Borrowing money in online forums in Northern Ireland – high cost credit from peer to peer lending
October 2020

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1. EXECUTIVE SUMMARY

1.1 In 2019, The Consumer Council commissioned Word Nerds to conduct 'social media listening research' to enable us to gain an understanding of the landscape of money lending online. The objectives of the research were to:

- appreciate the scale of the problem; and
- understand what people do when they're looking for small loans.

1.1 Initially, the research looked for general conversation, where people from Northern Ireland were discussing their options for borrowing money, across the popular discussion site Twitter. However, as the research progressed it was decided to focus on the more anonymised forum, Reddit, as it was expected to find less guarded conversations on money lending.

1.2 What was found was a worldwide, fully developed money-lending community, with many loans being requested from Northern Ireland. The research concluded that the Reddit Social Network is being used as a de facto payday loan alternative by some people in Northern Ireland. It also found that, users from Northern Ireland are receiving loans from users with very little information or credentials.

1.3 The Consumer Council will use this research to highlight the use of social media sites to informally borrow money with regulators and policy makers. We will continue to raise awareness and signpost consumers to safe, alternative forms of lending and sources of free debt advice.

2. KEY FINDINGS

- Between January 2018 and August 2019 there were 235 loan requests from users claiming to be from Northern Ireland;
- Northern Ireland makes up 3.4% of the UK-based money requests (6,915 in total) on Reddit, and around 2.8% of the UK population;
- Of the 235 loan requests by Northern Ireland borrowers, the highest amount borrowed was £3,000, the lowest amount borrowed was £10 and the average borrowed was £193. The average amount requested by Northern Ireland borrowers was 30% higher than the average UK-based requests (n= 6,915) which was £148;
- The interest charged to Northern Ireland borrowers (n=235) ranged from 108% to 200% with the average interest charged being 130%. The average interest for UK based requests was also 130%;
- The average payment term offered to Northern Ireland borrowers (n=235) was 15 days, with the shortest term being one day and the longest term six months. The average repayment term for UK borrowers (n= 6,915) was 17 days;

- Of the 235 Northern Ireland borrowers, 57.1% made one loan request, 28.5% made between 2-5 loan requests, 7.1% made between 5-10 loan requests and 7.1% made over 10 loan requests.
- 16% of loans given to Northern Ireland borrowers were from lenders who were subsequently banned from Reddit due to account violations; and
- 11% of loans given to Northern Ireland borrowers were from lenders who did not have any track record of lending on the site.

3.   INTRODUCTION

3.1   The Consumer Council is a non-departmental public body whose principal statutory duty is to promote and safeguard the interests of consumers across Northern Ireland. The Consumer Council actively monitors a variety of services, including energy, post, transport, water/sewage and financial services. This includes carrying out research into matters that may have an impact on these services and consumer affairs. The Consumer Council's commitment to understanding how particular policies or issues impact Northern Ireland customers is underpinned by a policy framework[1] that is dedicated to protecting the rights of consumers, including the rights to:

- basic needs;
- safety;
- be informed;
- choose;
- be heard;
- redress;
- consumer education; and
- a healthy environment.

3.2   In 2019, The Consumer Council commissioned Wordnerds to conduct 'social media listening research' to enable us to gain an understanding of the landscape of money lending online. The objectives of the research were to:

- appreciate the scale of the problem; and
- understand what people do when they're looking for small loans.

4.   METHODOLOGY

4.1   Initially, the research looked for general conversation - people from Northern Ireland discussing their options for borrowing money. Therefore, **Twitter**, was first examined, as the most popular discussion site on the web which is available for third parties to look at. However, it was found that Twitter, as a mainstream site where the majority of users are publicly identifiable, was the least successful in terms of finding useful data.

4.2   A decision was made to move away from Twitter, and towards more anonymised sources, such as **Reddit**. As the largest anonymised forum on the internet, it was expected to find less guarded conversation on money lending. What was found was a worldwide, fully developed money-lending community, with many loans being requested from Northern Ireland.

4.3   Despite the number of loan requests from Northern Ireland, and a large number of discussions on broader money issues, it is difficult to pinpoint any individual discussion to Northern Ireland on Reddit. In order to understand this element better, a money saving forum specifically aimed at Northern Ireland was examined. Therefore the research examined, **MoneySavingExpert.com**, a forum about all things financial with a specific subforum for Northern Ireland.

4.4   This left three different sources, each bringing a different type of information. It became clear, however, that the most interesting data was to be found on Reddit. Therefore, this report focuses on the findings from reviewing the content on the Reddit forums.

Uncovering useful information – Online Loans

4.5   A key outcome metric for the research was to understand the scale of the problem, therefore the researcher started by extracting metadata[2] from posts, and identifying key elements within it (amount borrowed, terms of loan).

4.6   It was also important to understand the content of the posts, to better understand the nature of online borrowers from Northern Ireland. Therefore the posts were collated, and put through a series of linguistic tests, including:

- Establishing key topics using the grammar of each sentence to uncover the most important words; and
- Using a cluster analysis to group key terms by meaning and emotion.

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[2] Metadata is information that is used to describe the data that's contained in something like a web page, document, or file, i.e. a short explanation or summary of what the data is.

4.7   Across each of these elements, the rest of the UK was used as a **control group[3]**. A sample of loan requests were taken from users in England, Scotland and Wales, and compared to the Northern Ireland dataset.

4.8   To compare the unstructured text of these two groups, a corpus linguistic technique known as concordance keywording was used. This is a probability metric, looking at the likelihood of a term to appear in a particular dataset. It establishes whether a keyword is used more than you would expect, given the words used in the other dataset. This process allowed us to understand which elements of the Northern Ireland unstructured dataset were specific to this group.

5.   BORROWING MONEY THROUGH SOCIAL MEDIA - REDDIT

Background on Reddit

5.1   Reddit is a social news website and forum where content is socially curated and promoted by site members through voting. Reddit member registration is free, and it is required to use the site's basic features.

5.2   The site is composed of hundreds of sub-communities, known as '**subreddits**'. Each subreddit has a specific topic, such as technology, politics or music. Subreddits are named after the URL that the subreddit uses. For example, the Northern Ireland subreddit is found at https://www.reddit.com/r/northernireland/, and is therefore known as r/northernireland.

5.3   This format, using the r/ before the name of the subreddit, makes it immediately identifiable as a reddit forum across the internet.

5.4   Users receive "**karma**" points for posting regular links, and commenting on the posts of others.

5.5   Reddit is the 24th most-visited website in the world. Statista reports that in 2019 there were 1.7 billion unique combined desktop and mobile visits to the site. According to a 2016 study by the Pew Research Center, 71% of Reddit's audience is composed of men.

5.6   The site also generally attracts younger users. In 2016, the Reddit user base was 64% between the ages of 18 and 29, and another 29% were between the ages of 30 and

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[3] The comparison sample for Scotland and Wales mirrored the data collection for Northern Ireland. Due to the volume of data available for England the data were gathered back in time until the number of loan requests amounted to ten times that of the Northern Ireland sample.

49. Only 6% of Reddit users were found to be between the ages of 50 and 64, and just a single percent were 65 or older.
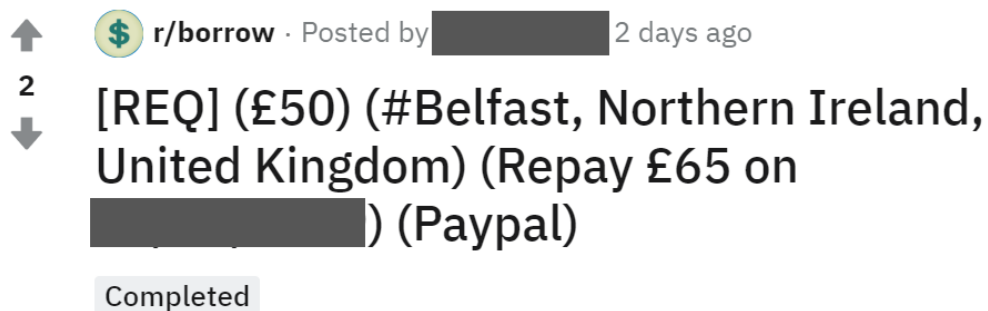
r/borrow

5.7   Found at https://www.reddit.com/r/borrow/, r/borrow is a money lending subreddit, aimed at connecting money lenders with users who need to borrow money. Users from all over the world send and respond to loan requests within the group.

How loans are requested

5.8   Any registered Reddit user who meets the account criteria (90+ day account and 1000+ karma) can request a loan by creating a new post on r/borrow. The user lists where they are from, how much money they are looking to borrow, and the repayment terms that are being requested, within the title of the post, as shown in Figure 1.

Figure 1 – Example of a post title in r/borrow

r/borrow · Posted by [redacted] 2 days ago

2

[REQ] (£50) (#Belfast, Northern Ireland, United Kingdom) (Repay £65 on [redacted]) (Paypal)

Completed

5.9   This request is public, visible by anyone, including people who do not have a Reddit account. If a Reddit user wishes to lend the money at the terms requested by the borrower, they will reach out to the borrower using the private direct message service. At this point the transaction is done in private. Lenders can come from anywhere in the world, but, based on the lenders that do disclose their location, generally respond to advertisements that mention their own country.

5.10   In the private direct message service, it is normal for lenders to ask for identification from the borrower, usually a drivers licence, home address, social media information, etc. Lenders can ask for any information at all, and while borrowers are only required to provide what they feel comfortable with, the lender may decide not to lend to a borrower if they do not provide enough information.

5.11   By Reddit's own admission, this has led to abuses by lenders, asking for unnecessary information for use in scams, including password information, access to a borrower's

computer etc. Extreme cases have involved lenders soliciting nude photos as security to ensure payment. The below extract was taken directly from the Reddit website:

In the past some (only 1 or 2) users have asked to collect these as leverage in case a borrower doesn't pay. This is a big no no, and potentially illegal. Requesting or offering any form of sexual or erotic favor (videos, live chat, physical goods, etc) is also prohibited. Source - [Reddit blacklist information.](#)

How loans are repaid

5.12   Loans are generally repaid by **Paypal**, a worldwide online payments system. The great majority of lenders will only lend via PayPal. Other finance apps and bank transfers are also offered by the borrowers as options.

5.13   Lenders use the original post to demonstrate that the borrower is keeping up with payments. If partial payments occur before the final payment, lenders often make $xx paid commands for the partial amounts within the original post. Once the final (or only) payment occurs the lender creates a **[PAID] post** attached to the original post.

5.14   Lenders can examine the collated history of regular borrowers, and make decisions on lending based on them.

The terms that borrowers sign up to

5.15   The terms of the loans are always initially suggested by the borrower, in their post. Reddit offers a set of suggestions for rates of interest:

- *For loans up to 30 days in length lenders should charge rates of no more than 30%*
- *For loans that are over 30 days in length, the above no longer applies and the rate should convert to a 1% per day rate*
- *For rates that are offered by the borrower there is no regulation on rate, if lenders simply accept the offered rate*

5.16   However, the terms are entirely between the borrower and lender.

5.17   Only one account may be used per individual and per household to make a request on [/r/borrow](#). Users who are believed to be using multiple accounts will be permanently banned. Again, however, Reddit are relying on the lenders to spot users who are abusing the system in this way.

5.18   If a borrower fails to make a payment, Reddit suggests trying all methods provided, to contact the borrower (email address, phone number, reddit, Facebook, etc). Once these methods have been exhausted, Reddit recommends immediately opening a PayPal dispute if their transaction meets PayPal's criteria.

Responsibilities of the platform

5.19   Reddit has no direct responsibility for any loans on r/borrow. The platform is **moderated** by volunteers, who are there to help mediate any disputes, provide advice, and block users that do not adhere to Reddit's terms of service.

5.20   All loans are treated by Reddit as a civil matter. It is the responsibility of the borrower and the lender to ensure that they are adhering to their country's legal framework on lending, and Reddit makes that clear in disclaimers such as:

Contact the person who gave you the money. Most lenders will be flexible when events occur, to a point. Don't expect the lender to provide a 6-month extension on a $100 loan. Contact (and/or continue to contact the lender) to ask that a PAID post be made for you. If the lender refuses or is nonresponsive and you find yourself in need of another loan then you'll just have to explain it all in your REQ post.

6.   HOW USERS FROM NORTHERN IRELAND BORROW ON REDDIT

Northern Ireland borrowing on r/borrow in numbers

6.1   Between January 2018 and August 2019 there were **235** loan requests from users claiming to be from Northern Ireland.

Figure 2: Amount borrowed by Northern Ireland borrowers (Base 235 loan requests)

Average borrowed	Highest borrowed	Lowest borrowed
£193	**£3,000**	**£10**

6.2   One of the real benefits of this kind of lending is that borrowers are naming the level of interest. This allows for a wide range of different interest levels as shown in Figure 3.

Figure 3: Interest charged to Northern Ireland borrowers (Base 235 loan requests)

| Average interest	Highest interest	Lowest interest
130%	**200%**	**108%**

Figure 4: Payment terms offered to Northern Ireland borrowers (Base 235 loan requests)

Average payment terms	Longest payment terms	Shortest payment terms
15 days	**6 mths**	**1 day**

Borrowers with Multiple Loans

6.3   There are no limits to the number of loans a user can take, so it was observed that some users request multiple small loans which can accumulate to quite a lot of debt. Around 57% of users have asked for only one loan, with a significant minority (around 7%) having taken over ten loans across the year, a breakdown of the number of loan requests can be viewed in Figure 5.

Figure 5: Northern Ireland borrowers by number of loan requests (Base 235 loan requests)

>10 loan requests
7.1%

5-10 loan reqests
7.1%

2-5 loan request
28.6%

Only one loan req…
57.1%
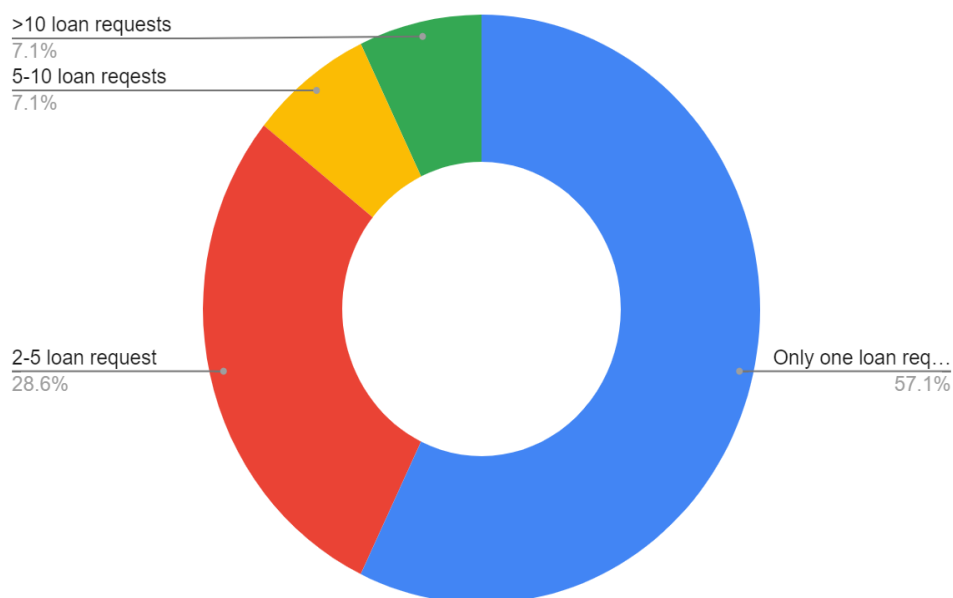
6.4   Although users with more than five loans borrowed a smaller average amount than the rest of the group, on average these users borrowed £1,095. Figure 6, is an example of a user from Dungannon in Northern Ireland, who has borrowed £2458.40 across five loans.

Figure 6: List of in-progress from Northern Ireland Reddit borrower

In-progress loans with ▓▓▓▓▓ as borrower:

Lender	Borrower	Amount Given	Amount Repaid	Unpaid?	Original Thread	Date Given	Date Paid Back
▓▓▓	▓▓	254.45	0.00		Original Thread	▓▓	
▓▓▓▓	▓▓	1000.00	0.00		Original Thread	▓▓	
▓▓▓	▓▓	149.71	0.00		Original Thread	▓▓▓	
▓▓▓	▓▓	508.52	403.48		Original Thread	▓▓	
▓▓▓▓	▓▓	635.72	276.67		Original Thread	▓▓	

How these figures differ from the rest of the UK

6.5   Northern Ireland borrowers ask for 30% more on average than borrowers from the rest of the UK, and request marginally shorter payment terms, although the level of interest is very consistent overall.

6.6   Northern Ireland makes up 3.4% of the UK-based money requests (6,915 in total) on Reddit, and around 2.8% of the UK population.

Figure 7: Comparison between Northern Ireland and whole UK - borrowing

Average borrowed NI	Average borrowed - whole UK	Difference
£193	**£148**	**+30%**

Figure 8: Comparison between Northern Ireland and whole UK - interest

Average interest - NI	Average interest - whole UK	Difference
130%	**130%**	**+0%**

Figure 9: Comparison between Northern Ireland and whole UK - payment terms

Average payment terms - NI	Average payment terms - whole UK	Difference
15 days	**17 days**	**-13%**

7.   UNDERSTANDING NORTHERN IRELAND BORROWERS ON REDDIT

7.1   As part of the borrowing process, borrowers are allowed to give as much or as little information about themselves as they choose. Where users have described their circumstances further, we have collated and analysed their responses, to try and understand more about the kind of people who are generally being attracted to this form of borrowing.

Who the Northern Ireland borrowers are

7.2   Two user situations are described in the posts made by Northern Ireland borrowers:

● Recipients of universal credit
● Students, using r/borrow to tide them over until their student loans arrives

7.3   Many users discuss previous loans, with a small number also describing being the victim of a scam in previous loans and the impact at an already difficult time.
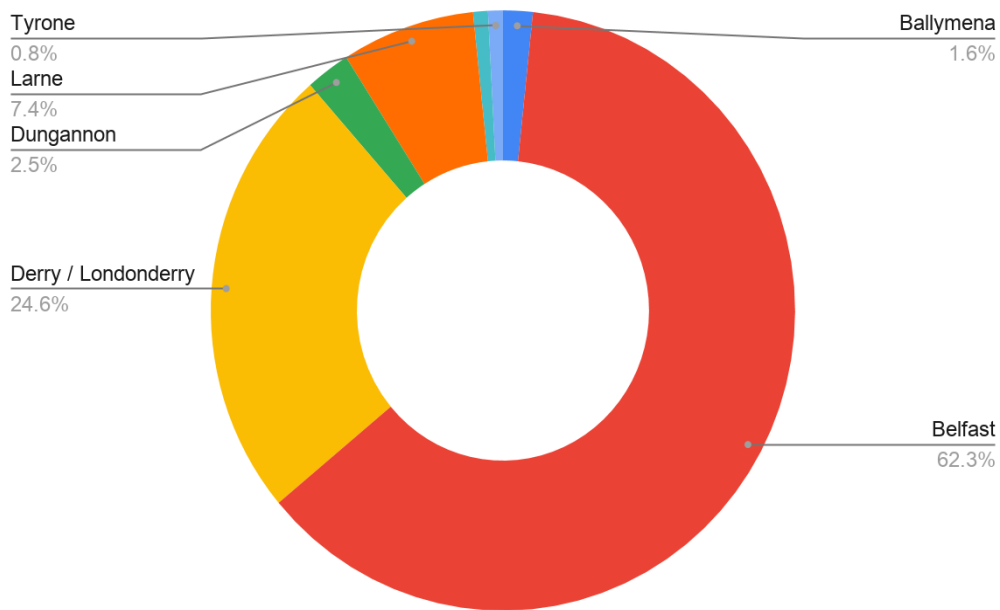
Figure 10: Key terms mentioned by Northern Ireland borrowers, by number of borrowers who mentioned the term. Based on 27 disclosures

Key Topics	Users
Previous	14
Universal Credit	6
Tuition	4
scammed	3

7.4   Belfast is unsurprisingly the home of most of the loans, with the Larne area being overrepresented, in comparison with the population of the respective towns.

Figure 11: Hometown of borrowers from Northern Ireland, where this information is volunteered

Tyrone
0.8%

Larne
7.4%

Dungannon
2.5%

Derry / Londonderry
24.6%

Ballymena
1.6%

Belfast
62.3%

Why Northern Ireland borrowers decide to borrow money

7.5   The most common reason given by users (if one is given at all) is that the loan will tide them over until payday. Therefore, Reddit is potentially being used as a payday loan alternative. Unexpected bills are also mentioned as a reason, as well as being between jobs.

Figure 12: Key terms mentioned by Northern Ireland borrowers on reasons for borrowing, by number of borrowers who mentioned the term. Based on 45 disclosures.

Key Topics	Users
Payday	12
Groceries	7
Unexpected bill	6
Repairs	6
Landlord	5
Between jobs	5
Injury	4

Language used in requests

7.6 Some borrowers, rather than focusing on their ability to repay the loan, talk more about how difficult their situation is. Examples have included, 'I need a small loan to see me over', 'Due to unforeseen circumstances I'm in a jam', as well as, unexpected travel expenses and needing money for groceries.

7.7 Some of the borrowers used language suggesting that they believed the lender was doing them a favour.

Figure 13: Key gratitude-related terms mentioned by Northern Ireland borrowers, by number of borrowers who mentioned the term

Key Topics	Users
help	57
appreciated / thanks	47

8. HOW NORTHERN IRELAND BORROWERS REQUEST PAYMENT/REPAY

8.1 The majority of Northern Ireland users are using Paypal to deal with their borrowing on Reddit. Revolut is a new finance app which is starting to appear in the lending classifieds. Revolut is a UK-based company that offers banking services including a prepaid debit card, fee free currency exchange, commission free stock trading, cryptocurrency exchange and peer-to-peer payments.

Figure 14: Methods of paying loans used by Northern Ireland borrowers

Revolut
1.7%
Bank Transfer
10.3%

Paypal
88.0%
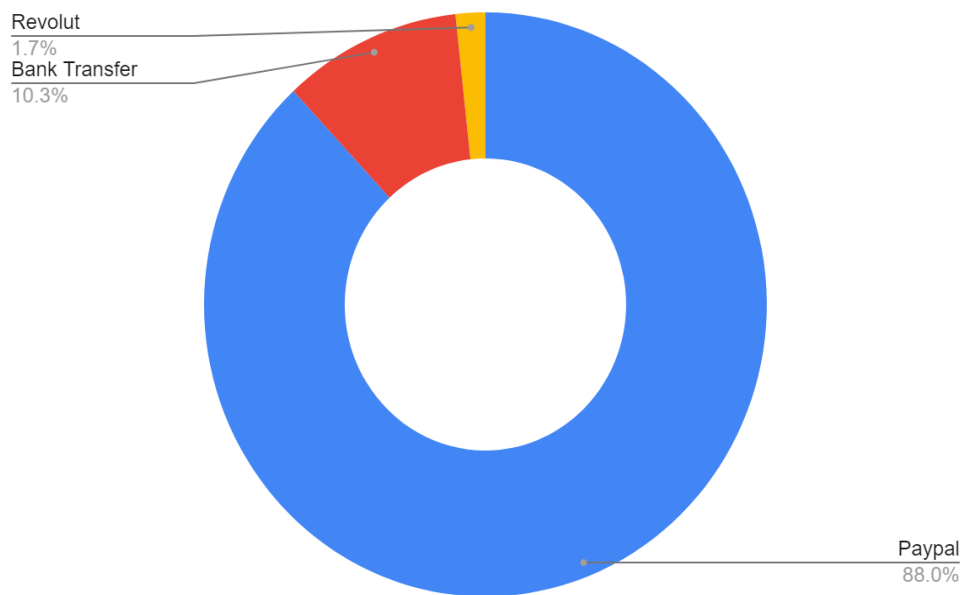
9. LENDERS

Information on lenders

9.1 Very little public information is given on lenders. They have no requirement to have a public profile, they all post under anonymised pseudonyms and they will only speak directly to borrowers in private DMs.

9.2 Reddit suggests that borrowers only work with lenders they feel reasonably comfortable with - typically that would be lenders who have extensive history on the 'subreddit'.

9.3 It is not possible for Wordnerds to uncover any demographic information about the lenders, but we can see their lending history, using this tool which is also available to borrowers and mentioned in the Reddit borrowers FAQ.

9.4 According to the tool:

16% of loans given to Northern Ireland borrowers were from lenders who were subsequently banned from Reddit due to account violations.

9.5 We do not know the specific nature of these violations.

11% of loans given to Northern Ireland borrowers were from lenders who did not have any track record of lending on the site.

<u>Protection for Lenders</u>

9.6 Lenders are also informed by Reddit that they are entirely responsible for the loans that they offer. However, there is occasional evidence of lenders also being put in vulnerable positions.

9.7 Note - lenders are banned from putting personally identifiable information about borrowers online, and so give general information (initials and hometown) so that other lenders can recognise them if approached through a different account.

10. CONCLUSIONS

10.1. According to its website, The Financial Conduct Authority (FCA) introduced a price cap for payday lenders with effect from 2 January 2015. This followed the introduction of risk warnings to consumers and restrictions on rollovers and how recurring payments are collected.

10.2. It reviewed its HCSTC rules in 2017 and found that the 760,000 borrowers in this market saved around £150m per year. The FCA state its reforms have led to cheaper loans, better affordability assessments, and fewer customers experiencing debt problems with payday loans.

10.3. In its feedback statement on high cost credit in 2017, the FCA stated it *"found no evidence that consumers who have not been able to get HCSTC products since the cap have generally had negative consequences as a result. The majority (63%) of consumers turned down for HCSTC products since the cap was introduced believe that they are better off as a result. We have not seen a significant 'waterbed effect' with consumers increasing their use of other high cost credit products after failing to get a HCSTC loan. We also found no evidence that consumers who have been turned down for HCSTC are more likely to have subsequently used illegal money lenders[4]."*

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[4] https://www.fca.org.uk/publication/feedback/fs17-02.pdf

10.4.   The feedback statement also stated *"around 15% of declined consumers take out an alternative credit product after being declined HCSTC, while around 25% turn to informal forms of credit such as friends or family."*

10.5.   Research published by Toynbee Hall, which reported the lived experience of declined payday loan applicants[5] found that *"informal use of credit from friends or family is more complex. People do not feel this option is a long-term solution for them, often finding that they can do this type of borrowing only once. For this reason many of the people we spoke to would prefer to take an alternative credit product, or even continue to look for a payday loan, than ask friends or family."*

10.6.   This research would suggest that some people have sought alternative forms of credit to help them make ends meet until payday, to pay for unexpected bills or because of a change in circumstances such as being in between jobs. The average loan for Northern Ireland borrowers is for £193, repaid over 15 days with an interest rate of 130%.

10.7.   It is not possible to say whether people have turned to online, peer to peer lending due to the introduction of an interest rate cap. However, it is clear that people are seeking to borrow money with little information available about who they are borrowing from and with no protection from the industry regulator.

10.8.   Therefore, The Consumer Council believe this is an issue that should be investigated in more detail by the FCA. It should consider whether this form of borrowing is an informal source of vital cash for consumers as a temporary measure, or is something that requires closer attention to ensure that protection and redress exists for consumers, who are potentially vulnerable.

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[5] https://www.toynbeehall.org.uk/wp-content/uploads/2018/11/Payday-Denied-Report.pdf