Coalition 40

Response to Undertaking 1

What was the undertaking?

On April 12, the Coalition made the following undertaking:

Undertaking 1, part A.

> The Coalition to reconcile the apparent differences between the data reported by PEW at slide 32 of Dr. Buckland's report in terms of usage of online lenders with the narrative presented by the presenter Policis on April 12

Undertaking 1, part B

> Provide a preliminary critical analysis of the presentation of data, the conclusions drawn from that data, and the reliability of the sources presented in that data.

Caveat

Policis did not file an expert report, answer information requests or provide supporting data and calculations. Policis also did not provide a detailed description of its methodology or outline the statistical tests, if any, undertaken.

Coaltion witnesses were not aware that Policis was appearing until April 10 or April 11 and did not have a meaningful opportunity to review the Policis material prior to the Policis presentation. Because Policis appeared as a presenter rather than a witness, there was no opportunity to cross examine Policis.

The primary role of Coalition witnesses between April 11 and April 14, 2016 has been to present their expert evidence and answer questions regarding it. There has been limited time to review the Policis submissions.

Part A

Undertaking 1, part A.

> The Coalition to reconcile the apparent differences between the data reported by PEW at slide 32 of Dr. Buckland's report in terms of usage of online lenders with the narrative presented by the presenter Policis on April 12

Pew Analysis

Pew Trust uses the categorization of permissive, hybrid and restrictive states.

Slide 32 of Dr. Buckland's presentation reported the Method of Acquiring Payday Loans by State Law Type using analysis by Pew 2014.[1] It suggested that:

- the percentage of adults reporting payday loan usage from online or other in the past 5 years from restrictive states was 1.58% as compared to 1.28% for hybrid states and 1.37% in permissive states[2]

Based on the Pew Trusts' analysis and focusing on hybrid and permissive states, there is little difference in the percentage of adults reporting online payday loan usage in the past 5 years between hybrid states and permissive states.

The Policis Narrative versus the Policis Information

Policis uses somewhat different categories for its states: permissive, restricted and banned.

Interestingly, California is ranked as a permissive state by Policis despite what it describes as a "relatively low rate cap" and "relatively strict controls on roll-overs". [3]

Care should be taken in considering the reliability and limitations of the source data for Policis. This is especially the case given the absence of any meaningful methodological explanation, data presentation, calculation presentation or statistical test presentation.

1 Dr. Buckland notes that analysis of payday borrowing incidence was conducted after 33,576 adults had been screened and answered a question about payday loan usage. Another 16,108 adults were screened in order to find a sufficient number of storefront payday loan, online payday loan, and auto title loan borrowers to complete a 20-minute survey about their usage and views. In total, 49,684 adults were screened to complete the research. In total, 703 persons were interviewed including 451 storefront borrowers and 252 online borrowers. The research project is described here: http://www.pewtrusts.org/en/research-and-analysis/collections/2014/12/payday-lending-in-america. A description of the Pew survey methodology can be found at: http://www.pewtrusts.org/~/media/assets/2012/07/19/pew_payday_lending_methodology.pdf. A description of the internet payday loan research can be found here: http://www.pewtrusts.org/en/research-and-analysis/reports/2014/10/fraud-and-abuse-online-harmful-practices-in-internet-payday-lending.

2 Nationally, 1.48%

3 Policis, MPUB, Slide 29.

Policis presents a number of its “key take outs” in slide 43 including the assertion that:

- “Demand does not go away when supply restricted”
- “Demand displaced from storefront to online”

Unlike Pew Trusts which focuses on the percentage of persons reporting on line usage over a period of time, Policis looks at the percentage share of loan volume (overall, licensed and unlicensed) as estimated from Clarity data and compares it to the percentage share of the population at less than FICO 701.

The Policis conclusion that “Demand does not go away when supply restricted” and that “Demand displaced from storefront to online” must be read with great care given slide 21 which appears to demonstrate that:

> **permissive** states as defined by Policis account for **roughly 35% of sub 701 FICO but over 50% of online payday loan volume**.
>
> restrictive states as defined by Policis account for **roughly 29% of sub 701 FICO but less than 25% of online payday loan volume**.
>
> banned states as defined by Policis account for roughly 27% of sub 701 FICO but less than 24% of online payday loan volume.

As Dr. Buckland indicated on April 14, 2016, estimated unlicensed online lending volumes in permissive states accounted for roughly 20% of the total online payday loan volume which appears similar to the contribution from restricted and banned states as defined by Policis.

Dr. Simpson observes:

> the percentage of loan volume that is unlicensed is roughly the same across permissive, restrictive and banned states but the percentage of licensed loan volume varies from high to low, suggesting that there is no correlation between restrictive/banned regulation and unlicensed loan as a percentage of volume. In fact, as above, loan volume may be much lower in restrictive/banned states, implying that the level of unlicensed lending is lower (in terms of number of loans) in these states than in restrictive states.

Insight from the Consumer Financial Protection Bureau

We agree the online marketplace is the growth sector. We are advised by Pew Trusts (personal communication April 14) that US storefront payday lending hit its peak around 2007 and the number of stores has been on the decline since. In addition, the online payday and payday installment marketplace is expanding - as it is in many other sectors of online lending, including business, student, and mortgage.

Policis posits that when storefronts are restricted, demand shifts to other products such as overdraft and online lending. We are advised by Pew (personal communication April 14) that this hypothesis would appear to be contradicted by data from the federal regulatory agency, the Consumer Financial Protection Bureau (CFPB). It show that borrowers who used payday loans from banks (called deposit advance loans) used overdraft at higher rates than those who did not use bank payday loans.[4]

Because borrowers are struggling to make ends meet, they are using a variety of available resources to pay monthly bills. They are not shopping for credit as demonstrated in the nationally representative survey of borrowers by Pew Trusts, they use their loans to cover regular monthly expenses, such as rent, mortgage, utilities, car payments and credit card bills. Many borrowers also have credit cards. Many told Pew Trusts that in the absence of payday loans, they would use a variety of other options to make ends meet: cut back on expenses, sell or pawn personal items or borrow from family or friends. Very few said they would take another loan or use another formal credit option.[5]

As noted above, data from Pew Trusts show the rates of online lending were similar across all states, both in states with payday loan stores and without. If restrictions on storefront lending were driving online lending, data would show higher rates of online lending in restrictive and banned states. That is not the case.[6]

Part B

Undertaking 1, part B

> Provide a preliminary critical analysis of the presentation of data, the conclusions drawn from that data, and the reliability of the sources presented in that data.

Overview

Without providing source data, calculations or an explanation of the statistical tests (if any) performed, Policis presents a story suggesting that:

- an unintended consequence of more restrictive regulation such as reducing the rate cap or debt to income ratios is that more demand is driven to the internet and in particular the unregulated internet leading to adverse consequences for vulnerable consumers including worsening cycle of debt issues and driving up the cost burden of servicing loans[7]

4 CFPB data are from their white paper on payday loans and deposit advance products (DAP). On page 41, the chart shows overdraft/non-sufficient funds (NSF) fees for customers who use DAP and customers who do not: 14% of those who DID NOT use DAP incurred an overdraft/NSF fee vs 65% of customers who DID use DAP... and incurred a fee. http://files.consumerfinance.gov/f/201304_cfpb_payday-dap-whitepaper.pdf

5 Payday Lending in America: Who Borrows, Where They Borrow, and Why, page 23: http://www.pewtrusts.org/~/media/legacy/uploadedfiles/pcs_assets/2012/pewpaydaylendingreportpdf.pdf

6 Payday Lending in America: Who Borrows, Where They Borrow, and Why, page 23: http://www.pewtrusts.org/~/media/legacy/uploadedfiles/pcs_assets/2012/pewpaydaylendingreportpdf.pdf

7 Policis, MPUB, slides 43 – 45.

By inference, one might conclude from the Policis narrative that less restrictive policies including higher or no rate caps would lead to less internet demand, lower overall cost burdens and a reduction in the cycle of debt.

Among the concerns with the Policis data are:

- the analysis essentially ignores the UK experience and is inconsistent with the rapid development of internet payday lending in the UK despite minimally restrictive policies
- the analysis fails to consider the implications of the dramatically different Dollar Financial Group experiences in internet lending in the United Kingdom/Europe, United States and Canada
- Policis does not identify or consider data challenges or limitations in its source data
- we are unable to verify, replicate or test the significance of the assertions drawn by Policis given the lack of explanation relating to quantitative/qualitative methodology, core data sources, calculations and statistical tests of significance
- there are challenges in linking assertion to evidence including inconsistencies with the data, (slide 21), the failure to provide the absolute number of consumers or loans on key slides (slides 26 and 27) and the conflation of information from banned and restricted states which prevents any meaningful comparison of costs between permissive and restrictive states (slides 26 and 27)
- data limits relating to Canadian online borrowing.

Ignoring the United Kingdom Experience

As indicated by Dr. Robinson on April 14, 2016, Policis fails to explain skyrocketing payday loan usage in the United Kingdom despite a very lax (until recently) regulatory environment.[8]

The Policis conclusion is that if storefront payday lenders are restricted by onerous regulations, internet lenders will take over the business and that they will charge higher rates, invade privacy and threaten borrowers with identity theft.

Although that may happen in some cases, Policis has not demonstrated that this is happening or that giving more money to storefront lenders will stop the Internet. A major counter evidence to the conclusion that Policis attempts to reach is the experience in the UK.

The UK only imposed serious regulation very recently, at the beginning of 2015, but the Policis

8 Dr. Johanna Montgomery,Lecturer in Economics, Deputy Director, Political Economy Research Centre suggests that the biggest concern in the UK now is offshore high-cost credit 'brokers' that operate on-line but mainly on mobile networks. The brokers basically set up a shell corporation in Channel Islands or Ireland and act as fee-taking broker for loans by texting ‘we get you the best rate’.

evidence and the evidence from Dollar Financial Group is that the great majority of lending in the UK was on the Internet before payday lending became seriously regulated.

No Consideration of the Dollar Financial Group Experience

Strangely, given that the appearance of Policis in Manitoba was funded by the CPLA, Policis does not address its mind to the implications of the very distinct experiences of Dollar Financial Group in terms of online payday lending in the United Kingdom/Europe, the United States and Canada with online lending revenues from the UK and Europe far exceeding the revenues from the US and Canada.

This is a critical oversight which is illustrated by data from the DFG 2013 10K report.

In response to Information Request PUB/CAC 1-23 Dr. Robinson said: "…please also consider the last paragraph of PUB/CAC 1-18 where I estimate the online payday lending revenue for Money Mart."

Dr. Robinson performed the calculations but failed to add the information to PUB/CAC 1-18. We apologize for that oversight.

Here are the calculations, using numbers reported on page 130 of the Dollar Financial 2013 10K report.

The reason calculations are needed is the nature of Dollar Financial Group's reporting. It reports four separate segments in several places in the 10K, including page 130: UK + Europe retail; Canada retail; US retail; and, E-commerce. "Retail" means the storefront operations in each region. "Canada retail" means Money Mart, but without on-line/internet lending to Canadian customers. In a separate table found only on page 130, Dollar Financial reports the total revenues for each region, with on-line/internet included.

Dollar Financial Internet Lending Revenue by Region, 2013
In millions unless shown otherwise

	UK + Europe	Canada	United States
Total revenue by region	$659.5	$333.1	$129.7
Total revenue minus internet	371.1	322.9	122.5
Internet loans	288.4	10.2	7.2
Storefront payday loans	171.2	190.7	68.0
Total payday loans by region	459.6	200.9	75.2
Internet loans as % of total loans	63%	5%	10%

Challenges in the Clarity Data as Identified by Clarity

On April 12, Policis described the research it relied upon as a "very large and robust quantitative database."[9] Policis did not identify any limitations in this data whether in terms of data collection or risk of sampling bias.

9 April 11 Transcript, p. 95.

One of the core data sources relied upon by Policis is Clarity Services. Policis cites Clarity data on at least 12 occasions in its report.[10] A blog by Clarity CEO, Mr. Tim Ranney, is also cited.[11]

There is no information provided by Policis on the nature, variables and limitations of the Clarity Service data.

Mr. Ranney has been active in presenting information from his blog relating to the payday lending industry. In discussing sample selection relating to the Clarity data, he has noted an important limitation in terms of sampling bias:

> We are unable to analyze any sampling bias that may exist in the self-selection of 126 lenders to report to the Clarity system, as opposed to other non-prime credit reporting agencies – or to no agency at all. Clarity requires reporting of tradelines in order to receive reports. Other non-prime credit reporting agencies may not impose such a rule, which may affect selection of the Clarity system by lenders.[12]

Challenges in the Clarity Data as Identified by Consumer Financing Protection Bureau

Clarity describes itself as:

> a credit reporting agency that provides information to providers and develops efficient and effective data reporting products to help businesses reduce high-risk lending. Clarity's growing database provides information that is not available from traditional reporting agencies, and assists lenders in gaining a competitive advantage by viewing subprime consumer data.[13]

Clarity is described by others in different terms.

For example, in a Consent[14] Order dated December 1, 2015, the US Consumer Financial Protection Bureau (CFPB) describes Clarity as both a "Consumer Reporting Agency" and as a "reseller" under the *Fair Credit Reporting Act*. It indicates that:

> as a CRA – Clarity has compiled and evaluated Consumer Reports for payday and other lenders throughout the United States.

10 Policis, MPUB,s 16, 19, 20, 21, 25, 26, 27, 30, 31, 32, 33, 34.

11 Policis, MPUB, Slide 19.

12 Mr. Ranney suggests that "we also attempted to estimate sample size as a portion of the overall Internet lending market reported by investment analyst, Stephens Inc. Using their estimate of annual Internet loan volume in the range of $10Bn - $15Bn a year, our sample represents on the order of 5%-10% of the market." Personal communications from Pew Trust (April 14) suggests the Stephens estimate was actually higher and in the range of $19 B. https://www.nonprime101.com/wp-content/uploads/2015/02/Profiling-Internet-Small-Dollar-Lending-Final.pdf

13 Clarity claims that its "unique data sources is derived from a variety of financial service providers, including auto financiers, check cashers, prepaid card issuers, shor-term installment lenders, peer-to-peer micro lenders, small dollar credit lenders, online small dollar credit lenders, telecommunications, and many more. It claims to have data on more than 35 million unique customer identities in this marketplace. https://www.clarityservices.com/history

14 Clarity and Mr. Ranney consented to the fine but did not consent to the CFPB characterization.

as a reseller – Clarity assembles and merges reports it purchases from other Consumer Reporting agencies for the purpose of providing information to a third party.[15]

In ordering a $8 million fine for Clarity Services Inc. and Mr. Ranney, the CFPB concluded that in certain cases Clarity was not acting as a reseller. Instead, it was obtaining Consumer Reports without "a permissable purpose" to obtain them.[16] In finding a violation of s. 611 of the FCRA, the CFPB found that Clarity had failed "to promptly delete **inaccurate, incomplete, or unverifiable information**."[17] (emphasis added)

The CFPB made the following findings with regard to the Clarity data:

- even when a consumer identified specific tradelines and the reason why the consumer thought the item was inaccurate or incomplete, Clarity would not reinvestigate unless the consumer provided specific documentation
- Clarity would not reinvestigate a consumer's claim that specific inquiries were inaccurate or incomplete on his or her Consumer Report or consumer file regardless of the information provided
- Clarity failed to meet its reinvestigation obligations even though it was aware that **information in Clarity's consumer files was provided by or generated by unreliable sources, including inaccurate data from furnishers.** (emphasis added)[18]

Absence of Standard Statistical Tests of the Quantitative Data

In Dr. Simpson's direct evidence on April 13, 2016, he underscored the importance of employing statistical tests such as the regression analysis he undertook in his consideration of the CFCS and SFS data. These tests had become a relatively standard part of good practice analysis.

Given the assertions made by Policis, one might have expected a presentation of an analysis of the cross sectional data on all states to determine whether there is a relationship between the usual suspects (per capital income, education) and three different dependent variables:

- regulatory regime
- number of stores, and
- volume of lending

Dr. Simpson notes that graphs and linear regression fits (as in Excel) might suffice here but probably would not support the Policis conclusions.

15 *In the Matter of Clarity Services, Inc., and Timothy Ranney, CONSENT* ORDER, US Consumer Financial Protection Bureau, Administrative Proceeding, File No. 2015-CFPB-0030, paras 4 – 20.
16 *In the Matter of Clarity Services, Inc., and Timothy Ranney*, para 16.
17 *In the Matter of Clarity Services, Inc., and Timothy Ranney*, para 28.
18 *In the Matter of Clarity Services, Inc., and Timothy Ranney*, para 23, 24 and 27.

Absence of any explanation of the Qualitative Data

In Ms St Aubin and Dr. Buckland's testimony on April 13, 2016, they underscored the importance of a rigourous methodology in considering qualitative data.

Policis presents a very brief discussion of its interviews with state and federal regulators[19] but offers no meaningful insight into their method for recruiting their sample, analyzing their data and reporting on it, including the quotes. Put another way, how do we know that their sample and quotes are representative of the underlying population rather than one particular view?

The link between "restrictive" licensing and online borrowing is not established

We agree that the online marketplace is the growth sector. However, as stated in Part A to this undertaking, data from Pew Trusts shows the rates of online lending were roughly the same across all states. If restrictions on storefront lending were driving online lending, data would show higher rates of online lending but that is not the case.[20]

The growth in online lending is being driven by a number of other factors including a general trend towards online lending in all sectors, stronger advertising, how aggressive the state's Attorney General is in pursuing violations of the state's rate cap, etc. Borrowers who use online loans are also different than borrowers who use loans from storefronts - online borrowers are more affluent, have higher levels of education, and are younger - very similar to the way the e-commerce market looks overall.[21]

Commentary on specific parts of the Policis presentation

Appearing as a presenter, Policis offered a lengthy power point to the Public Utilities Board on April 12, 2016. It is Dr. Buckland's opinion that many conclusions in Policis' presentation are not supported by the data. While time does not permit a complete review of these limitations, Dr. Buckland indicates that many slides include general and strong comments without adequate evidence to support them

Policis described its work as based on "highly robust and very large quantitative data sets" and extensive interviews with state and federal regulators.[22] It indicated it drew from "a representative sample" of 2010 – 2014 data from Clarity Services as well as time-series data set of a representative sample from Teletrak from 2001 – 2011.[23] However, Policis did not provide insight into the nature of

19 Policis, MPUB, Slide 3 and 7.
20 Payday Lending in America: Who Borrows, Where They Borrow, and Why, page 23: http://www.pewtrusts.org/~/media/legacy/uploadedfiles/pcs_assets/2012/pewpaydaylendingreportpdf.pdf
21 Payday Lending in America: Who Borrows, Where They Borrow, and Why, page 23: http://www.pewtrusts.org/~/media/legacy/uploadedfiles/pcs_assets/2012/pewpaydaylendingreportpdf.pdf
22 Policis, MPUB, Slide 3.
23 Policis, MPUB, Slide 7.

the sample.[24] It did not provide a detailed description of its methodology or outline the statistical tests, if any, undertaken.

Policis presented a categorization of states as 1) “banned” 2) “restrictive” and 3) “more permissive”. Policis describes Washington as a state where small sum loans are banned but that characterization is incorrect.

Policis defines small sum lending as referring “primarily to loans made by payday lenders but includes also some small dollar loans made on an instalment basis “[25]

It presents an estimate suggesting that small sum lending accounted for 80% of the payday loan market in the United Kingdom and more than 30% of the US market.[26] It argues that restriction of supply creates opportunities for unlicensed, unregulated vendors to fill the void and that different regulatory approaches “profoundly” influences the likelihood of unlicensed lending developing.[27]

Policis suggests that “restriction of supply appears successful in suppressing “impulse” demand” and thus in reducing consumer requirement for small sum loans.[28] But it argues that in states where legitimate supply is more restricted, applications tend to shift online where unlicensed lenders are a high proportion of overall suppliers.[29]

Based on Clarity Financial Services data, Policis argues that 60% of all on-line small sum transactions in the US in 2012 were by unregulated online lenders.[30]

Using the three categories of permissive, restrictive and effectively banned, Policis presents a comparison between these states' percentage of sub 701 FICO scores to their alleged percentage of total online lending volume as estimated using the Clarity data.

The Policis estimates and Clarity data in slide 21 would appear to support a conclusion that online payday lending volumes in restricted and banned states **tend to be lower** than their states' percentage of sub 701 FICO scores. Conversely, Policis estimates that online payday lending activity in permissive states tends **to be higher** than their states' percentage of sub 701 FICO scores.

In terms of Policis' estimate that unlicensed online lending accounts for 60% of the total online payday loan volume, it would appear that permissive, restricted and banned states each account for about 1/3 of that percentage.

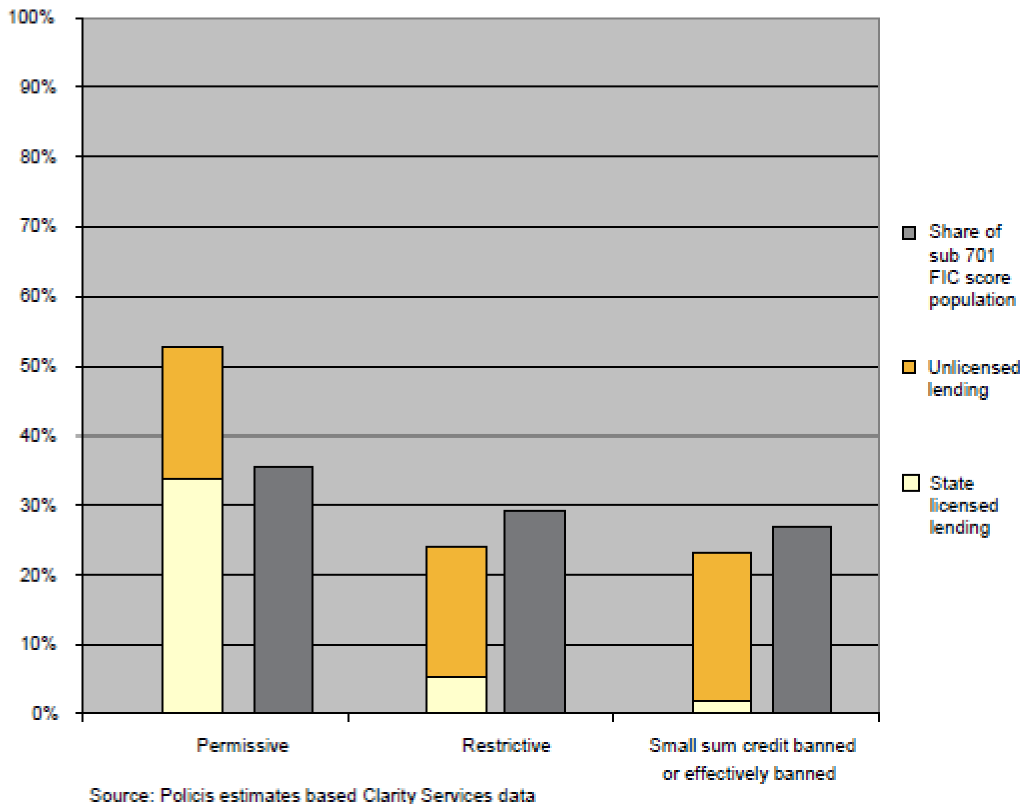
24 Dr. Simpson examined the quantitative analysis, i.e. "quantitative data sources” and methodology in the Policis presentation (slide 7). All we are told is that the analysis (Slides 16, 19-21, 25-27, 30-34) is based on “Direct analysis of a representative sample of 9.4 million sub-prime small sum credit transactions 2010–2014 from across the US, drawing on the Clarity Services Inc. database, the leading provider of credit reference analytics for the US online non-prime credit market”. There is no information on this “representative sample” that he could see.
25 Policis, MPUB Slide 8.
26 Policis, MPUB, Slide 11.
27 Policis, MPUB, Slide 12.
28 It is unclear what Policis relies upon to make this assertion.
29 Policis, MPUB, Slide 14.
30 Policis, MPUB, Slide 16.

According to the information presented in Policis slide 21:

- **permissive** states as defined by Policis account for **roughly 35% of sub 701 FICO but over 50% of online payday loan volume**. Estimated unlicensed online lending volumes in permissive states accounted for roughly 20% of the total online payday loan volume

- restrictive states as defined by Policis account for **roughly 29% of sub 701 FICO but less than 25% of online payday loan volume**. Estimated unlicensed online lending volumes in restrictive states accounted for roughly 20% of the total online payday loan volume

- banned states as defined by Policis account for roughly 27% of sub 701 FICO but less than 24% of online payday loan volume. Estimated unlicensed online lending volumes in restrictive states accounted for roughly 20% of the total online payday loan volume



Source: Policis slides

Dr. Simpson comments that:

> The percentage of loan volume that is unlicensed is roughly the same across permissive, restrictive and banned states but the percentage of licensed loan volume varies from high to low,

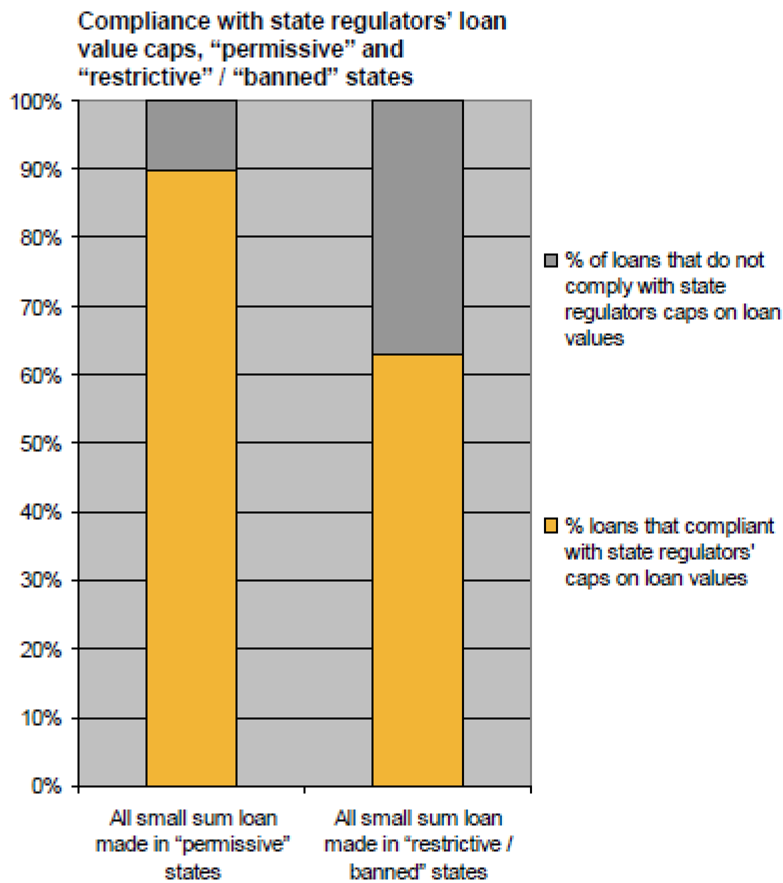
suggesting that there is no correlation between restrictive/banned regulation and unlicensed loan as a percentage of volume.

After highlighting concerns with unlicensed lenders,[31] in slide 26, Policis presents a headline that claims “in permissive states, average loan values are lower than in restrictive states”.

However, the table presented does not compare average loan values in permissive states to average loan volumes in restrictive states. Instread, it lumps the alleged average loan size for “banned” **and** 'restrictive” states together so no comparison of permissive versus restrictive is possible. Similarly, the information in terms of alleged “value of loan” loan compliance in hydbrid and banned states is conflated so that no meaningful comparison can be undertaken.

To similar effect, in the presentation of alleged loan costs on slide 27 cost information relating to the hybrid and banned states is conflated so that no meaningful comparison can be undertaken. Likewise, the information in terms of alleged “cost of credit” compliance in hybrid and banned states is conflated so that no meaningful comparison can be undertaken.

31 Policis, MPUB, Slides 23 -25.



Source: Policis slides

On slide 26 and 27 (right-hand side figure), the percentages of compliant and non-compliant for permissive and restrictive states are showed. However, the absolute number in terms of consumers or loans is not presented. Dr. Buckland notes that this is critical because the volumes may be drastically different. Dr. Simpson concurs "we would expect that the volume of loans is likely quite a bit higher in permissive states, although I do not see estimates of loan volumes anywhere."

Slide 29 purports to provide a comparison of "permissive" California and restrictive Florida. As a side note, Policis appears to materially overstate the cost of credit in Florida.

The more interesting point is the characterization of California as "permissive" with what Policis suggests is a "relatively low price cap" at $17.25 per 100. Slide 30 asserts California's success in achieving high lender compliance, low cost of credit, lower value loans but the information presented on this slide does not offer any insight into the cost of credit or lower value loans.
Policis asserts that California has the lowest incidence of online lending of any state. Unfortunately, it does not support this assertion with volume data.

It does not provide a comparison of total online lending volume as compared to the state's below FICO 701 score or analysis of unlicensed online lending volume as a percentage of the total online payday loan volume similar to slide 21.

The discussion between slides 29 and 34 comparing California and Florida also might have benefitted from an analysis of Policis of the role if any played in outcomes by Florida's "mandated series of validations of borrower eligibility for loan."[32]

This is important given:

- the concerns noted at slide 43 of the advantage to unlicensed lenders of their ability to "deliver rapid decision making and "instant" funds when licensed lenders observing compliance-related process delays cannot do so."
- and the assertion by Policis at slide 44 that "protocols which cause process delays for compliant lenders and consumers" are among the market conditions which appear to cause the "greatest damage" to consumers

Policis provides an analysis of Key Take Outs beginning at Slide 43. Its assertion that "Demand does not go away when supply restricted" and that "Demand displaced from storefront to online" is refuted in Part A of the undertaking.

Who is Policis?

Policis describes itself as a London-based think tank focused on evidence-based policy making and working for government departments, regulators, UK and Internationally. Characterizing the firm as "consumer advocates", Policis indicates that it has long track record of research and advocacy around financial inclusion, affordable credit, consumer protection and market regulation.[33]

Among its non-governmental funders over the past decade, Policis numbers "the largest chain of second hand shops in the world"[34] and the UK Council of Mortgage Lenders[35] In 2008, Policis prepared a number of regulatory submissions for Cash Converters (Australia).[36] Cash Converters is "the largest

32 Policis, MPUB, Slide 29
33 Policis, MPUB presentation, slide 2.
34 http://www.cashconverters.co.uk/In the UK alone, we have more than 200 shops, comprised of franchise outlets and corporately owned shops.
35 New approaches to Mortage Market Regulation, 2010.
36 Please see 2008 reports *The Dynamics of of low income credit use in Australia, the impact of interest rate ceilings: lessons from* overseas and Payday *borrowers in Australia*. In its Australian research, Policis concluded: i) the evidence does not support the view that payday borrowers tend to become trapped in a debt spiral of continually extended or renewed loans ii) the most likely impact of any restriction of payday supply will be to create credit exclusion for some, while diverting others to revolving credit or pawn iii) the social policy case for price controls and restriction of the supply of payday lending does not appear compelling and there is a significant risk of unintended and detrimental effects attached to any such moves iv) consumers appear to be making a rational decision in choosing payday lending as an alternative to other forms of small sum cash credit cash, to keep up with commitments and avoid penalty fees and reconnection charges and to enable the acquisition of essentials in times of cash shortfall.

chain of second hand shops in the world, with over 700 stores across 21 countries worldwide."[37] In Australia, Cash Converters or "Cashies" as it describes itself operates over 150 stores. It also offers payday loans.[38]

37 http://www.cashconverters.co.uk/In the UK alone, we have more than 200 shops, comprised of franchise outlets and corporately owned shops.

38 http://www.cashconverters.com.au/