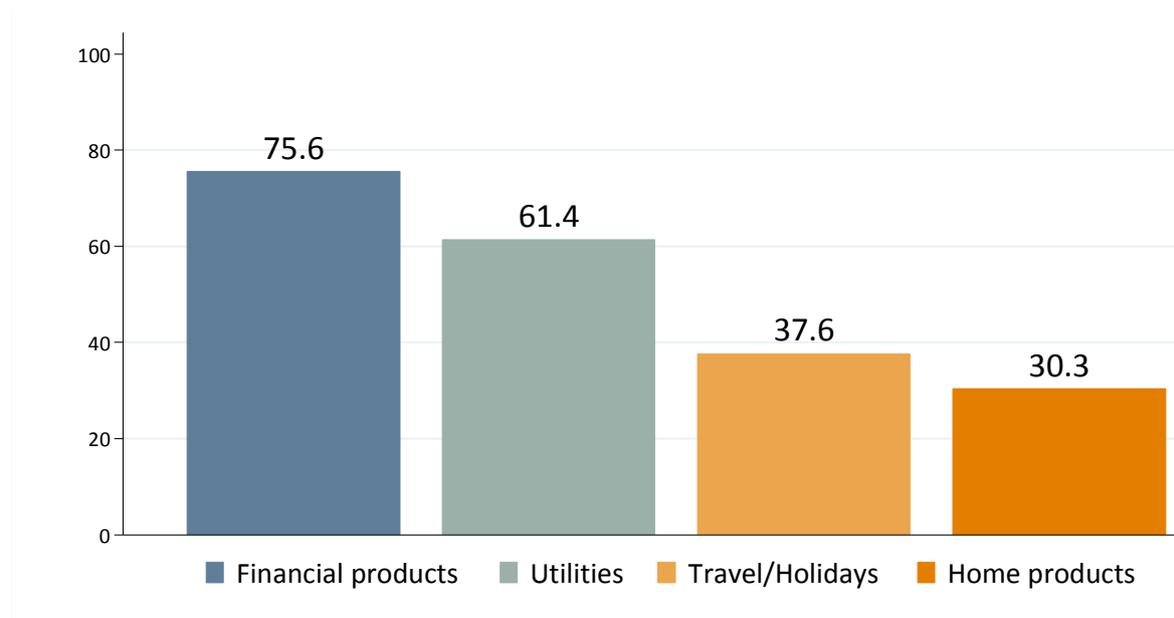
Source: LE - YouGov final dataset

Those respondents who had used PCWs before were further asked about the product categories for which they had used PCWs. In question R2 of the questionnaire, respondents who had used PCWs in the past were asked whether they had used PCWs for:

- Financial products;
- Utilities;
- Travel/holidays; and,
- Home related products/services (e.g. appliances, tools, garden supplies).¹³

Respondents could answer that they used PCWs for more than one sector. As seen in Figure 4, a little more than three quarters of respondents who had used PCWs had used them for financial products, more than three fifths had used them for utilities, more than a third had used them for travel/holidays and almost a third had used them for home products.

¹³ Respondents were also asked if they used PCWs for other sectors. Very few respondents (18) indicated that they did so. Therefore, they are not presented in Figure 4.

Figure 4 Previous use of PCWs, by sector

Note: Sample includes all respondents who had used PCWs before (N=630). In this question (R2) respondents could also select that they use PCWs for 'other' sectors. Only 18 respondents indicated that they did so, so we do not present a separate column for these respondents.

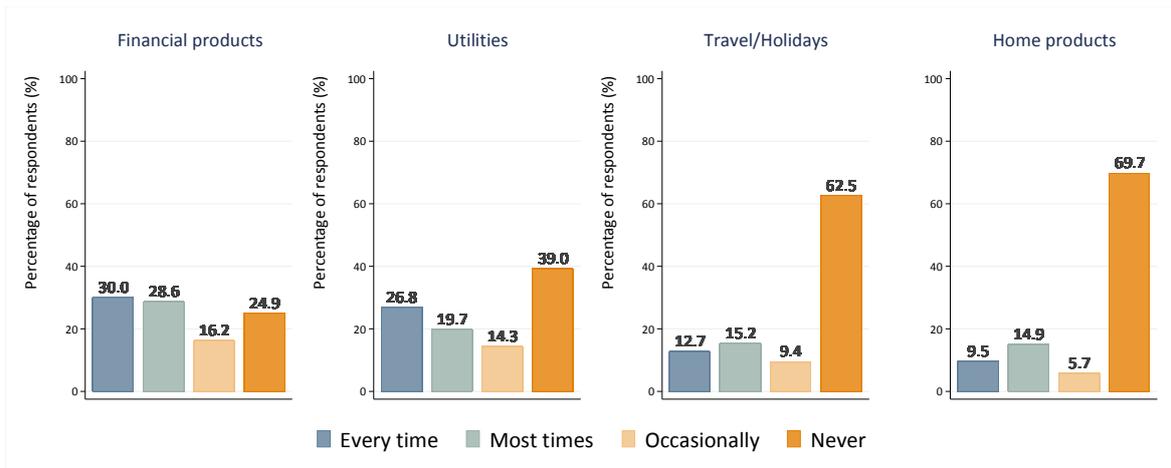
Source: LE - YouGov final dataset

In addition, respondents were asked about their frequency of use of PCWs by sector. In question R3 of the questionnaire, respondents were asked whether they use PCWs for financial products, utilities, travel/holidays or home products:

- Every time;
- Most times;
- Occasionally; or,
- Never.

As seen in Figure 5, almost a third of respondents who use PCWs used them every time they needed to make a decision for financial products, compared to 27% for utilities, 13% for travel/holidays and 10% for home products.

Figure 5 Frequency of previous use of PCWs, by sector



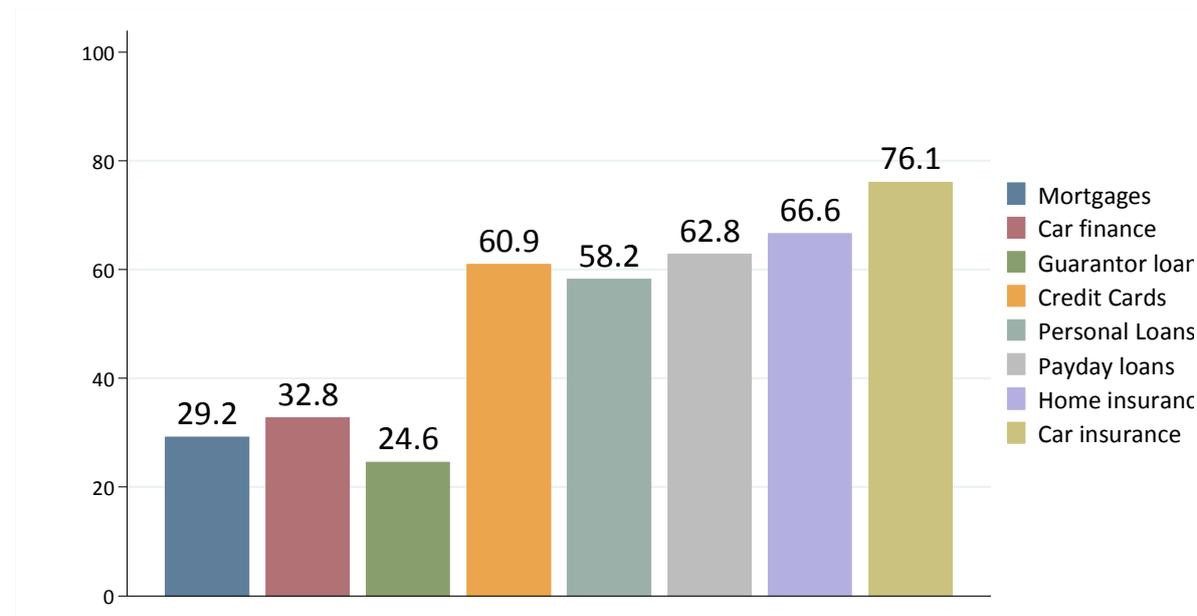
Note: Sample includes respondents who have used PCWs at least once (N=630).

Source: LE - YouGov final dataset

Respondents who used PCWs for financial products at least once (N=476) were asked for what kind of financial products they used PCWs. In questions R4a, R4b and R4c of the questionnaire, respondents were asked if they used PCWs for:

- Mortgages;
- Car finance;
- Guarantor loans;
- Credit cards;
- Personal loans;
- Payday loans;
- Home insurance; and,
- Car insurance.

Figure 6 displays the share of respondents who used PCWs for these products. As seen below, 63% of respondents who used PCWs for financial products used them for payday loans and 58% used them for personal loans.

Figure 6 Previous use of PCWs, for financial products

Note: Sample includes respondents who used PCWs for financial products (N=476).

Source: LE - YouGov final dataset

Respondents who reported they had used PCWs for financial products but not for payday loans were asked if they would consider using PCWs to search for and compare payday loans in the future. Of this group, 53% (94 out of 177 respondents) reported that they would consider using PCWs for payday loans in the future.

Experience of using PCWs

It may also be useful to examine users' experience of current payday loan PCWs to establish the features that work and do not work.

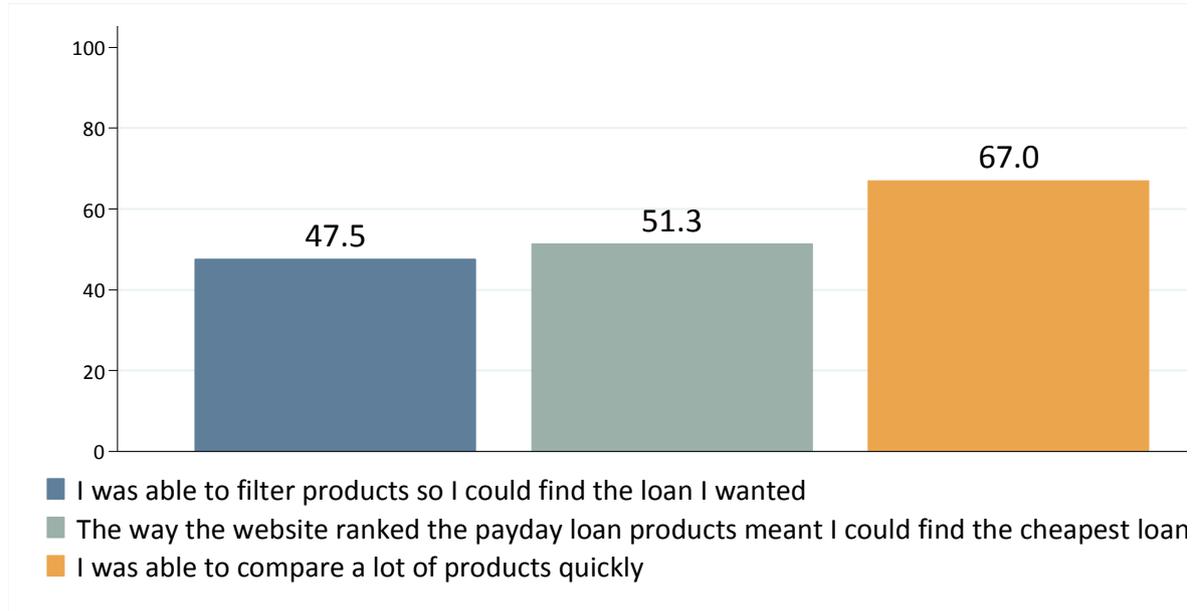
In question Px1, respondents who indicated using PCWs for payday loans were asked whether they found using PCWs for payday loans useful. 87% of the 299 respondents who reported they used PCWs for payday loans reported they found them useful.

In question Px2, respondents who indicated finding PCWs useful were asked whether this was because:

- they were able to filter products so they could find the loan they wanted;
- the way the website ranked the payday loan products meant they could find the cheapest loan; or,
- they were able to compare a lot of products quickly.

As Figure 7 shows, over two thirds of respondents found PCWs useful in searching for and choosing payday loans because they allow a quick comparison of many offers¹⁴.

Figure 7 Reasons that respondents found PCWs to be useful



Note: Sample includes respondents who used PCWs for payday loans and found them useful (N=261). Respondents were able to select multiple responses.

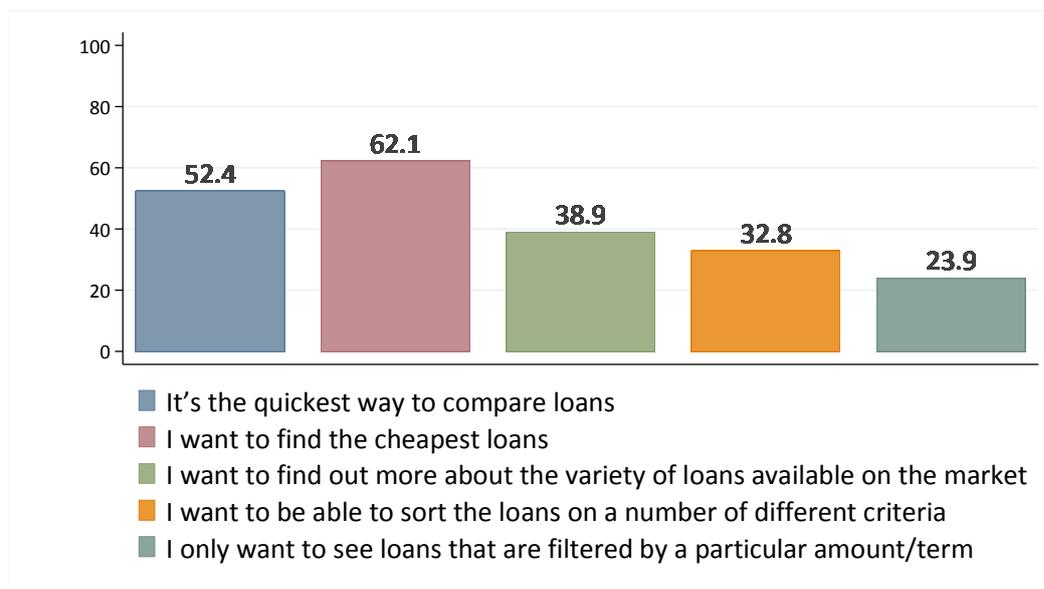
Source: LE - YouGov final dataset

Respondents who reported they had used or are considering using PCWs for payday loans were asked whether this was because:

- it was the quickest way to compare loans;
- they wanted to find the cheapest loans;
- they wanted to find out more about the variety of loans available on the market;
- they wanted to be able to sort the loans on a number of different criteria; or,
- they only wanted to see loans filtered by a particular loan amount/term.

As seen in Figure 8, over 60% of respondents that used or intend to use PCWs for payday loans are motivated to do so because they want to find the cheapest loans. Just over half of the respondents give the reason that PCWs are the quickest way to compare loans.

¹⁴ Respondents who indicated that they did not find PCWs useful were asked (in question Px3) why this was the case. However, very few respondents (32) indicated that they did not find PCWs useful, and 6 reported they did not know. Therefore, results for these respondents are not presented.

Figure 8 Reasons for using PCWs

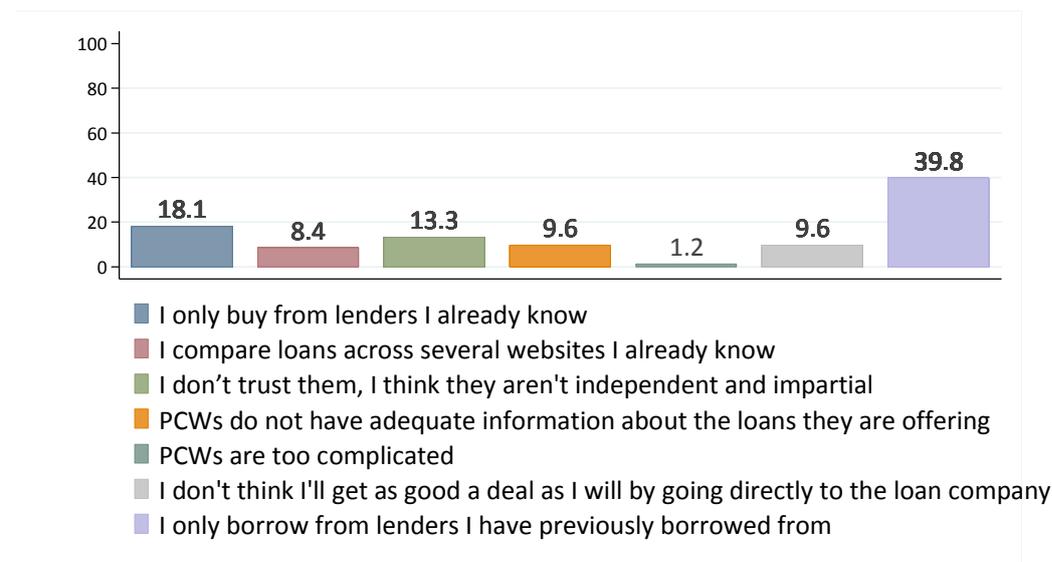
Note: Sample includes respondents who have used PCWs for payday loans (N=299) and those who have not but intend to do so in the future (N=94).

Source: LE - YouGov final dataset

Respondents who indicated that they do not use, or do not intend to use, PCWs were asked whether this was because:

- they only bought from lenders they already knew;
- they compared loans across several websites they already knew;
- they didn't trust PCWs since the respondents thought they were not independent or impartial;
- PCWs did not have adequate information about the loans they were offering;
- PCWs were too complicated;
- they did not think they would get as good a deal as they would get by going directly to the loan company; or,
- they only borrowed from lenders they had already borrowed from

As seen in Figure 9, the main reason respondents reported they had not or would not use PCWs for payday loans was that they only borrowed from lenders they had previously borrowed from (40%). However, it should be cautioned that the sample is small (83 respondents).

Figure 9 Reasons for not using PCWs

Note: Sample includes respondents who have not used PCWs for payday loans and do not intend to (N=83).

Source: LE - YouGov final dataset

Relationship between experience of PCWs and performance in the experiment

It may be expected that respondents who had experience with PCWs would perform better in the experiment. In the case of financial products, respondents who had used PCWs previously performed slightly better than those who had not used PCWs previously. However, in the case of travel/holidays and home products respondents who had used PCWs previously performed slightly worse than those who had not previously used PCWs (differences statistically significant at 95% as shown in Figure 22, Annex 1), for utilities no statistical difference was observed. There was no significant link between the intention to use PCWs or reasons to use PCWs and performance in the experiment (as seen in Figure 23 through to Figure 25 in Annex 1).

3.2 Loan Choice

3.2.1 Loan choice and price paid by treatment

Table 4 presents the **proportion of respondents who chose loans with the lowest TAP in each treatment**. A stark finding is the large impact of only showing featured products (that represent preferential commercial relationships) on initial ranking pages (Treatment B). **Requiring the respondent to click-through to reveal all loans led to a 59.9 percentage point difference in the proportion of respondents that chose the cheapest loans** compared to the baseline Treatment A. A screen shot of Treatment B is shown in Figure 2 above. On-screen it was clearly indicated to respondents at the top of the loan table that the default was 'featured' loans with a button alongside to 'view all' loans. Despite this presentation, only 10 out of 259 respondents clicked-through to view all loans.

When respondents were not shown the TAP, but loan offers were randomly ordered using RAPR only (Treatment D), the proportion of respondents who chose the cheapest loan was 49.5 percentage points lower compared to Treatment A. Randomly ordering loans by TAP with the cheapest loans never appearing at the top of the screen (Treatment C) also led to a decrease in the

proportion of respondents selecting the cheapest loan (36.2 percentage points lower compared to Treatment A).

The inclusion of banner ads on a PCW (Treatment E) did not have a statistically significant impact on the proportion of respondents who chose the cheapest loan compared to Treatment A, nor did the removal of the option to filter by loan amount and duration when loans were ranked in ascending order of TAP (Treatment F). The lack of filtering functionality led respondents to choose deals at the top of the page more often than in other treatments. 85% of respondents who chose the cheapest loan in Treatment F chose the loan amount at the top of the page, £100 for 30 days, compared to 52% in Treatment A.¹⁵ This suggests that the lack of filtering functionality may lead to consumers not choosing loans that reflect their preferences (in terms of amount and term), but rather tending to select loans located at the top of the page.

Treatment G combined the need to click-through with ranking of loans by RAPR instead of TAP, banner ads and did not provide the respondent with the option to filter loans by amount and term. This treatment led to the poorest outcome in the experiment with only 0.8% of respondents in this treatment selecting the cheapest loans. The driver of this outcome is most likely the combination of the need to click-through (17 out of 258 respondents in Treatment G chose to click-through to view all loans) and not displaying TAP.

Table 4 Proportion of respondents that chose loans with the lowest TAP

Treatment	Proportion choosing the loans with the lowest TAP (%)	Percentage point difference relative to treatment A
A	63.0	—
B	3.1	-59.9***
C	26.7	-36.2***
D	13.5	-49.5***
E	66.3	3.4
F	60.3	-2.6
G	0.8	-62.2***

Note: Base varies by treatment. Treatment A: N=791. Treatment B: N=259. Treatment C: N= 247. Treatment D: N=282. Treatment E: N=279. Treatment F: N=257. Treatment G: N=258. Items in bold are statistically significant at least at the 90% confidence level (i.e. *** = significant at 99%; ** = significant at 95%; * = significant at 90%) using a two-sample t-test. Results use a two-sample difference in proportion test.

Source: LE - YouGov final dataset

Table 5 presents the **mean and median loan rank** chosen by respondents who did not choose the cheapest loan. The combination of click-through and ranking by RAPR (Treatment G) again led to the poorest outcome. On average respondents chose the 7th cheapest loan available compared to Treatment A where the average was the 4th cheapest.

¹⁵ The loan amounts and terms chosen by respondents that correctly chose the cheapest loans is shown in Table 8 in Annex 1.

Table 5 Rank of loan chosen if respondent did not choose the cheapest loan

Treatment	Mean Rank	Median Rank
A	4.26	3
B	4.89	4
C	5.06	5
D	4.51	4
E	4.26	3
F	4.28	3
G	6.67	7

Note: Base varies by treatment. Treatment A: N=293. Treatment B: N=251. Treatment C: N=181. Treatment D: N = 244. Treatment E: N = 94. Treatment F: N = 102. Treatment G: N = 254.

Source: LE - YouGov final dataset

It may also be of interest to explore the price difference paid by respondents across treatments, to assess the magnitude of the cost that can be saved by consumers when standards are imposed, as measured in the experiment. As described in Section 2.3.7, the design of the experiment enables a comparison of the average prices paid by respondents across treatments, and therefore a comparison of the costs saved by the imposition of different standards.

As seen in Table 6 and Table 9, the patterns of price differentials are very similar to the patterns of respondents choosing the cheapest deals: respondents in Treatments B and G not only chose the cheapest deal least often, but also had the highest price differentials (6.3% and 11.3%, respectively) compared to Treatment A.

In addition, respondents in Treatments B and G also did the worst relative to an 'ideal' state in which all respondents choose the cheapest deal. On average, respondents in Treatment B paid a price 9.1% higher than the lowest price, and respondents in Treatment G paid, on average, 13.7% higher than the cheapest price.

Table 6 Differences in price paid for loans - all respondents

Treatment	Relative to Treatment A (%)		Relative to cheapest deal (%)	
	Mean	Median	Mean	Median
A	-	-	2.7	0
B	6.3	7.5	9.1	7.5
C	4.5	2.5	7.2	5
D	4.6	2.5	7.4	5.6
E	-0.3	0	2.6	0
F	0.5	0	3.1	0
G	11.3	12.5	13.7	14.6

Note: Base varies by treatment. Treatment A: N=791. Treatment B: N=259. Treatment C: N= 247. Treatment D: N=282. Treatment E: N=279. Treatment F: N=257. Treatment G: N=258.

Source: LE - YouGov final dataset

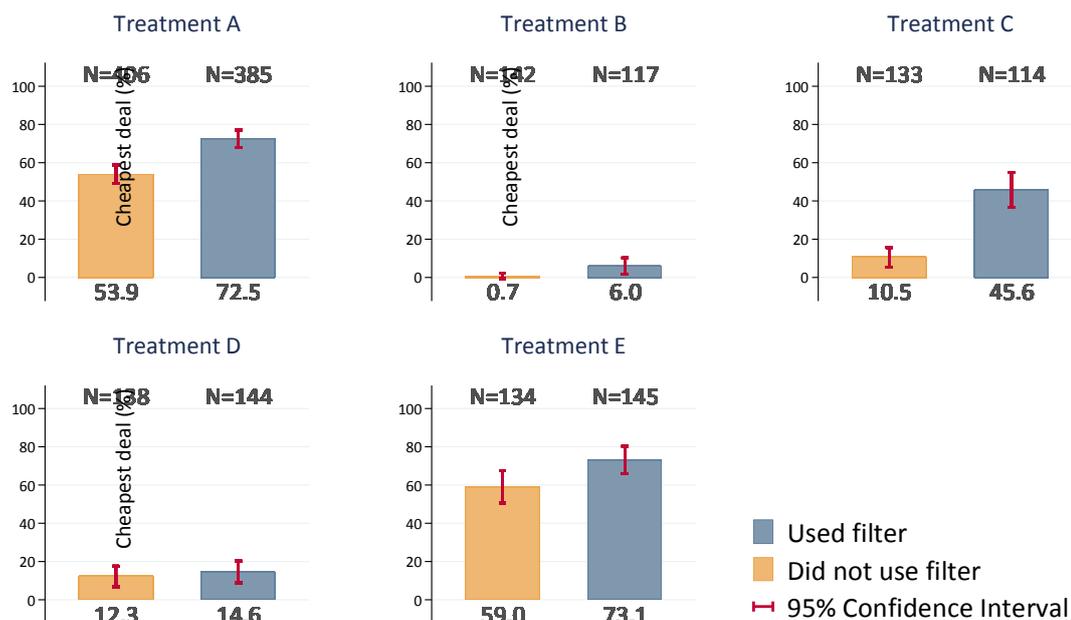
3.2.2 Loan choice by usage of PCW features

As described in Table 2, respondents in all treatments (except F and G) had the option to filter loans by loan amount and term.¹⁶ It might be expected that respondents who make use of these

¹⁶ In Treatment B respondents also had to 'click through' to reveal all offers.

features are more likely to choose the cheapest deal. As seen in Figure 10, respondents using the filtering function chose the cheapest deal up to 9 times more often: In Treatment B, respondents who did not use the filter chose the cheapest deal 0.7% of the time, compared to 6% of respondents who used the filter. In Treatment C, where loan offers were not ranked by TAP, using the filter increases the proportion of respondents choosing the cheapest deal from 10.5% to 45.6%. As seen in Figure 10, the difference in performance between respondents who use the filtering functionality and respondents who do not, is statistically significant at the 95% confidence level for treatments A, B, C and E.¹⁷

Figure 10 Choice of cheapest deal, by use of filter by loan amount/term



Source: LE-YouGov final dataset

3.2.3 Loan choice by usage of payday loans

As detailed in section 2.1.1 the sample of respondents that completed the experiment and questionnaire included:

- people who had taken out a payday loan in the last 12 months;
- those who had previously taken out a pay-day loan, but not in the last 12 months;
- respondents who expected to take out a pay-day loan within 12 months; and
- people who expected to take-out a pay-day loan but not in the next 12 months.

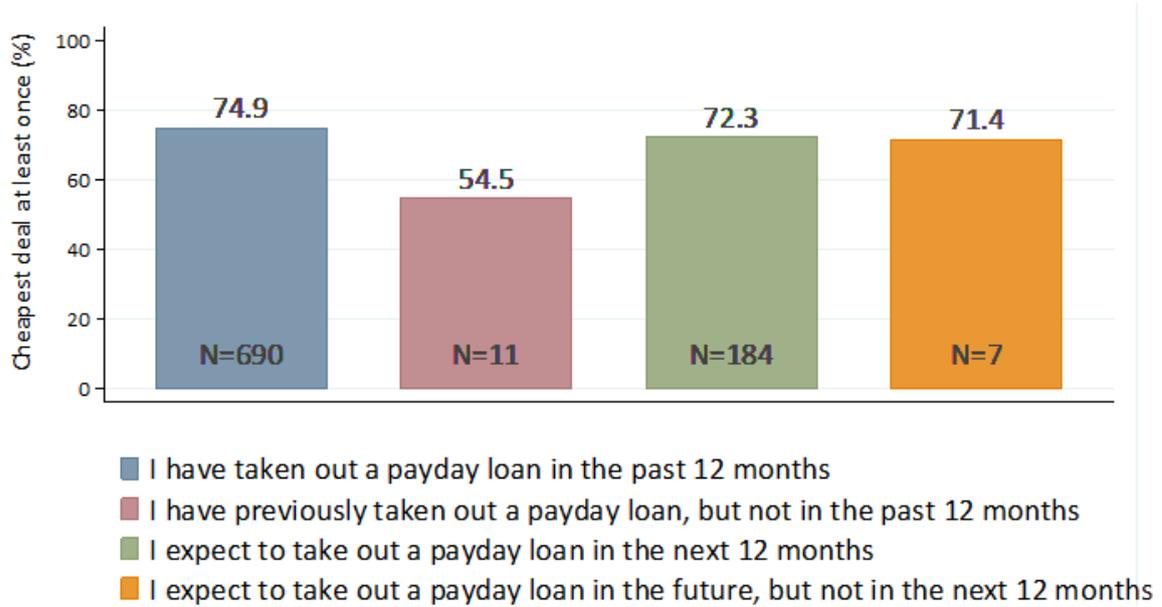
The sample sizes in two of these categories are very small, as seen in Figure 11. The majority of respondents (just over 87%) had taken out a Payday loan within the last 12 months and 23% reported that they expected to within the next 12 months (Figure 1).¹⁸ Looking across respondents

¹⁷ Seen in Figure 10 as the 95% confidence intervals do not overlap.

¹⁸ Respondents could fall into more than one category, as the categories described here are not mutually exclusive. For example, respondents could have taken out a payday loan in the last 12 months (category 1) and also expect to take out a payday loan within the next 12 months (category 3).

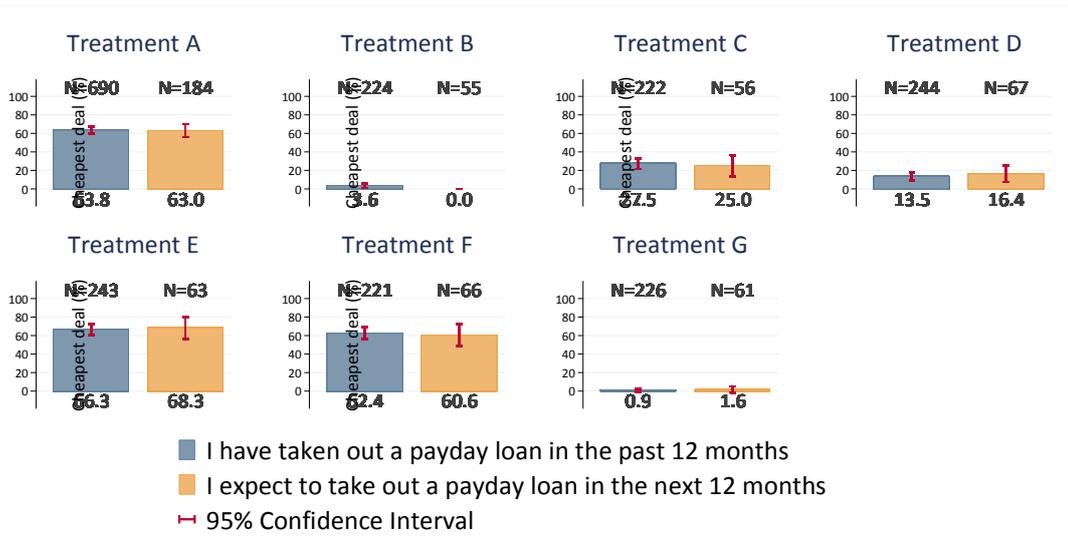
who had taken out a payday loan in the last 12 months and those who expect to do so in the next 12 months, there is little difference between the proportions of respondents who chose the cheapest loan at least once across all treatments. This is true for all treatments (as seen in Figure 12).

Figure 11 Respondents’ loan purchase behaviours and choice of cheapest loan



Source: LE-YouGov final dataset

Figure 12 Proportion choosing cheapest deal with use of payday loans by treatment



Source: LE-YouGov final dataset

3.2.4 Choice of loan amount and term

Respondents completed three PCW treatments (all respondents completed Treatment A as one of the three treatments), choosing one loan amount and term per treatment. Almost three-quarters of the respondents chose different loan amounts and terms between treatments (73%) compared to 27% who chose the same amount and term in all treatments.

For those who chose loans of different amounts and/or terms across the three different treatments, an open-ended question was asked as to why. These responses were then re-coded for analysis into the following categories:

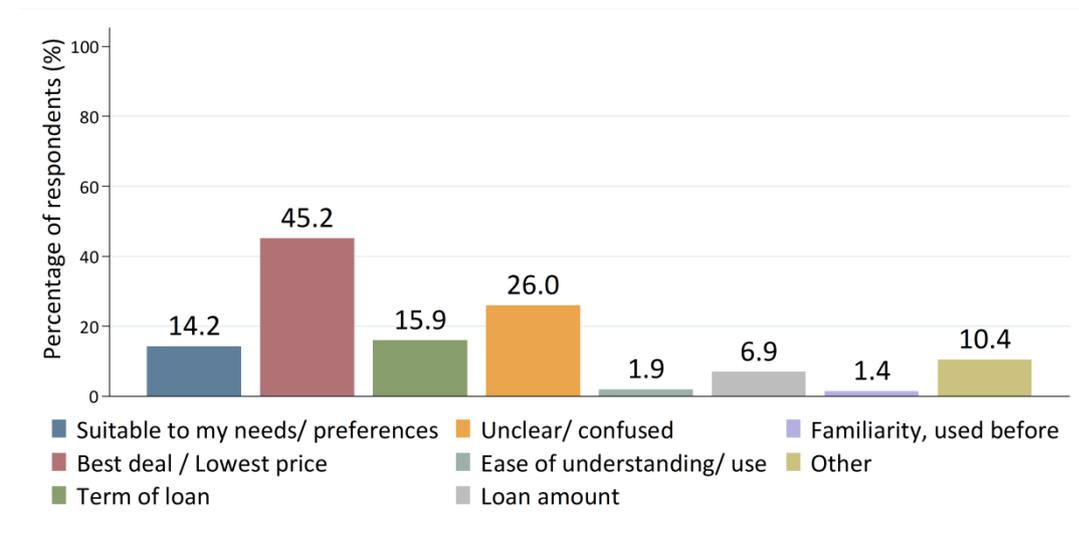
- those indicating that loan offers of different loan amounts and terms were more attractive, because of features of the loan offers (including APR);¹⁹
- those indicating the loan offers of different loan amounts/terms offered better deals (which could be described as lower prices/ lower interest rates/ APRs);
- those indicating that they switched to a preferred loan term;
- those who switched because they were unclear/confused;
- those who switched because loan offers for different loan amounts/terms were easier to understand or use;
- those who switched to a preferred loan amount; and
- those who switched loan amount/term because they thought that loan offers were from a familiar/known supplier.²⁰

As seen in Figure 13, 45% of respondents who chose different loan amounts and terms did so because they believed that the interest rate/price/payment rate was more favourable at different loan amounts and terms. However, 26% of respondents reported they switched loan amount/terms because they were either confused by the number of choices or amount of information on display, or unclear regarding what they were asked to do (either because they were not comfortable calculating the amount to be repaid, or because they did not understand the task they were asked to complete).

¹⁹ Comments under this category included 'Not to my needs and APR too high' and 'Better interest rates and terms of repayment. More suitable for my needs.'

²⁰ Hypothetical firm names were generated for the purpose of the experiment, and care was taken to avoid, as much as possible, replicating the names of firms already operating in the market.

Figure 13 Reasons for choosing different loan amounts and terms



Note: N=578.

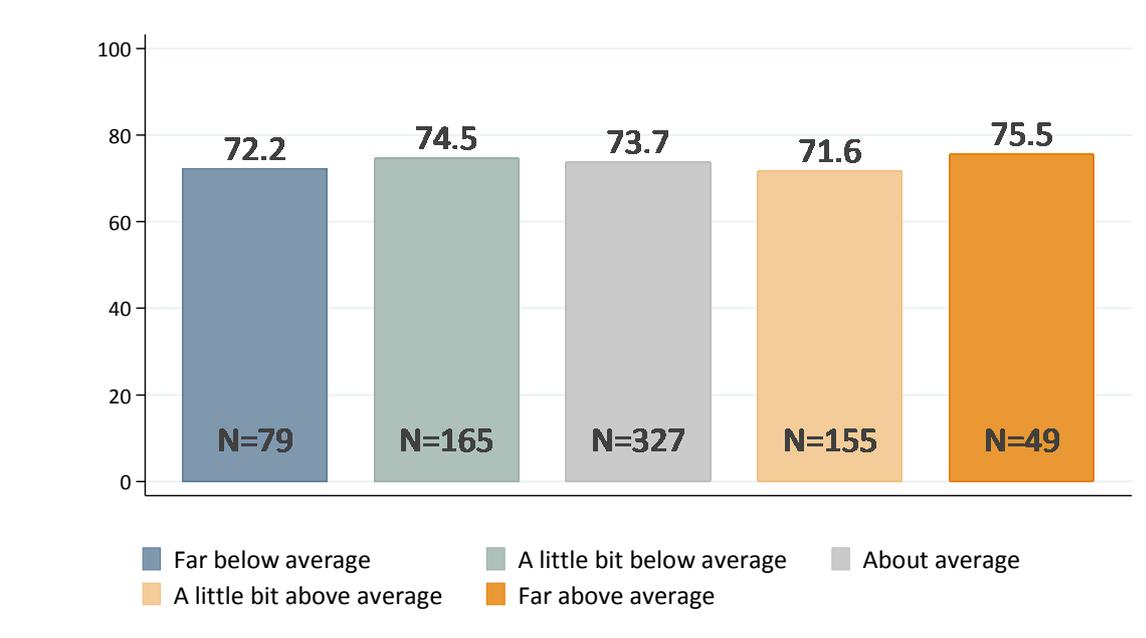
Source: LE-YouGov final dataset

3.3 Financial literacy and loan choice

Following the experiment respondents were asked three financial literacy questions. The first was a self-assessment question which asked respondents to rank their level of financial expertise on a five point scale with 1 being far below average and 5 being far above average.

The number of respondents and the proportion that chose the cheapest deal at least once in the experiment is shown in Figure 14. Just over 70% of respondents in each category chose the cheapest loan at least once.

Figure 14 Respondents' financial literacy self-assessment



Source: LE-YouGov final dataset

In addition to the self-assessment question respondents were asked the following two objective questions.

“Suppose you had £100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money in the account to grow without taking any of the money out?”

- *More than £102²¹*
- *Exactly £102*
- *Less than £102*
- *Don't Know*

“Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?”

- *More than today*
- *Exactly the same as today*
- *Less than today²²*
- *Don't know*

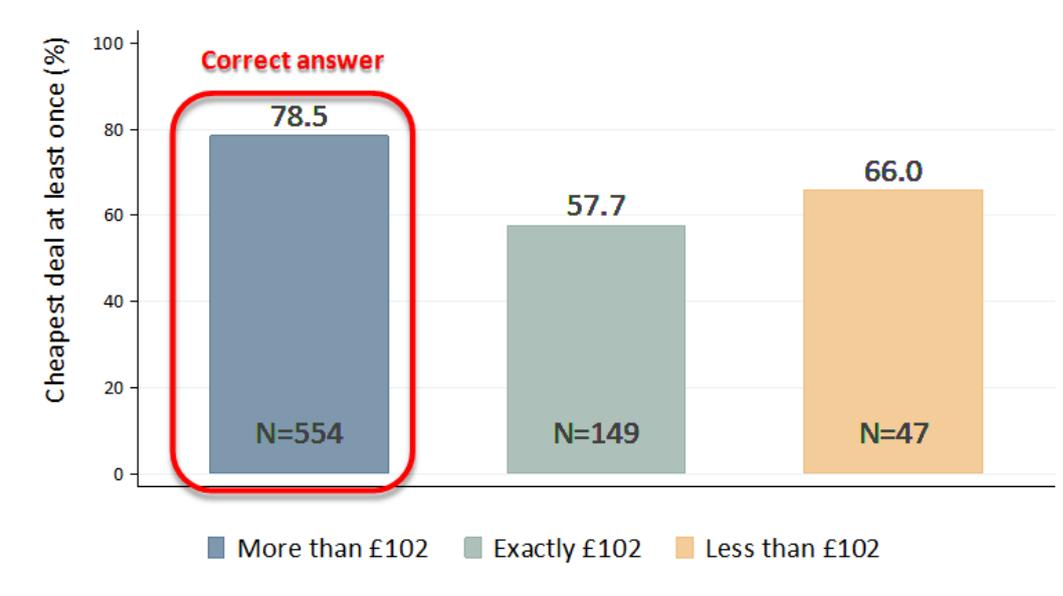
Figure 15 and Figure 16 present the proportion of respondents answering these questions correctly and the proportion that chose the cheapest loan at least once in the experiment.

70% of respondents answered the interest rate question correctly (554 out of 791 respondents), and they tended to perform better in the experiment, with 78.5% of these respondents choosing the cheapest loan at least once, as seen in Figure 15.

²¹correct answer is “more than £102”

²² correct answer is “less than today”

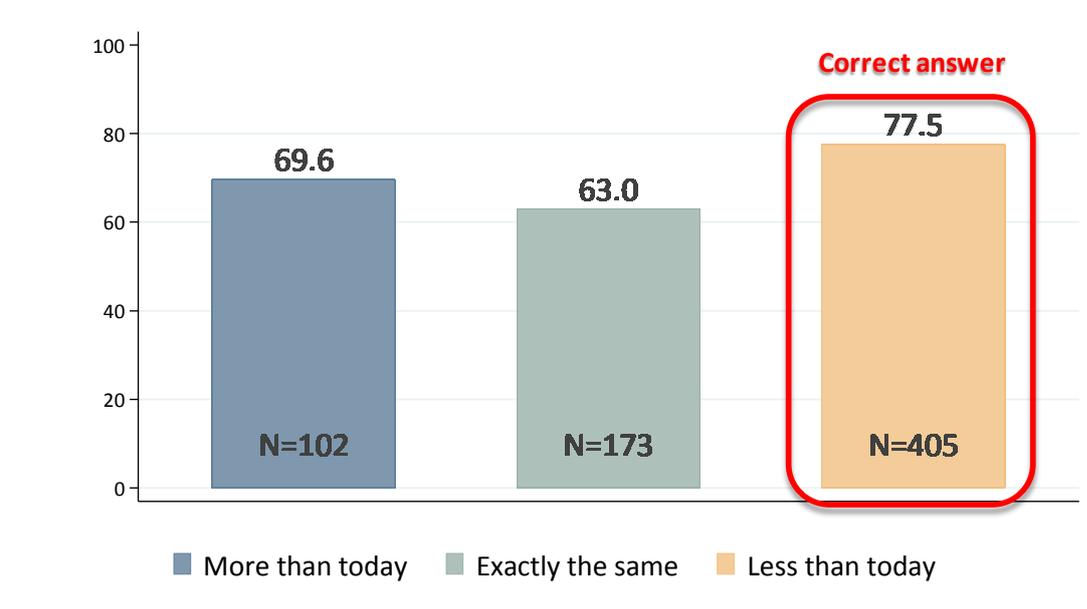
Figure 15 Respondents’ understanding of interest rates



Source: LE-YouGov final dataset

Respondents’ understanding of the effect of inflation was lower with just over 50% answering this question correctly (405 out of 791 respondents). As seen in Figure 16 respondents answering this question correctly also tended to perform better in the experiment but the difference is smaller than in the case of the interest rate question.

Figure 16 Respondents’ understanding of inflation



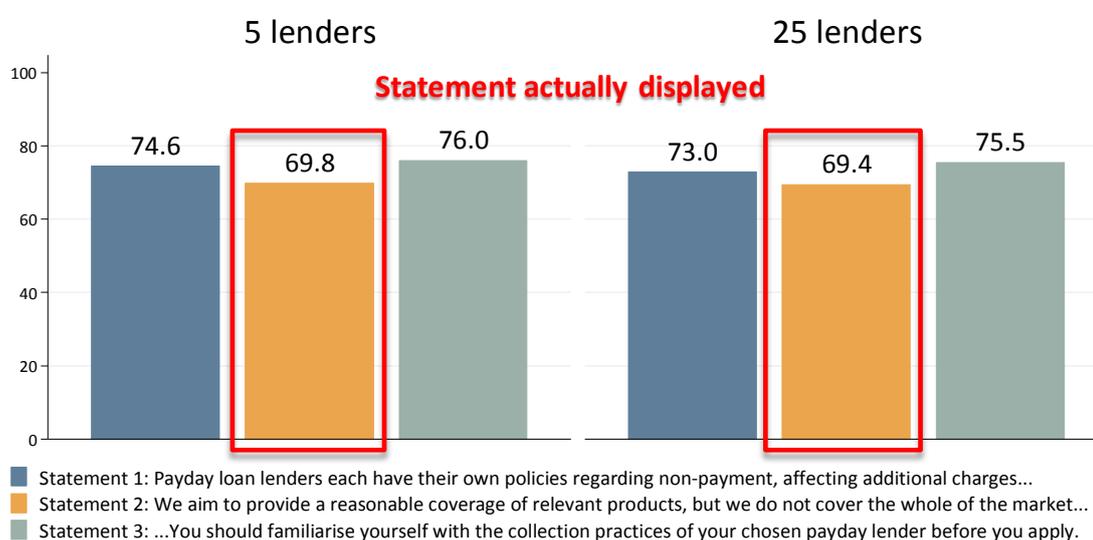
Source: LE-YouGov final dataset

3.4 Market coverage disclosure statement

In all treatments respondents were shown the following statement on their screens ‘We cover *N* lenders. We aim to provide a reasonable coverage of relevant products, but we do not cover the whole of the market. Other products may be available that you will not find on this Price Comparison Website’. *N* was randomised across participants such that 50% saw *N*=5 and 50% saw *N*=25.

When asked at completion of the experiment, approximately 69% of respondents reported correctly that this statement had appeared on the website (Figure 17).²³ However, we advise interpreting this result with caution as respondents incorrectly believed that all three statements shown in the survey questions appeared on the website, even if in reality only the market disclosure statement was actually included.

Figure 17 Responses to disclosure statements displayed on screen



Note: 45 observations were dropped because they were shown an incorrectly worded statement (i.e. *N*=746).

Source: LE-YouGov final dataset

After completion of the experiment respondents were also asked ‘What impact, if any, would this statement have on your decisions if you were actually looking for a Payday loan on a Price Comparison Website?’.

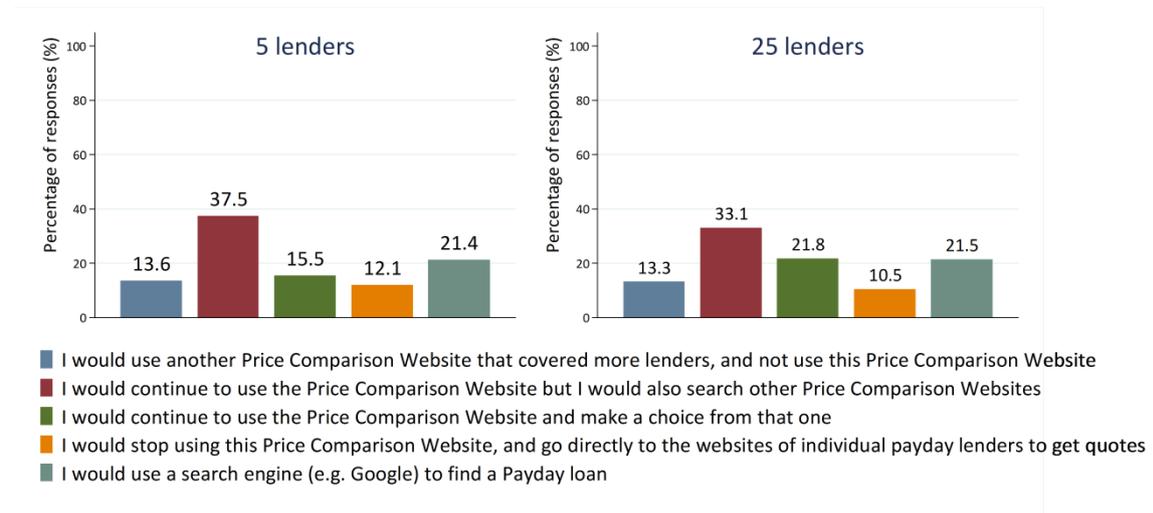
Figure 18 presents respondents’ answers for those who were informed that the website covered 5 lenders and 25 lenders. There was little difference in responses between a situation with 5 lenders

²³ Respondents were asked to respond true or false to whether they had seen the following statements on their screens. The market coverage statement (no.2) was the only one that appeared on the screens in the experiment.

1. Payday loan lenders each have their own policies regarding non-payment, this affects the additional interest and charges they apply and the debt collection practices they use.
2. We cover *N* lenders. We aim to provide a reasonable coverage of relevant products, but we do not cover the whole of the market. Other products may be available that you will not find on this Price Comparison Website.
3. If you fail to make an agreed repayment on a payday loan most lenders will contact you by phone, post or email to rearrange your repayment. If you repeatedly fail to make repayments then they may use collection practices or take legal action. You should familiarise yourself with the collection practices of your chosen payday lender before you apply.

versus 25 lenders, except that respondents who were told there were 25 lenders were more likely to indicate that they would continue to use the PCW and make a choice from that one (21.8% compared to 15.5%).

Figure 18 Respondents’ reaction to the market coverage disclosure statement



Note: 45 observations were dropped because they were shown an incorrectly worded statement. A further 69 respondents were excluded because they indicated ‘Other’, or ‘Don’t know’. Therefore, N= 677.

Source: LE-YouGov final dataset

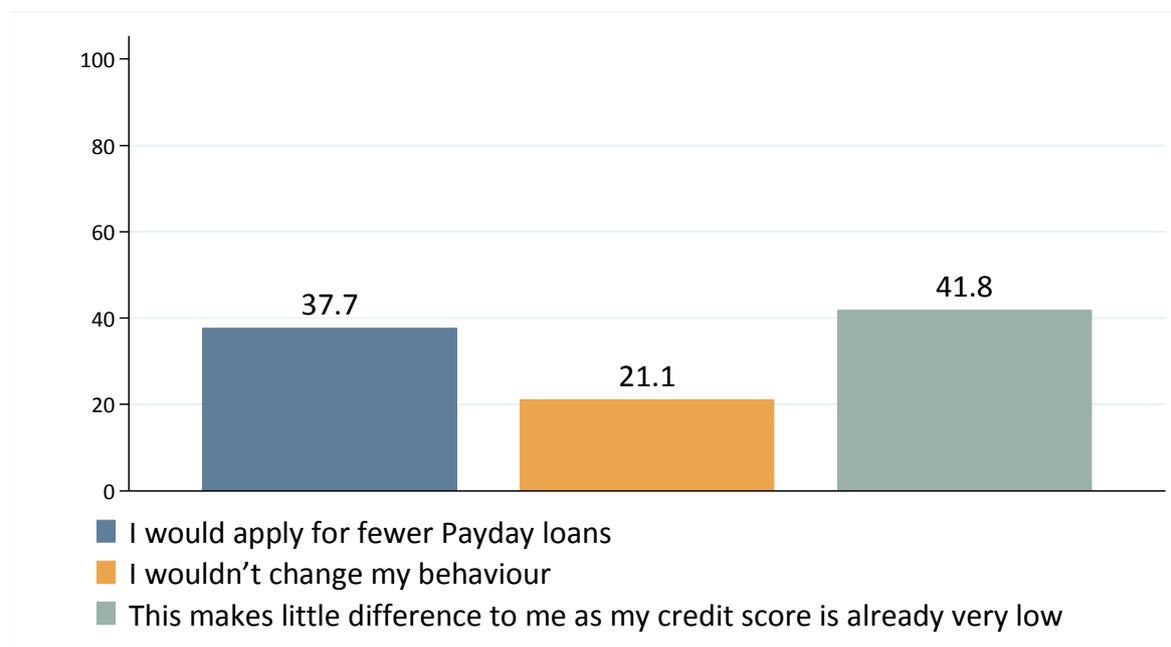
3.5 Credit score disclosure statement

All respondents were asked after the experiment what action they would take if a PCW for payday loans informed them of the following:

‘Applying for more than one loan (or other credit product) within a short period of time, could make it harder for you to get credit’

Figure 19 shows that 37.7% of respondents would apply for fewer loans, compared to 21.1% who report they would not change their behaviour and 41.8% who considered that the statement would make little difference to them as their credit score was already very low.²⁴

²⁴ Respondents could select multiple options in this question.

Figure 19 Respondents' reaction to credit score disclosure statement

Note: N=791

Source: LE - YouGov final dataset

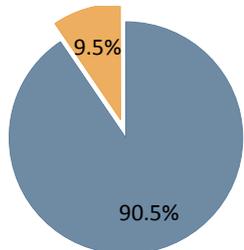
3.6 Awareness of credit checks

Self-reported awareness of credit checks was high amongst respondents. When asked the following question *'Before today, were you aware that when you apply for credit, such as a Payday loan, the lender will access your credit file to assess whether you are reliable to lend to, and that these searches are subsequently recorded on the file?'*, 90.5% of respondents said they were aware.

When asked *'Before today, were you aware that if these searches appear on your credit file multiple times, this may have a negative impact on whether a lender will consider you reliable to lend to?'*, nearly 80% of respondents said they knew this.

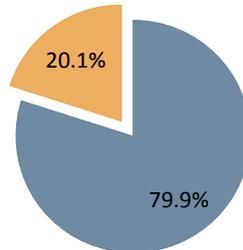
Figure 20 Respondents' awareness of credit checks

'Before today, were you aware that when you apply for credit, such as a Payday loan, the lender will access your credit file to assess whether you are reliable to lend to, and that these searches are subsequently recorded on the file?'



■ Yes, I was aware of this
 ■ No, I was not aware of this

'Before today, were you aware that if these searches appear on your credit file multiple times, this may have a negative impact on whether a lender will consider you reliable to lend to?'



■ Yes, I was aware of this
 ■ No, I was not aware of this

Note: N=791

Source: LE - YouGov final dataset

4 Conclusions

As seen in Table 4, **the largest single effect was observed when requiring all loans to be displayed on a single page**. 3% of respondents seeing PCWs with loan offers on two pages chose the cheapest deal in comparison to 63% of respondents in the baseline when respondents saw all loan offers displayed on a single page. Much of this effect may be driven by how few respondents (3.86%) used the option to click through. In addition, respondents seeing PCWs with the need to click through paid 6.3% more on average than when all offers were displayed on one page (as seen in Table 6).

The second largest single effect was observed when imposing the standard of using TAP as the measure of price comparison. The alternative to this standard was using the RAPR and not displaying TAP in the loan table headings, with respondents able to use the representative example to calculate the TAP for their loan. Respondents who were not explicitly shown the TAP chose the cheapest deal 13.5% of the time, compared to 63% of respondents in the baseline where respondents were shown the TAP (as seen in Table 4). This difference suggests that at least three fifths of respondents may have understood that the cheapest deal meant the deal with the lowest TAP (as suggested by the proportion of respondents choosing the cheapest deal when explicitly informed of TAP). However, it was more difficult for respondents to assess the lowest TAP when respondents were not explicitly informed of the TAP, but needed to calculate it from the representative example. Respondents also paid more, on average, in this treatment (4.6% compared to when all standards were imposed, as seen in Table 6).

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ANNEXES

Annex 1 Socio-demographics and additional tables and figures

Table 7 Socio-demographic characteristics of respondents

Characteristic	Category	% of respondents
Income	<£10,000	10.7
	£10,000-£19,999	22.0
	£20,000-£29,999	24.7
	£30,000-£44,999	23.9
	£45,000	18.7
Employment status	Working	63.0
Education	High (University)	28.3
	Medium (A levels)	40.2
	Low (GCSEs)	31.5

Note: N=791

Source: LE - YouGov final dataset

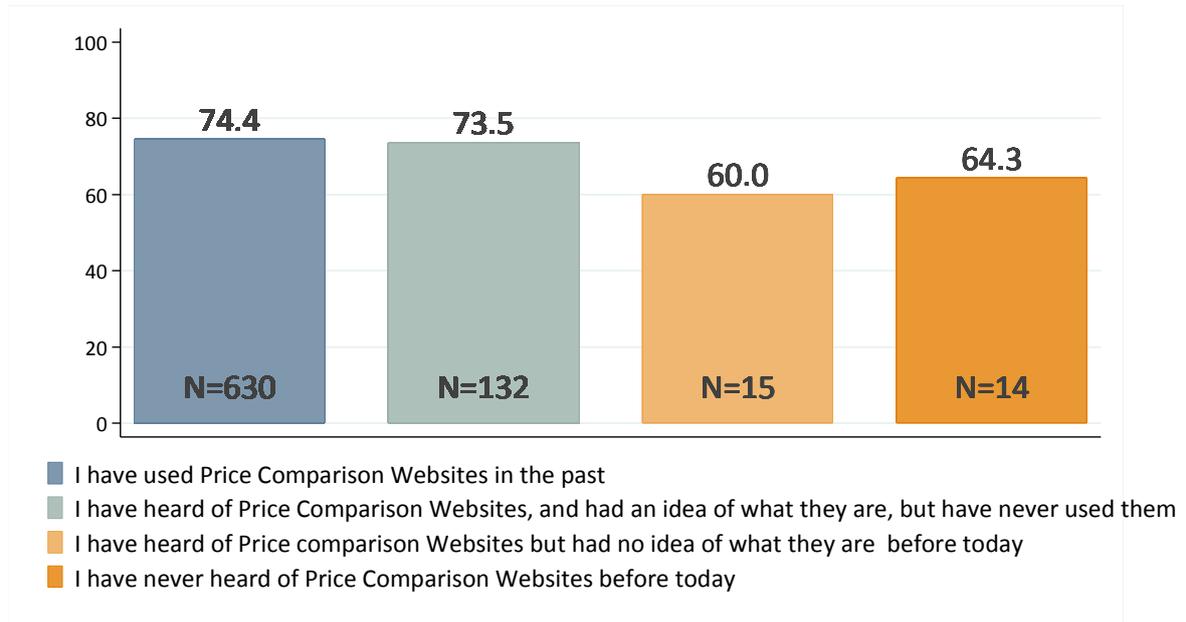
Table 8 Loan amount and term chosen by respondents who selected the cheapest loan

Treatment	100,30	100,60	100,90	300,30	300,60	300,90	500,30	500,60	500,90
A	52.4%	4.4%	2.6%	9.6%	7.8%	5.0%	5.8%	3.4%	8.8%
B	37.5%	12.5%	12.5%	12.5%	12.5%	0.0%	12.5%	0.0%	0.0%
C	25.8%	7.6%	4.5%	19.7%	10.6%	6.1%	4.5%	9.1%	12.1%
D	18.4%	7.9%	10.5%	15.8%	18.4%	10.5%	7.9%	5.3%	5.3%
E	54.1%	4.3%	1.1%	12.4%	4.3%	8.1%	2.7%	3.8%	9.2%
F	85.2%	2.6%	1.3%	3.9%	0.6%	0.0%	4.5%	1.3%	0.6%
G	50.0%	0.0%	0.0%	50.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Note: Base varies by treatment. Treatment A: N=498. Treatment B: N=8. Treatment C: N= 66. Treatment D: N=38. Treatment E: N=185. Treatment F: N=155. Treatment G: N=4.

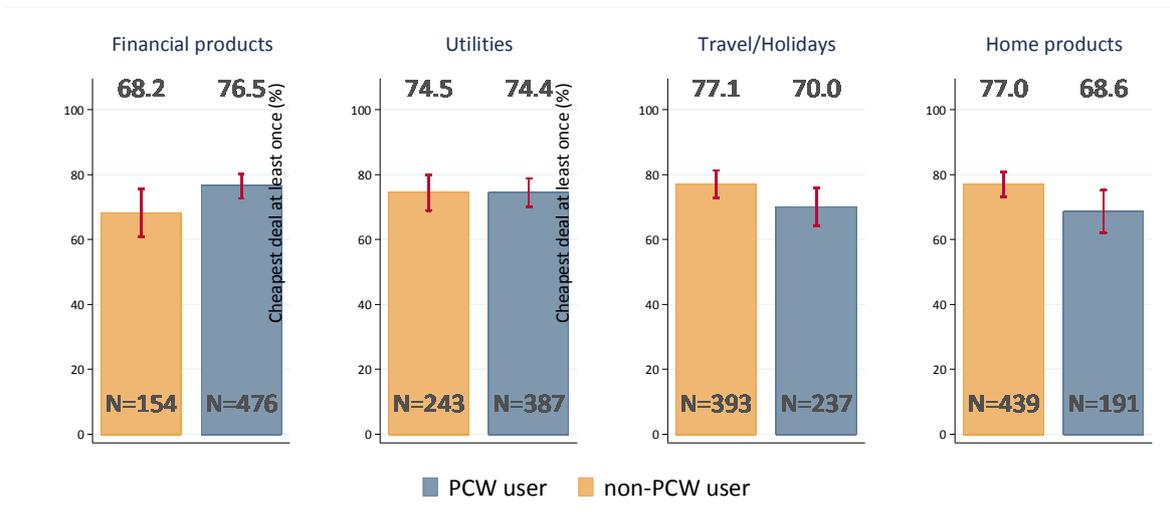
Source: LE - YouGov final dataset

Figure 21 Proportion of respondents who chose the cheapest loans at least once by use of PCWs



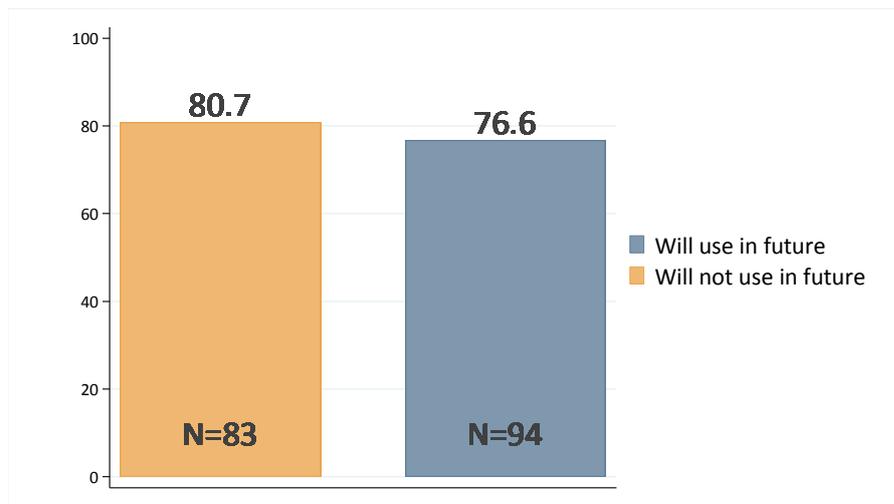
Source: LE - YouGov final dataset

Figure 22 Proportion of respondents who chose the cheapest loans at least once by use of PCWs and sector



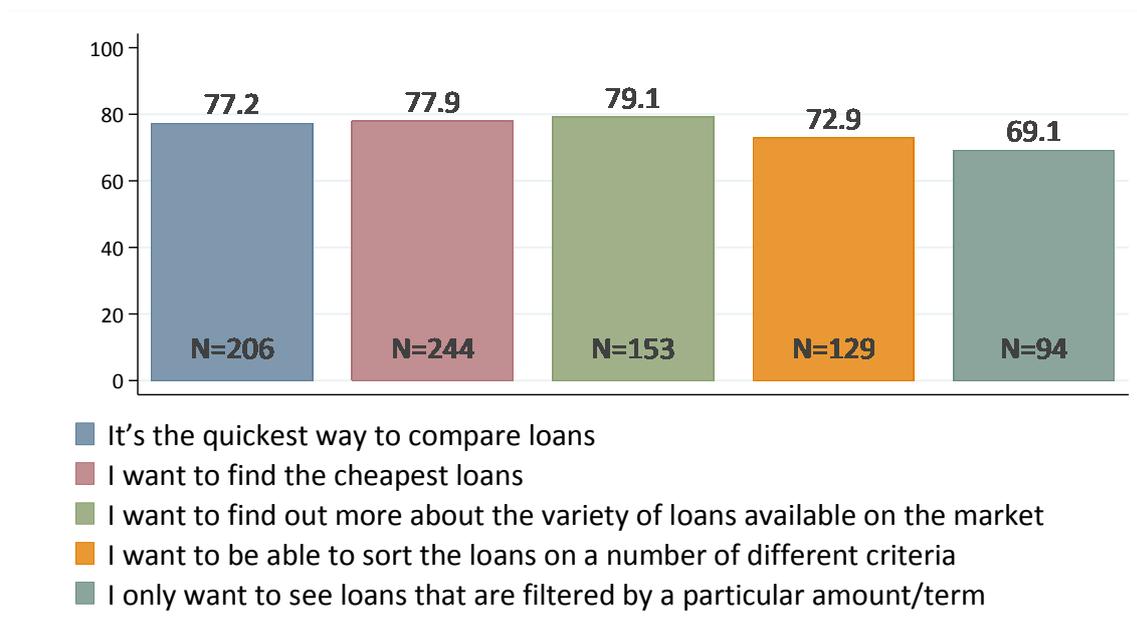
Source: LE - YouGov final dataset

Figure 23 Proportion of respondents who chose the cheapest loan at least once by intention to use PCWs in the future



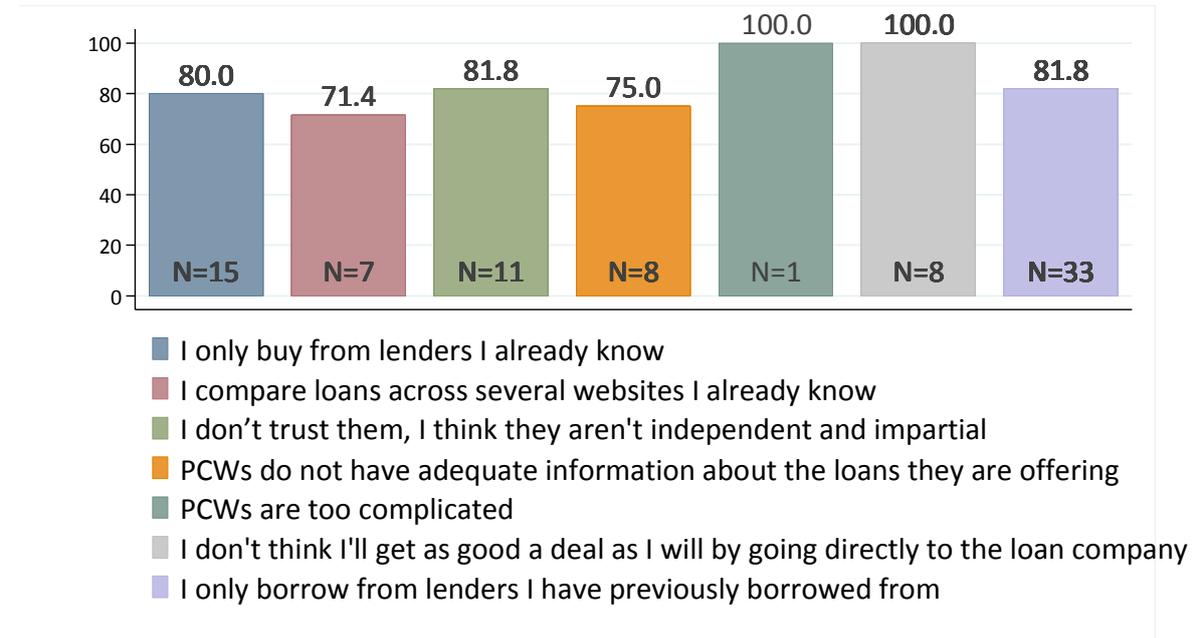
Source: LE - YouGov final dataset

Figure 24 Proportion of respondents who chose the cheapest deal at least once by reasons for using PCWs



Source: LE - YouGov final dataset

Figure 25 Proportion of respondents who chose the cheapest loan at least once by reasons for not using PCWs



Source: LE - YouGov final dataset

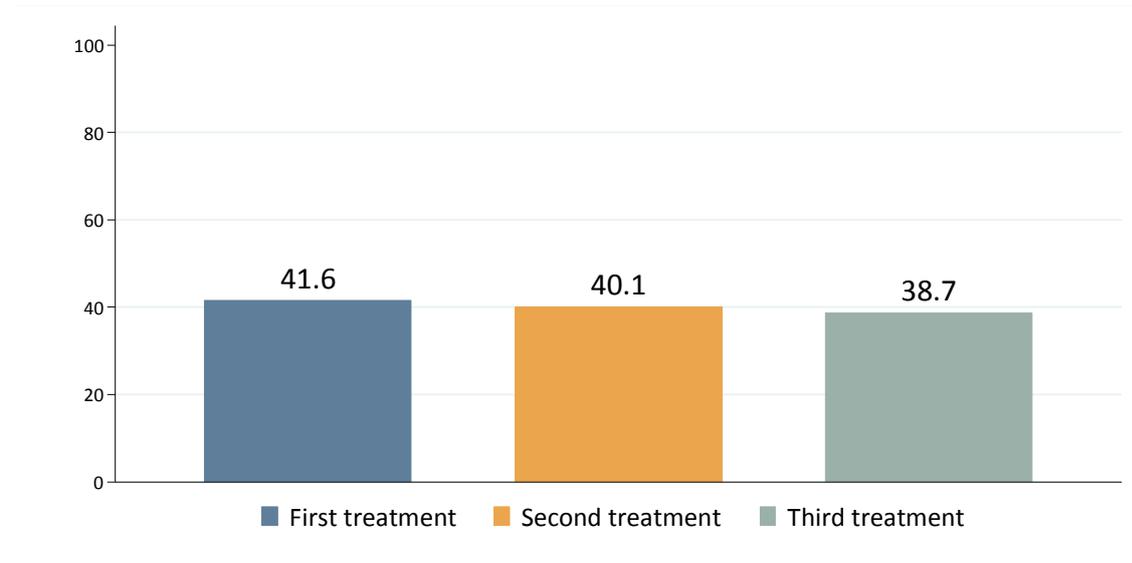
Table 9 Differences in price paid for loans – respondents choosing incorrect deal

Treatment	Relative to Treatment A (%)		Relative to cheapest deal (%)	
	Mean	Median	Mean	Median
A	-	-	7.2	4.8
B	6.5	7.5	9.4	7.5
C	6.6	7.3	9.8	9.5
D	5.7	5	8.5	7.5
E	2.2	0	7.6	4.9
F	3.8	2.5	7.8	5
G	11.3	12.5	13.7	14.6

Note: Base varies by treatment. Treatment A: N=293. Treatment B: N=251. Treatment C: N=181. Treatment D: N = 244. Treatment E: N = 94. Treatment F: N = 102. Treatment G: N = 254.

Source: LE - YouGov final dataset

Figure 26 Change in proportion of respondents who chose the cheapest deal across treatment order



Note: N=791

Source: LE - YouGov final dataset

Annex 2 Selected screen-shots

Figure 27 Treatment A - baseline

The screenshot shows the Loans2Compare.com website. At the top, there is a navigation menu with 'Home', 'Credit cards', 'Mortgages', and 'Loans'. Below the navigation, there is a promotional message: 'Are you looking for a payday loan? Use this website to compare and choose a loan from a range of UK payday lenders. We make it easy for you to apply for a loan.' A warning box states: 'WARNING: Late repayment can cause you serious money problems. For help, please visit moneyadvice.service.org.uk'. Below the warning, there is a filter section titled 'Please filter by loan amount and term...' with two sliders: 'Filter by loan amount' (with options £100, £300, £500, All) and 'Filter by term' (with options 30 days, 60 days, 90 days, All). Below the filters is a table of lender offers.

Lender	Loan amount	Term	Total amount payable	Apply now
	£100	30 days	£120.00	Apply now
Representative Example: The Representative APR is 819%. If you borrow £500 over 30 days at an annual rate of 243.33% (fixed) the charge of credit will be £100.00 and the total amount you will need to repay is £600.00 as a single repayment.				
	£100	30 days	£120.00	Apply now
Representative Example: The Representative APR is 674%. If you borrow £300 over 60 days at an annual rate of 243.33% (fixed) the charge of credit will be £120.00 and the total amount you will need to repay is £420.00 as a single repayment.				
	£100	30 days	£120.50	Apply now
Representative Example: The Representative APR is 599%. If you borrow £100 over 90 days at an annual rate of 249.42% (fixed) the charge of credit will be £61.50 and the total amount you will need to repay is £161.50 as a single repayment.				
	£100	30 days	£120.50	Apply now

Figure 28 Treatment D –loans ranked randomly by RAPR (ensuring cheapest is not on top)


Loans2Compare.com

[Home](#)
[Credit cards](#)
[Mortgages](#)
[Loans](#)

Are you looking for a payday loan? Use this website to compare and choose a loan from a range of UK payday lenders. We make it easy for you to apply for a loan.

Your loan may be automatically extended if you don't repay it in full, this may impact your credit score and cost you extra in fees and interest. Failure to pay could mean you face collection action. If you already have a payday loan don't take out another as cheaper options are available.

WARNING: Late repayment can cause you serious money problems. For help, please visit moneyadviceservice.org.uk

Please filter by loan amount and term...

Filter by loan amount:

£1.00 £300 £500 All

Filter by term:

30 days 60 days 90 days All

Lender	Representative APR	Loan amount	Term	
	900%	£300	60 days	Apply now
Representative Example: The Representative APR is 900%. If you borrow £500 over 60 days at an annual rate of 279.83% (fixed) the charge of credit will be £230.00 and the total amount you will need to repay is £730.00 as a single repayment.				
	986%	£300	30 days	Apply now
Representative Example: The Representative APR is 986%. If you borrow £500 over 60 days at an annual rate of 292% (fixed) the charge of credit will be £240.00 and the total amount you will need to repay is £740.00 as a single repayment.				
	916%	£100	30 days	Apply now
Representative Example: The Representative APR is 916%. If you borrow £500 over 30 days at an annual rate of 255.5% (fixed) the charge of credit will be £105.00 and the total amount you will need to repay is £605.00 as a single repayment.				
	681%	£500	90 days	Apply now
Representative Example: The Representative APR is 681%. If you borrow £300 over 90				

Figure 29 Treatment E– banner ads

Please filter by loan amount and term...

Filter by loan amount:

£100
 £300
 £500
 All

Filter by term:

30 days
 60 days
 90 days
 All

Sunshine Loans

See how much YOU can get by clicking here!

Lender	Loan amount	Term	Total amount payable	
	£100	30 days	£120.00	Apply now
Representative Example: The Representative APR is 819%. If you borrow £500 over 30 days at an annual rate of 243.33% (fixed) the charge of credit will be £100.00 and the total amount you will need to repay is £600.00 as a single repayment.				
	£100	30 days	£120.00	Apply now
Representative Example: The Representative APR is 674%. If you borrow £300 over 60 days at an annual rate of 243.33% (fixed) the charge of credit will be £120.00 and the total amount you will need to repay is £420.00 as a single repayment.				
	£100	30 days	£120.50	Apply now
Representative Example: The Representative APR is 599%. If you borrow £100 over 90 days at an annual rate of 249.42% (fixed) the charge of credit will be £61.50 and the total amount you will need to repay is £161.50 as a single repayment.				
	£100	30 days	£120.50	Apply now
Representative Example: The Representative APR is 709%. If you borrow £100 over 60 days at an annual rate of 249.42% (fixed) the charge of credit will be £41.00 and the total amount you will need to repay is £141.00 as a single repayment.				
	£100	30 days	£121.00	Apply now
Representative Example: The Representative APR is 744%. If you borrow £100 over 60 days at an annual rate of 255.5% (fixed) the charge of credit will be £42.00 and the total amount you will need to repay is £142.00 as a single repayment.				

Sunshine Loans

See how much YOU can get by clicking here!

Annex 3 Questionnaire

S1

MULTIPLE CHOICE

A payday loan is a small short-term unsecured loan with interest rates that are often much higher than other forms of lending. Despite its name, a payday loan is not necessarily linked to an individual's payday.

With the above definition in mind, which of the following, if any, apply to you. Please select all that apply.

- ¹ I have taken out a payday loan in the past 12 months
- ² I have previously taken out a payday loan, but NOT in the past 12 months
- ³ I expect to take out a payday loan in the next 12 months
- ⁴ I expect to take out a payday loan in the future, but NOT in the next 12 months
- ⁵ I have never taken out a payday loan in the past and don't expect to do so in the future
- ⁹⁸ Don't know

Exclude other punches

Screen out if S1 does not equal 1 or 3

Thank you for agreeing to take part in this survey.

This survey is being conducted on behalf of the Financial Conduct Authority (FCA). The FCA aim to make sure that financial markets work well so that consumers get a fair deal. This means ensuring that:

- the financial industry is run with integrity
- firms provide consumers with appropriate products and services
- consumers can trust that firms have their best interests at heart

This piece of research is specifically focussed on the Payday Loans market. Please note that all your answers are anonymous and will be aggregated accordingly. The survey should take approximately 15 minutes to complete and your YouGov Account will be credited with 50 points.

In order to begin please click next below...

R1

SINGLE CHOICE

Price Comparison Websites (PCWs) are websites that allow you to search for and compare a group of products or services to find the best product or service that meets your needs. They often allow you to order and/or filter by price, product features, and other criteria.

Based on the description above, which of the following best describes your experience of Price Comparison Websites?

- ¹ I have used Price Comparison Websites in the past
 - ² I have heard of Price Comparison Websites, and had an idea of what they are, but have never used them
 - ³ I have heard of Price comparison Websites but had no idea of what they are before today
 - ⁴ I have never heard of Price Comparison Websites before today
-

**R2- Show if
R1==1**

MULTIPLE CHOICE

For which of the following products/services have you used a Price Comparison Website? Please select all that apply.

¹ Financial products/services (loans, insurance etc.)

² Utilities (gas, electricity, telecoms)

³ Travel/Holidays

⁴ Home-related products/services (appliances, tools, garden supplies)

⁹⁵ Other (specify)

Not randomized

⁹⁸ Can't remember

Not randomized, exclude other punches

**R3- Show if
R2.has_any([1,2,3,4])**

GRID

And to what extent would you say you use Price Comparison Websites when choosing those product/services?

ROWS

- R3_1- Show if 1 in R2 Financial products/services

- R3_2- Show if 2 in R2 Utilities

- R3_3- Show if 3 in R2 Travel/Holidays

- R3_4- Show if 4 in R2 Home-related products/services

COLUMNS

- ¹ Every time

- ² Most times

- ³ Occasionally

- ⁴ Never

- ⁹⁸ Not sure

R4a- Show if 1 in R2

DYNAMIC GRID

You have said you use Price Comparison Websites for financial products/services. Please can you tell us whether you have used them for each of the specific financial products/services below?

Secured loans...

ROWS

R4_1	Mortgages
R4_2	Car finance
R4_3	Guarantor loans

COLUMNS

¹ Yes

² No

R4b- Show if 1 in R2

DYNAMIC GRID

You have said you use Price Comparison Websites for financial products/services. Please can you tell us whether you have used them for each of the specific financial products/services below?

Unsecured loans...

ROWS

R4_5 Credit Cards

R4_6 Personal Loans

R4_7 Payday loans

COLUMNS

¹ Yes

² No

R4c- Show if 1 in R2

DYNAMIC GRID

You have said you use Price Comparison Websites for financial products/services. Please can you tell us whether you have used them for each of the specific financial products/services below?

Insurance...

ROWS

R4_9 Home insurance

R4_10 Car insurance

COLUMNS

¹ Yes

² No

P2_now- Show if R4_7 == 1

MULTIPLE CHOICE

You said you have used a Price Comparison Website to search and compare Payday Loans. For which of the following reasons, if any, have you used Price Comparison Websites to search for Payday loans? Please select all that apply.

- ¹ It's the quickest way to compare loans
- ² I want to find the cheapest loans
- ³ I want to find out more about the variety of loans available on the market
- ⁴ I want to be able to sort the loans on a number of different criteria
- ⁵ I only want to see loans that are filtered by a particular amount/term
- ⁹⁵ Other (specify)
- ⁹⁸ Don't know

*Not randomized**Not randomized, exclude other punches***Px1- Show if R4_7 == 1**

SINGLE CHOICE

Did you find using a Price Comparison Website to search and compare Payday Loans useful?

- ¹ Yes, I found it useful
- ² No, I did not find it useful
- ⁹⁸ Don't know

Px2- Show if Px1 == 1

MULTIPLE CHOICE

What did you find useful about the Price Comparison Website? Please select all that apply.

¹ I was able to filter products so I could find the loan I wanted

² The way the website ranked the payday loan products meant I could find the cheapest loan

³ I was able to compare a lot of products quickly

⁹⁵ Other (specify)

Not randomized

⁹⁸ Don't know

Not randomized, exclude other punches

Px3- Show if Px1 == 2

MULTIPLE CHOICE

What did you NOT find useful about the Price Comparison Website? Please select all that apply.

- ¹ I was unable to find the loan I wanted
- ² I found the way the website ranked the payday loan products confusing
- ³ The website did not include a lot of products
- ⁴ There were adverts everywhere
- ⁵ All I found were brokers

⁹⁵ Other (specify)

Not randomized

⁹⁸ Don't know

Not randomized, exclude other punches

P1- Show if R4_7 == 2

SINGLE CHOICE

You said you have not used a Price Comparison Website to search for and compare Payday Loans. In the future would you consider using Price Comparison Websites to search for and compare Payday Loans?

- ¹ Yes
- ² No

P2_future- Show if P1 == 1

MULTIPLE CHOICE

You said you would use a Price Comparison Website to search and compare Payday Loans. For which of the following reasons, if any, would you use Price Comparison Websites to search for Payday loans? Please select all that apply.

¹ It's the quickest way to compare loans

² I want to find the cheapest loans

³ I want to find out more about the variety of loans available on the market

⁴ I want to be able to sort the loans on a number of different criteria

⁵ I only want to see loans that are filtered by a particular amount/term

⁹⁵ Other (specify)

Not randomized

⁹⁸ Don't know

Not randomized, exclude other punches

P3- Show if P1 == 2

MULTIPLE CHOICE

And for which of the following reasons, if any, would you NOT use Price Comparison Websites in the future to search for and compare Payday Loans? Please select all that apply.

- 1 I only buy from lenders I already know
- 2 I compare loans across several websites I already know
- 3 I don't trust them, I think they are not independent and impartial
- 4 Price comparison websites do not have adequate information about the loans they are offering
- 5 Price comparison websites are too complicated
- 6 I don't think I will get as good a deal as I will by going direct to the loan company
- 7 I only borrow from lenders I have previously borrowed from
- 95 Other (specify) *Not randomized*
- 98 Don't know *Not randomized, exclude other punches*

In the next section of the questionnaire, you will see three pages showing Price Comparison Websites (PCWs) for Payday Loans. Although these are NOT real PCWs, they have been designed to look and function like a PCW. However, the decisions you make on these pages will have no bearing on your ability to get any type of loan, including Payday Loans, in the future.

On each page you will see a number of payday loans offered by a group of companies. Although the companies will be the same across the three pages, the details of the loans they offer may be different. Please consider the loans carefully and select the loans that best suits your needs.

Click on the arrow below to continue...

RESPONDENT IS SHOWN THREE TREATMENTS AT THIS POINT

In the experiment you have just taken part in, you were asked to choose the loan which best suited you.

In the first experiment you chose £\$first_amount, \$first_term days

In the second experiment you chose £\$second_amount, \$second_term days

In the third experiment you chose £\$third_amount, \$third_term days

E1a if not all treatments have same amount and term

If SINGLE CHOICE

Of the loans you chose, which one is your preferred option in terms of the loan amount and term?

- ¹ £\$first_amount, \$first_term days
 - ² £\$second_amount, \$second_term days
 - ³ £\$third_amount, \$third_term days
 - ⁹⁸ Not sure
-

E1b if not all treatments have same amount and term

OPEN TEXTBOX

Thinking about the other choices that were not your preferred option, please can you tell us briefly in the box below why you chose them on the earlier screens...

E2

DYNAMIC GRID

For each of the following, please can you tell us whether it is true or false that they were shown on the payday loan price comparison websites we showed you earlier...

ROWS

- | | |
|------|---|
| E2_1 | Payday loan lenders each have their own policies regarding non-payment, this affects the additional interest and charges they apply and the debt collection practices they use. |
| E2_2 | We cover [5/25] lenders. We aim to provide a reasonable coverage of relevant products, but we do not cover the whole of the market. Other products may be available that you will not find on this Price Comparison Website. |
| E2_3 | If you fail to make an agreed repayment on a payday loan most lenders will contact you by phone, post or email to rearrange your repayment. If you repeatedly fail to make repayments then they may use collection practices or take legal action. You should familiarise yourself with the collection practices of your chosen payday lender before you apply. |

COLUMNS

- ¹ True
- ² False

E3a- Show if saw the '5 lenders' disclosure

SINGLE CHOICE

The following statement was shown on your screens:

We cover 5 lenders. We aim to provide a reasonable coverage of relevant products, but we do not cover the whole of the market. Other products may be available that you will not find on this Price Comparison Website.

What impact, if any, would this statement have on your decisions if you were actually looking for a Payday loan on a Price Comparison Website?

- ¹ I would use another Price Comparison Website that covered more lenders, and not use this Price Comparison Website
- ² I would continue to use the Price Comparison Website but I would also search other Price Comparison Websites
- ³ I would continue to use the Price Comparison Website and make a choice from that one
- ⁴ I would stop using this Price Comparison Website, and go directly to the websites of individual payday lenders to get quotes
- ⁵ I would use a search engine (e.g. Google) to find a Payday loan

⁹⁵ Other (specify)

Not randomized

⁹⁸ Don't know

Not randomized, exclude other punches

E3b- Show if saw the '25 lenders' disclosure

SINGLE CHOICE

The following statement was shown on your screens:

We cover 25 lenders. We aim to provide a reasonable coverage of relevant products, but we do not cover the whole of the market. Other products may be available that you will not find on this Price Comparison Website.

What impact, if any, would this statement have on your decisions if you were actually looking for a Payday loan on a Price Comparison Website?

- ¹ I would use another Price Comparison Website that covered more lenders, and not use this Price Comparison Website
- ² I would continue to use the Price Comparison Website but I would also search other Price Comparison Websites
- ³ I would continue to use the Price Comparison Website and make a choice from that one
- ⁴ I would stop using this Price Comparison Website, and go directly to the websites of individual payday lenders to get quotes
- ⁵ I would use a search engine (e.g. Google) to find a Payday loan
- ⁹⁵ Other (specify) *Not randomized*
- ⁹⁸ Don't know *Not randomized, exclude other punches*

E6

MULTIPLE CHOICE

If a Price Comparison Website for Payday loans informed you that:

"Applying for more than one loan (or other credit product) within a short period of time, could make it harder for you to get credit"

What actions would you take? Please select all that apply.

- ¹ I would apply for fewer Payday loans
- ² I wouldn't change my behaviour
- ³ This makes little difference to me as my credit score is already very low
- ⁹⁵ Other (specify) *Not randomized*
- ⁹⁸ Don't know *Not randomized, exclude other punches*

E4

SINGLE CHOICE

Before today, were you aware that when you apply for credit, such as a Payday loan, the lender will access your credit file to assess whether you are reliable to lend to, and that these searches are subsequently recorded on the file?

- ¹ Yes I was aware of this
- ² No, I was not aware of this

E5- Show if E4 == 1

SINGLE CHOICE

Before today, were you aware that if these searches appear on your credit file multiple times, this may have a negative impact on whether a lender will consider you reliable to lend to?

- ¹ Yes I was aware of this
- ² No, I was not aware of this

F1

SINGLE CHOICE

How would you rate your own level of financial expertise?

- ¹ Far below average
- ² A little bit below average
- ³ About average
- ⁴ A little bit above average
- ⁵ Far above average
- ⁹⁸ Don't know

Not randomized

F2

SINGLE CHOICE

Suppose you had £100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money in the account to grow without taking any of the money out?

¹ More than £102

² Exactly £102

³ Less than £102

⁹⁸ Don't know

Not randomized

F3

SINGLE CHOICE

Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?

¹ More than today

² Exactly the same

³ Less than today

⁹⁸ Don't know

Not randomized

DEMOGRAPHIC QUESTIONS ASKED HERE

PilotComments

OPEN TEXTBOX

Thanks for taking this survey, which is a pilot for a larger study. If you have any comments you want to make about this survey, the questions, or the experiment you took, please make them in the box below...



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