

Operational Differences Between Quick Loan Companies and Traditional Banks

Kaisa Vasama



Author(s) Kaisa Vasama	
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<p>The need for this topic was discovered in practice at the commissioning company, a Finnish bank called OP, because the number of customers with credit report records seems to be increasing rapidly and the legislative changes in the consumer protection act are also forcing banks to change some of their operations.</p> <p>The goal of this study is to find out how the operations of quick loan companies differ from those of traditional banks, how the two alternatives have adapted to the legislative changes that have taken place and the possible differences and similarities of these two on an operational level. The study was conducted as a desktop study, using literature, article and legislative documents as research material.</p> <p>The report introduces the basics of loan theory, how consumer loans work and what kind of alternatives a consumer has. The study also presents the most popular consumer credit alternatives from both the bank side and quick loan companies and shows calculations on the true costs of each of the examples. The legislative changes that have taken place, to control the interest rates, advertising and granting of the credits, are also presented.</p> <p>The study showed that eventhough the bank products and those of quick loan companies may seem to be similar products, they actually cater to rather different needs. This is because the banks do not provide consumer credits for as small amounts of money as quick loan companies do. Another significant finding was, that the same authority that supervises banks does not supervise the quick loan companies, and therefore their responsibilities are different. Quick loan companies do not need to have information on their customers' other outstanding debts, which might cause them to grant a loan to someone that is not necessarily credit worthy.</p>	
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1 Introduction

In this chapter the research question will be specified and explained. The research question will be divided into investigative questions to explain how the research material will be collected. I will also focus on demarcation to explain why I chose to make certain decisions regarding narrowing down of the topic. In this chapter I will also introduce the commissioning company and the key concepts regarding my topic. This chapter aims to give the reader a good idea on the topic itself, and what we will focus on later in the report.

1.1 Background

The need for this study was actually discovered in practise. I myself have worked at a bank for nearly a year and I found it incredibly interesting how much consumers' credit reports are looked at and how much they limit certain services that can be provided for customers, in cases where the credit reports are not clean. When one's credit report isn't clean, it means that the consumer has had troubles paying back previous loans or invoices.

Quick loans are a relatively new phenomenon, but they have caused a lot of trouble and changes already. Banks have started to offer more and more "safer" alternatives for quick loans and there has already been changes made in the legislation to protect the consumers from dangerously high interest rates. The consequences of quick loans cannot necessarily be directly connected to the growing amount of failed credit reports that consumers have. However, it is an interesting coincidence that this can be seen most clearly in the age group that quick loans are the most targeted at. Therefore, I find this topic extremely interesting to study further.

1.2 Research Question

This thesis aims to study the operational differences between quick loans and bank provided alternatives. This means that the report will be focusing on the competition of quick loans vs. banks' consumer credits and also on the legislative changes that have occurred because of quick loans but also have an affect on the bank industry as well.

The research question (RQ) can be worded as "How do quick loan companies operate compared to traditional banks?" The RQ is divided into investigative questions (IQ) as follows:

IQ 1: What are quick loans?

IQ 2: What are the major legislative changes that have occurred after the emergence of quick loans?

IQ 3: What are the bank provided alternatives available?

IQ 4: What are the main differences & similarities between quick loans and bank provided alternatives?

Table 1 below presents the theoretical framework, research methods and results chapters for each investigative question.

Table 1. Overlay matrix

Research Question	Theoretical Framework*	Research Methods	Results (chapter)
IQ1: What are quick loans?	Definition, examples	Desktop study, articles	This will explain to the reader what quick loans are, why they are popular and why they are thought of as so dangerous.
IQ2: What are the major legislative changes that have occurred after the emergence of quick loans?	Legislative changes, law clauses	Desktop study, Consumer Protection Act (Finnish Law)	This will demonstrate to the reader how the Finnish law tries to protect the consumers and therefore the dangers of high interest rates etc are recognized on a legislative level as well.
IQ3: What are the bank provided alternatives available?	Comparing of bank loans and quick loans available	Desktop study, comparing of different products	This will show the reader the other alternatives available, and compare the interests and other operational

			features, so that they are made understandable to the reader
IQ4: What are the main differences & similarities between quick loans and bank provided alternatives?	Comparing quick loans and bank-based products	Desktop study, literature, articles	This will help the reader make a decision on what would be the safest alternative for them.

1.3 Demarcation

Eventhough quick loans are a rather new phenomenon; there is already a lot of information and possible topics available on the subject. However, I will be focusing on the operational differences between quick loan companies and bank provided alternative products. I will also study the most dramatic legislative changes that have taken place since the emergence of quick loans, and see how both quick loan companies and banks have adjusted to these changes.

Because there is a risk that this topic might grow to be too large for my thesis, I am narrowing the banking industry's representatives to only to the commissioning company and its 3 largest competitors' and to four of the most popular quick loan companies in Finland. This way the amount of information can be kept at a manageable level.

1.4 International Aspect

The topic chosen for my thesis is international, since quick loans are an issue that is seen worldwide. The clear amount of companies providing such services is not registered, since as we will later figure out, not all the same regulations apply to quick loan companies as they do to banks. However, it is clear that there are a lot of companies providing such services outside of Finland as well. It is a newer phenomenon especially in the Nordic countries, and therefore it should be very interesting to investigate. Since the banking industry and the interest rate levels are all global topics, my thesis topic fits the international aspect very well.

1.5 Benefits

This thesis study is beneficial for the commissioning company OP, because it helps to provide them with more information on the competing products on the market and by placing them side by side with OP's consumer credits, the pros and cons can easily be spotted and might even lead to some improvements on their competition possibilities.

Also the better understanding of quick loans and their consequences and different features will help to educate the customers on the topic of quick loans rather well.

1.6 Key Concepts

Quick Loan = Perhaps the most important concept of the whole thesis report is what is a quick loan? A Quick loan or a "quickie loan" refers to a type of consumer credit, that has a higher pay back interest rate, but no need for a collateral. Another risk factor is their easy accessibility. Quick loans can easily be taken on mobile phones etc and the money can be transferred to the consumer's account within minutes. This makes it a "quick fix" for a lot of consumers.

The definition for a quick loan varies a little from source to source, since it is a relatively new phenomenon. In May 2016, an article was written in Tekniikka & Talous Magazine, criticizing Google, for claiming quick loans to be in the same risk category as explosives and drugs. This is due to the higher interest rates that make the risk for the consumer rather large. Therefore Google refuses to advertise for quick loans with a 36% or higher interest rate (Tekniikka & Talous, 2016).

Consumer Credit = Consumer credit refers to a debt that occurs once a consumer purchases a good or a service. The most common types of consumer credits include credit cards and lines of credit, but also quick loans have been added to the list. Consumer credit is measured often by different financial professionals, since it can be thought of as an indicator on how well the economy is functioning: if consumers can borrow money easily and also pay the money back on schedule, the economy can be thought to be in a good, healthy situation (Investopedia, 2016).

Credit Report = Credit Report is a report of a consumer's financial history determining the individual's credit worthiness. This means that the consumer's bill-paying habits etc are documented (Investopedia, 2016). For a consumer to be credit worthy and be able to get

certain services (for example credit cards), the consumer's credit report has to be clear with no recordings.

Collateral = A Collateral is a way for the lender to be sure that the debtor will pay the loan back. Eventhough once, for example a bank, gives a loan to a consumer, the main goal is to ensure that the consumer can pay the money back according to the plan made, it is also important for the bank to receive some kind of verification that even if something was to happen to the customer's financial situation, they would get their money back. Collateral is necessary in larger loans, for example in mortgages (Finanssivalvonta, 2012).

1.7 Commissioning Company

The commissioning company for this thesis is Osuuspankki. However, I will not be focusing on them as a case company directly, since they asked me to have a look at their competitors as well, because this is how they would benefit from my work the most.

Osuuspankki (OP) is Finland's largest financial group and it was founded in 1902. Currently OP has three different business activities: banking, insurance and finance (investments etc) (OP Home Pages, 2016).

OP prides itself on being as customer oriented as possible. On their webpages they state that their main strategy is to improve the financial status of their bonus customers / members, whilst making profit (OP Home Pages, 2016).

Although all OP banks are a part of the same company, they are still separate from each other. All OP banks are cooperative companies. Previously OP Helsinki used to be a limited liability company. This however changed in the spring of 2016, as OP Helsinki also became a cooperative company. This way OP Helsinki also became customer owned and clearly similar and unified with the rest of the OP banks (OP Home Pages, 2016).

OP lists their main competitive advantages as being Finnish, stable, customer-oriented and having the most options and services as well as the best advantages for customers that focus all their bank and insurance services at one place (OP Home Pages, 2016).

2 Theoretical Framework

2.1 What is a Loan?

The term loan can be explained as when a lending company (debtor) gives the consumer money, that s/he needs to pay back with interest and other possible terms agreed upon with the debtor. Loans can be taken by consumers to finance different types of activities; some examples are presented in the image 1 below. Interest rates are paid to the lender, because they are taking a risk of the consumer not being able to pay the loan back. This means that interest rates can be thought of as the price for the risk (Peavler, 2016).



Image 1 (Loansite, 2016)

Different types of consumer loans can be applied for, depending on the needs of the consumer. The different, most common types of loans are mortgages, student loans, car loans, personal loans, consolidated loans. The different loans and their intended usage purposes are presented in the chart below (Fay, 2016).

Type of Consumer Loan	How does it work?
Mortgage	<ul style="list-style-type: none"> - Given by banks - Used to buy a house - The house normally works as a collateral for the loan, meaning the risk of foreclosure if payments are not met on time
Student Loan	<ul style="list-style-type: none"> - To help cover the cost of higher education - In Finland these are provided by Banks together with KELA, and they have low interest rates and flexible payback terms.
Car Loan	<ul style="list-style-type: none"> - Similar to mortgages, car loans usually require the car to function as a collateral - Can be provided by a bank or even by a car dealership
Consolidated Loans	<ul style="list-style-type: none"> - Intended for paying off all of the consumer's outstanding debts - Aims to make a consumer's finances more simple and manageable by fewer payments each month with lower interest rates - Typically provided by banks in the form of a mortgage or a personal loan - Note the possibility of a collateral needed
Personal Loans	<ul style="list-style-type: none"> - Any personal expenses, do not have a designated purpose - Can be applied for at the bank or other independent companies - Also known as consumer credit

(Fay, 2016)

The types of consumer credit (also known as personal loans) can also be divided into two: open-ended and closed-ended forms of credit. Open-ended credits refer to credit that can be used over and over again, the purchases will be paid back monthly and then the credit is usable again next month. The full payment is not required each month, but the more you pay back, the more you can use the next month. The most common form of open-ended credit is credit cards. Closed-ended credits refer to loans that are intended for a specific need for a specific period of time. This means that the credit ends once it is paid back and it cannot be used again. Quick loans are an example of a closed-ended credit (Fay, 2016).

When looking at the different risk factors, it is clear that from the debtors' point of view the loans with collaterals carry less risk. This is because the collateral works almost as an insurance in the way that if the customer fails to meet the payment terms and conditions, the debtor will get their refund from the collateral. In a situation where the debtor doesn't receive collateral for the loan, they charge a higher interest rate as an extra cost for the risk the debtor is taking.

From the customer's perspective, the risk factors can almost be thought of as total opposites. The risk of not being able to pay back a mortgage is losing their home, if the house is set as collateral. Whereas if a customer was to fail in the payment of a credit without collateral, the worst that could happen was that they would get a recording on their credit report, and even though this is also a very serious consequence it might not feel as cruel to the consumer as losing their home.

In this study, we focus on personal loans or also known as consumer credit. The different alternatives we will focus on are bank products and quick loans available. These are close-ended loans with no need for collateral.

2.2 Cost of Consumer Loans

The cost of a consumer loan is expressed as interest paid by the consumer. Paid interest can be thought of as the charge for borrowing money, or as the price of the risk the debtor takes when borrowing money to the consumer. It is basically a fee paid as a compensation for the loss of the asset when the debtor is borrowing the money out to consumers. Interest is also paid, to guarantee the debtors' safety, since they can never be

ensured on the financial situation of their consumers: what if they cannot pay back? (Investopedia, 2016).

Interest is typically expressed as annual interest rate, as a specific percentage out of the amount of the loan, and it is paid annually to the debtor as a fee for the loan (Investopedia, 2016).

There are two main types of interests that are typically applied to consumer loans: simple and compound interests. The differences of these interest types are presented in the chart below:

Type of Interest	What it consists of?	When is it applied?
Simple Interest	<ul style="list-style-type: none"> - Set rate on the amount originally lent to the consumer - Interest is paid on the remaining amount of the loan, this means that the amount of the interest is directly comparable with the payback period of the loan 	<ul style="list-style-type: none"> - Short-term personal loans - Car loans
Compound Interest	<ul style="list-style-type: none"> - Interest rate is set on both the amount originally lent to the consumer and the compounding interest paid on that loan ("interest on interest") - Interest is paid not only on the remaining amount of the loan but also on the interest gathered on the loan on the previous year. This cycle keeps going, until the whole loan is paid back. 	<ul style="list-style-type: none"> - Most commonly used type of interest

As seen from the chart above, the most commonly used type of interest is compound interest, and therefore it is seen the most also on consumer loans (Investopedia, 2016).

2.3 What are Quick Loans?

Quick loans are a part of the consumer credit family. In Finland, they are a relatively new phenomenon since they first surfaced in 2005 in their current form (Puhakka, 2011).

A quick loan is basically a consumer credit that the consumer can order online or on their phone or even by filling out an application form. No collateral is needed, and most of quick loan companies don't even check their customers' financial backgrounds via for example credit reports. Quick loans are usually anywhere from 10 euros up to 50 000 euros. The way quick loan companies make profit is the extremely high interest rates. For example, if you take a quick loan of 2500 euros from Suomilmiitti you can pay up to 706% interest. Meaning that for the 2500 euro loan you might actually end up paying back 17 650 euros (Pikavippi.fi, 2015).

This is why quick loans are extremely dangerous when looking at consumers. They are targeted especially towards the consumers that are rejected by banks (Pikavippi.fi, 2016). This means that consumers that for some reason cannot get loans from banks are capable of getting a loan from these quick loan companies. This is extremely dangerous, because if a bank doesn't give you a loan, you are most likely not able to pay it back on time without endangering your own financial situation or you already have a credit report showing that you couldn't pay back your previous loans or invoices etc. By providing these kinds of consumers with quick loans you are actually just digging a deeper hole for yourself, because when you won't be able to pay the debt back in time, this often leads to the consumer taking more quick loans from different companies to pay for the old ones, leaving the consumer in a big financial mess.

These kinds of cases are clearly seen in today's banking industry- for example; at OP they have a strict rule when it comes to consumers described above. In some cases, the bank can provide the consumer with one big loan to pay off all of the quick loans and debts they have gathered. Then the consumer only pays back the bank loan with a more reasonable interest rate. However, the banks only agree to do one service like this for each customer, if the customer repeats his/her mistakes after been provided with the bank loan, the bank will not provide them with another one.

2.4 Quick Loan History

Before quick loans customers didn't have a lot of similar options to choose from. However, the closest alternative that can be said to have been the ancestor of quick loans was instalment purchases. This is when a consumer would buy something more expensive and pay back in smaller amounts over a certain period of time including interest for the delayed payment (Puhakka, 2011).

As stated previously, quick loans in their current form surfaced in Finland first in 2005. This was a very new product at the time, and therefore the market grew relatively quickly with competitors popping up all the time. According to the Finnish Kuluttajavirasto ("Consumer Office"), in 2007 there were already over 50 companies providing Quick Loans to consumers in Finland (Ferratum, 2013).

Another significant change through out the short history of quick loans can be seen in the amount of money borrowed. When the quick loan phenomenon first took place, the companies would provide smaller loans of 100-200 euros typically. Nowadays a consumer is exposed to the possibility of borrowing up to 50 000 euros from a quick loan company (Ferratum, 2016).

The third big change that can be seen in the quick loan market is the pay-back time. In the beginning, a consumer would be requested to pay back the quick loan within 14 to 30 days from taking the loan. However, now that the sums are larger the payback time can be many months up to even years (Ferratum, 2016).

The quick loan industry faced some legislative changes and challenges in 2013, which we will focus on later in chapter 2.6. However, as a result of these legislative changes the smaller quick loan companies dissapeared. The companies that survived the changes started developing their products to be more like other consumer credits out on the market, and now when they report their actions to the Finnish Tilastokeskus (Statistics Center) they typically have to answer similar questions about their services as banks do (Ferratum, 2016). However, the Finnish Financial Monitoring company Finanssivalvonta does not monitor quick loan companies as they do banks (Finanssivalvonta, 2015).

2.5 Consumers' Credit Problems

Credit Report, also known as credit information, provides a lot of information on how well the consumer has previously handled their finances. If the consumer is financially stable, there are no markings in their credit report. The reason behind checking a consumer's credit information is to avoid financial losses in case the consumer cannot pay back (Luottotiedot.info, 2016).

For a consumer to lose their credit information the invoice has to remain unpaid for typically about 6-8 months and the consumer has had to receive several reminders during this time. According to the Finnish law (Luottotietolaki clauses 12 & 13) when a consumer is getting a record on his/her credit report, s/he will always be notified (Luottotiedot.info, 2016).

When a consumer has lost their credit information, it results in a lot of difficulties. Such consumer is likely to have troubles with getting for example the following: online banking, credit card, loan, insurance, rental apartment or even a job. Therefore this is a very serious matter and should be avoided at all cost.

However, the sad reality is that in Finland the amount of consumers with recordings in their credit reports is constantly increasing. According to an article published in Kaleva in 2015, there are currently about 370 000 consumers in Finland with bad credit reports. This equals to 8,5% of the entire adult population in Finland. In the article Jouni Muhonen, the financial director of Asiakastieto (Finnish company studying customer information) is interviewed. He states that the high number is due to the fact that consumers are taking larger amounts of cash out at once when taking out credit (Kaleva, 2015). This means that smaller loans are not as popular anymore as they used to be.

2.6 Legislative Changes

On the 27th of August 2010, a significant legislation change took place in Finland that was meant to protect the consumers and ensure the thorough consideration before applying for a loan. According to the Finnish legislation, the Consumer Protection Act (Kuluttajansuojalaki) clause 19, if a consumer credit is applied for and granted during the night, between the hours of 23 in the evening to 7 in the morning, the loan cannot be paid to the customer's account immediately, but only in the morning after 7.00 (Finlex, 2016).

In August 2010 there was another clause added to the Consumer Protection Act that affects the consumer credit market. The clause 8 requires a creditor to provide all the following information once advertising it to the consumers: the interest rates and all other possible costs, the amount of credit, the duration of the contract, the amount of hand payment needed, if it is needed for the type of consumer credit in question and lastly the amount of payments and the total costs of the credit together with the costs (Finlex, 2016). This clause was added to control the marketing of quick loans and other consumer credits, so that the consumer should receive all the needed information and couldn't be fooled to think that the interest rates were lower than the actual interest rates in reality are.

The other significant legislation change that took place in the industry came into effect 15.03.2013. According to the Finnish law, Consumer Protection Act (Kuluttajansuojalaki) clause 17 A, if the amount of consumer credit taken is under 2000 euros, the annual interest rate can be a maximum of 50 percent (Finlex, 2016). This clause was set to protect the consumers from extremely high interest rates and to minimize the risk of running into excessive debt that the consumer cannot pay back.

In the Consumer Protection Act there is also a clause 5 that states that the Consumer Protection Act is compelling. This means that if the creditor differs from any of the clauses stated in the Finnish law to the degree that it can be thought of as harmful towards the consumer, the contract is invalid (Finlex, 2016).

As seen here, the consumer credit business is strictly regulated and the Consumer Protection Act aims to ensure the safety of the consumers. However, unfortunately some of the legislative clauses above are not followed due to the fact that some companies have found loop holes or ways to work around the regulations as presented in chapter 3. This can be thought to be the result of the fact that the Finnish national financial monitoring company Finanssivalvonta, surveillances banks but does not supervise quick loan companies. This is because Finanssivalvonta supervises companies that fund their own businesses and loans by deposits made by customers and because according to the current information that the Finanssivalvonta has received, the quick loan companies do not fund themselves in such a way. However, this doesn't mean that no one supervises the quick loan companies, because quick loan companies are overseen by the official consumer protection officials of Finland and after the Consumer Protection Act legislation changes in 2010 it is not compulsory for quick loan companies to register as creditors into the customer management office (asiakashallintovirasto) (Finanssivalvonta, 2014).

The main issue remaining in the consumer credit industry is the lack of cooperation between the creditors. The companies providing consumer credits do not have to cooperate to prevent the consumer from taking multiple loans at the same time from different companies. This means that a consumer can take many loans at the same time from different companies and run into debt even faster (Finanssivalvonta, 2014). This can cause problems because the consumer can run into debt quick, without the capital to pay the loans back on time.

3 Empirical Part

3.1 Research Method

The approach chosen for this study was qualitative research. I chose this method because the study is based only on different forms of loans, quick loans and bank provided consumer credits and comparing of these products. Since I did not use any surveys or such, a quantitative research method would not have been beneficial for my study.

In this thesis I used both primary and secondary sources. This ensured the quality of the thesis to stay constant throughout the whole text. I used literature and articles as primary sources to find definitions and other relevant information related to the current situation and market demand of quick loans. I interpreted these findings to provide secondary sources for the text.

The research process itself started of as a desktop study and then led to me analyzing the data I collected. Then, I used the information found, to list all major differences and similarities. The last phase was to analyze the findings I made.

The biggest risk I had to face was probably the amount of sources. The phenomenon I am studying is relatively new, so the amount of sources is rather limited. However, with some hard work and enough researching I was able to find good and reliable sources. Luckily all the banks' homepages could be trusted, eventhough it was important to understand that the information provided would be objective.

3.2 Most Popular Quick Loan Companies

As stated in the chapter 2, there is currently a large amount of quick loan companies in the Finnish market, since the figure of 50 competitors in 2007 has only been growing since. This means that in in this report the focus is on the most popular quick loan companies, and their products and interest rates are studied further. I chose the same amount of quick loan companies as I did banks, and therefore the four quick loan companies I will study are: Suomilimiitti, Crdit24, Ferratum and Vivus.

3.2.1 Suomilimiitti

Suomilimiitti is one of the most popular quick loan companies in Finland. It markets itself as a Finnish company that provides safe loans, anywhere between 10-2000 euros. On their home page they even state ruthlessly "no expenses at all" and "even up to 60 days interest-free". They make everything seem really simple; you can apply for the quick loan only by sending them a text message. The only requirements are that the consumer needs to be 21-70 years old and the credit report needs to be clean (Suomilimiitti, 2016).

However, once I started studying their terms and conditions more carefully I quickly realized how much the company tricks its consumers. Actually you are required to take the loan with a minimum payback time of 30 days and a maximum of 49 months. The company also takes 15% as a commissioning fee for each quick loan. This means that if a consumer takes a loan of 2000 euros, the amount of the quick loan that they pay interest for is actually 2300 euros (Suomilimiitti, 2016).

Another issue is that the interest rates aren't as great as promised: the actual minimum yearly interest rate is 134,02% and the maximum 167,90% (Suomilimiitti, 2016). However, this is still a better situation than the interest rate that is stated on a website comparing quick loans in 2015. There they state that Suomilimiitti interest rates are anywhere 0-706% (Pikavippi.fi, 2015). Hopefully, this information is now outdated, since such figures are nowhere to be seen on their homepages today. Still one of the most alarming points that rose to my mind was the volumes of the quick loans. How is it possible that Suomilimiitti provides quick loans of 10 euros with an annual interest rate of 134,02% even after the legislative changes done in Finland?

The figure 1 below shows a calculation of what a consumer would pay back if s/he was to take a quick loan of 1000 euros from Suomilimiitti and pay it back in one year. For the sake of comparison, I did not add the commissioning fee in these calculations.

SUOMILIMIITTI	
AMOUNT OF LOAN	1000 EUROS
PAYBACK PERIOD	12 MONTHS (1 YEAR)
ANNUAL INTEREST RATE	134,02 %
TOTAL AMOUNT PAID BACK IN 12 MONTHS	
$1000 \times 1,3402 = 1340,02$	(INTEREST)
$1000 + 1340,02 = 2340,02$	(LOAN + INTEREST = TOTAL)

Figure 1

3.2.2 Credit24

Credit24 is probably one of the most advertised quick loan companies in Finland. They provide quick loans from 100 euros up to 4000 euros. On their home page they state that their payback period is a minimum of 3 months up to 36 months (Credit24, 2016).

The cost of the loan is very questionably told. They state that their yearly interest rate for a loan of 1500 euros is 50,2%, but they don't give a maximum yearly interest rate anywhere. They also state that if the payment is late for even a day, they will start collecting an even higher penalty interest rate. However, this is not announced anywhere either (Credit24, 2016).

To be able to apply for the Credit24 quick loan, a customer is required to have a clean credit report and a bank account in a Finnish bank. The loan can be applied for online by filling an application form. Everything is made very simple (Credit24, 2016).

However, on their home page they also provide a calculator that helps you calculate the total cost of the loan according to the planned payback period. They also have an online chat where you can ask questions from the customer service. I actually tried both of these features and they both gave me the same calculations. I also asked the employee, Johanna, on the customer service chat more detailed information on the yearly interest rates and penalty interest rates that are vaguely mentioned on their home page. She stated that the yearly interest rate for all their quick loans is 50,2% and if a customer is delayed even one day from the invoice's due date they start charging a penalty interest rate of 3,4% for each day that the invoice is delayed. This means that if the invoice was 100 euros and it was late for two days, the consumer would have to pay back an additional 6,80 euros.

The calculations below in Figure 2 are again counted for a similar case of 1000 euro quick loan with a pay-back period of 12 months. The interest rate used is the yearly interest rate of 50,2% stated by their customer service. This calculation does not take into account the possibility of the penalty interest rate.

CREDIT24	
AMOUNT OF LOAN	1000 EUROS
PAYBACK PERIOD	12 MONTHS (1 YEAR)
ANNUAL INTEREST RATE	50,20 %
TOTAL AMOUNT PAID BACK IN 12 MONTHS	
1000 X 0,502 = 502	(INTEREST)
1000 + 502 = 1502	(LOAN + INTEREST = TOTAL)

Figure 2

3.2.3 Ferratum

Ferratum is another popular quick loan company. On their webpages they advertise that they are open 24/7 and provide quick loans of 50-2000 euros in volume. They also state that their application is easy to fill out only by doing a quick online application and the consumer gets the money to their account straight away (Ferratum, 2016).

To be able to apply for their quick loan a consumer needs to be 20 years or older, own a Finnish social security number and a clean credit report. No other requirements are made (Ferratum, 2016).

When looking at the loan expenses, they state that the commissioning fee is 7,5% out of the loan's total volume. In addition the maximum yearly interest rate is as big as 216,20%. The pay-back period for a loan is maximum 57 months, however the minimum payback time varies depending on the amount of the loan taken and can be anywhere between 7 days and 12 months (Ferratum, 2016).

What really stuck out to me is that Ferratum is clearly one of the companies that uses a loophole and dodges the legislation changes made in 2013. They work so that a customer

can apply for a loan of 2000 euros, but only withdraw 1 euro at a time from it. This means that a customer can take a quick loan of 10 euros and pay it back according to the 2000 euro agreement terms with the minimum loan time of 12 months and a minimum yearly interest rate of 103,42% (Ferratum,2016).

The figure below is again counted for the same customer as the figure 1. It shows how much a customer would pay for a loan of 1000 euros if paid back in 12 months. The interest rate used in this calculation is the maximum interest.

FERRATUM			
AMOUNT OF LOAN		1000	
PAYBACK PERIOD		12 MONTHS (1 YEAR)	
ANNUAL INTEREST RATE		103,42 %	
TOTAL AMOUNT PAID BACK IN 12 MONTHS			
	$1000 \times 1,0342 = 1034,20$	(INTEREST)	
	$1000 + 1034,20 = 2034,20$	(LOAN + INTEREST = TOTAL)	

Figure 3

3.2.4 Vivus

Vivus' official name is 4Finance Oy, and it is one of the most popular quick loan companies in Finland. They function in a rather different way than the other companies that we have looked at. They provide loans from 10 euros up to 2000 euros. They state that for all new customers they provide a quick loan of 400 euros with no interest rate and a maximum pay-back time of 30 days. However, for returning customers the loan can go up to 2010 euros and the minimum yearly interest rate is 182,5% and the maximum interest rate is 446,2% (Vivus, 2016). This is a larger gap than in any of the other companies that we have looked at, if we assume that the over 700% interest rate for Suomilimiitti was outdated data.

Vivus provides loans for all consumers that meet the following standards: the customer is over 20 years old but less than 80 years old, has a Finnish bank account, a clean credit report and an address in Finland (Vivus, 2016).

The pay-back time is vaguely stated on their web pages. They say that for loans of maximum 400 euros the payback time is 30 days. For larger loans than that, the pay-back time is 24 months or as the customer decides (Vivus, 2016).

The most interesting and alarming situation is however, that Vivus is clearly one of the companies that does not follow the 2013 legislation change. On their webpages they even clearly state that for all customers that need to take a loan higher than 400 euros they always give you a loan of 2010 euros automatically, and then the consumer gets to decide how much of that loan they want to withdraw into their account. This way they are able to work around the legislative change and are able to charge a higher interest rate for the smaller loans as well.

The figure 4 below is calculated according to the maximum yearly interest rate provided on the Vivus webpages. As seen below, the interest rate is alarmingly high. For a loan of 1000 euros for one year a consumer might end up paying back a whopping 5462 euros.

VIVUS	
AMOUNT OF LOAN	1000 EUROS
PAYBACK PERIOD	12 MONTHS (1 YEAR)
ANNUAL INTEREST RATE	446,20 %
TOTAL AMOUNT PAID BACK IN 12 MONTHS	
$1000 \times 4,462 = 4462$	(INTEREST)
$1000 + 4462 = 5462$	(LOAN + INTEREST = TOTAL)

Figure 4

3.3 Banking Industry's Alternatives to Quick Loans

All banks provide some kind of consumer credit at least in the form of credit cards. However, most banks also provide consumer credit in the form of consumer loans or personal loans. These loans are usually small, 15 000e or under, do not require the consumer to provide collateral and are usually similar in interest as credit cards.

These kinds of loans are not a new phenomenon in the banking industry by no means, however, the marketing and demand for these products has increased a lot in the past few years. No clear line can be drawn here and said "this is because of quick loans", but when

I consulted a representative of the Commissioning company OP, they simply said that the need for such products has increased noticeably in the past few years.

3.3.1 OP (Osuuspankki)

OP is the largest Finnish bank, and currently has the second largest market share in Finland. OP provides two kinds of consumer credits that do not require a consumer to have collateral. One of them is called Joustoluotto and it works in almost a similar way as a credit card, so that the consumer can continuously take it into use if needed even after they have paid it back. This is an open-ended consumer credit (OP Home Pages, 2016).

The other consumer credit and the one that I will be focusing on is the credit called Täsmäluotto, the close-ended consumer credit. It is more comparable with quick loans since it works so that once the consumer has paid the debt back, it disappears and if the consumer needs a new credit later, they have to apply for it again (OP Home Pages, 2016).

Täsmäluotto can be applied for a loan of 1000-15000 euros. The payback period varies according to the contract terms but is a maximum of 10 years. This loan has a commissioning fee of 150 euros (OP Home Pages, 2016).

The cost of this credit depends on a few factors: the amount of the loan, the pay-back time and how much the consumer pays back each month. For example, a loan of 1000 euros paid back in 12 months will have an annual interest rate of 32,6%. However, a larger loan of 10000 euros with a pay-back period of 5 years has an annual interest rate of 8,18%. OP has a calculator on their home page that can be used to calculate the annual interest rate for a specific amount of loan with a planned pay-back time. This helps the consumer plan and be aware of the total costs personalized for him/her (OP Home Pages, 2016).

The credit can be applied for online by filling up an application form or in the bank office. The requirements for a consumer to be applicable to apply are that they need to be 23-74 years old, a customer of OP bank. The consumer also need to have a continuous cash flow of pension or salary and a clean credit report (OP Home Pages, 2016).

The figure 5 below is calculated with the help of the calculator provided on the OP web pages. The loan applied for is worth 1000 euros and it is planned to be paid back in 12 months. This means that the actual annual interest rate for this would be 32,6%.

OP		
AMOUNT OF LOAN	1000 EUROS	
PAYBACK PERIOD	12 MONTHS (1 YEAR)	
ANNUAL INTEREST RATE	32,60 %	
TOTAL AMOUNT PAID BACK IN 12 MONTHS		
$1000 \times 0,362 = 362$	(INTEREST)	
$1000 + 362 = 1362$	(LOAN + INTEREST = TOTAL)	

Figure 5

3.3.2 Nordea

Nordea is an international bank working in the Nordic and Baltic countries. It has the largest market share in Finland. Nordea provides a consumer credit with no collateral needed for a sum of 2000-25000 euros. If a smaller amount of money is needed, the consumer would have to apply for a credit card. The payback period for their consumer credit is not announced on their website clearly, but they do have an example of a loan with a pay-back period of 60 months. However, they state that the pay-back plan will be tailored to each consumer so that it fits to the consumer's current situation and is relatively flexible (Nordea, 2016).

To be able to apply for a Nordea consumer credit, the customer needs to be at least 18 years old, have a steady cash flow (for example salary, pension, etc) and a clean credit report. The application can be made online, on the phone (if identified using online banking codes) or in the bank office (Nordea, 2016).

The cost of this credit is a monthly interest rate of 3 months' Euribor + 8,0% marginal. The annual interest rate is 11,3%. However, in addition to the annual interest paid, the consumer also pays a commissioning fee that depends on the volume of the loan itself. For example, if the loan is 2000-5000 euros, the commissioning fee is 125 euros, but if the loan is over 12000 euros the commissioning fee is 200 euros (Nordea, 2016).

The figure 6 below is calculated using the smallest available amount of loan (2000 euros) with the payback period of 12 months. Because Nordea does not provide consumer credits of 1000 euros, the sum is different than in the previous calculations.

NORDEA			
AMOUNT OF LOAN	2000 EUROS		
PAYBACK PERIOD	12 MONTHS (1 YEAR)		
ANNUAL INTEREST RATE	11,50 %		
TOTAL AMOUNT PAID BACK IN 12 MONTHS			
2000 X 0,115 = 230	(INTEREST)		
2000 + 230 = 2230	(LOAN + INTEREST = TOTAL)		

Figure 6

3.3.3 S-Pankki

S-Pankki is a Finnish bank that is a part of the Finnish S-Ryhmä company chain. They have hotels, stores and the S-Pankki bank. When consumers are favoring S-Ryhmä companies they collect bonus money for all the services they use in their chain. The bonuses can be used as money in all their stores and other services as well.

S-Pankki has consumer credits available with a payback period of minimum 12 months and maximum 12 years. The amount of the loan is anywhere from 5000 to 20 000 euros.

The requirements for a consumer to be able to apply for the S-Pankki consumer credit are a little more complex than with the previous banks that we have looked at. S-Pankki requires that the customer is at least 25 years old, has a clean credit report, has an account in their bank, has a Finnish social security number or lives permanently in Finland and most importantly has a monthly income of at least 2000 euros into their account (S-Pankki, 2016).

Because S-Pankki is connected with the Finnish S-Ryhmä chain of hotels, restaurants and stores, the consumer credit can be applied for on line, in a bank's office or even in the grocery store S-Ryhmä service desk. This is relatively different compared to the other bank provided consumer credits that we have looked at previously (S-Pankki, 2016).

The cost of the loan again varies depending on the volume of the loan and the agreement terms. The commissioning fee for a loan of 5000-10000 euros is 100 euros, for 10001-15000 it is 150 and for 15001-20000 it is 200 euros. The annual interest rate is 11,52% (S-Pankki, 2016).

The Figure 7 below is calculated for a loan of 5000 euros, because again, S-Pankki does not provide smaller consumer credits. However, the pay-back time is kept at the same 12 months so that the time frame doesn't change.

S-PANKKI	
AMOUNT OF LOAN	5000 EUROS
PAYBACK PERIOD	12 MONTHS (1 YEAR)
ANNUAL INTEREST RATE	11,52 %
TOTAL AMOUNT PAID BACK IN 12 MONTHS	
5000 X 0,1152 = 576	(INTEREST)
5000 + 576 = 5576	(LOAN + INTEREST = TOTAL)

Figure 7

3.3.4 DanskeBank

Danske Bank is a Danish bank that has spread its offices to the Nordic countries in the 1990's. They have a large customer base in Finland, because in 2006 they purchased the old Finnish bank called Sampo Pankki.

Danske Bank provides collateral free consumer credits from 2000 euros up to 10 000 euros. The payback method for the credit at Danske Bank is that the credit is given for 3 years at a time and if the consumer can't pay the loan back in 3 years s/he can apply for an extension of another 3 years (Danske Bank, 2016).

The loan can be applied for online by filling an application through the mobile bank, or at the bank's office. To be able to apply for the loan, the consumer needs to be a customer at Danske Bank and have a continuous cash flow monthly to the account /salary, pension etc) and a clean credit report. No other requirements are stated on their home pages, but the agreement terms and conditions state that the bank has the right to decline the credit

application due to other clauses as well. Therefore one could consider the age of at least 18 to be a requirement as well (Danske Bank, 2016).

The cost of the credit is determined always according to the 3 year pay-back time period. This means that the annual interest rate is 12,70%. There is also a commissioning fee of 2% out of the volume of the loan taken.

The figure 8 below is calculated according to the same information as the previous calculations. However, since Danske Bank does not provide consumer credits below the amount of 2000 euros, the amount of the loan is again higher in the calculation below.

DANSKEBANK	
AMOUNT OF LOAN	2000 EUROS
PAYBACK PERIOD	12 MONTHS (1 YEAR)
ANNUAL INTEREST RATE	12,70 %
TOTAL AMOUNT PAID BACK IN 12 MONTHS	
$2000 \times 0,127 = 254$	(INTEREST)
$2000 + 254 = 2254$	(LOAN + INTEREST = TOTAL)

Figure 8

3.4 Quick Loans vs. Bank Products

Eventhough quick loans and bank provided consumer credits can be thought of as competing products, they do differ from each other greatly in some of their operational features. Below, I will look at both alternatives from firstly the contractual point of view, and secondly from the legislative point of view in the light of the facts I have collected previously in this chapter.

3.4.1 Agreement Terms & Conditions

	QUICK LOAN COMPANIES	BANKS
AMOUNT OF LOAN	1 - 4000	1000 – 25 000
PAYBACK PERIOD	7 days – 49 months	Up to 10 years
INTEREST RATE	50,2% - 446,2 %	11,50% - 32,60 %
INFORMATION NEEDED FROM THE CUSTOMER	Minimal	Customer Relationship

Figure 9

As seen from the Chart in Figure 9 presented above, there are some clear differences between how quick loan companies and bank products function. When looking at this from a customer's perspective at first, the benefits are very different and it can almost be stated that these products cater to a different need and therefore maybe cannot or should not be compared to each other.

Eventhough it is clear that quick loans can be thought of as a more dangerous product, they do have some features that the bank products cannot compete with. The reason quick loans are so appealing and popular amongst consumers, is most likely the fact that the money is easy to get a hold of. The amount of money can be small and the payback period is usually rather short, hence the term "quick loan". The bank products cannot compete here, because even if the payback period is negotiable, the consumer must commit to a larger amount of loan. Most of the banks did not even provide loans smaller than 2000 euros. If the consumer is in need of for example a few hundread euros for a vacation, applying for a bank loan will easily seem like a difficult task to take.

However, the dark side of quick loans is the cost. This is the part that the consumer should consider more carefully, than just to apply for a quick loan in the heat of the mo-

ment. It would actually be cheaper for the consumer to take a larger loan than intended from a bank than for example three separate, smaller quick loans. Also, bank products can be considered as "safer" products, since banks usually are to some extent flexible and can renegotiate loan payback terms if needed to benefit their customer and help them in a difficult situation. However, quick loan companies do not have a deeper customer relationship with the consumers and they care more about the profit they make as a company. Therefore, their business can be thought of as colder whereas if the consumer cannot pay the loan back as intended, the company will proceed to enter that consumer's loan into collection.

Also another fact that I found to differ very drastically between these two alternatives was the amount of information gathered about the customer. All of the bank products looked at required a customer-relationship of some extent to be able to apply for a loan through them. This is because this way they can ensure that they know the customer and their financial situation at least vaguely so that they can come to the conclusion on whether or not the credit can responsibly be granted for them without causing a risk in the customer's financial situation.

The situation is unfortunately not similar when it comes to quick loan companies. These companies only require a consumer be of certain age, to have a clean credit report and maybe some kind of signing up to their web pages, but no other official documents. This is dangerous, because the companies cannot know for example how many credit cards the consumer has or if s/he has already taken a quick loan from another company. This means that the customer might end up in a situation where s/he cannot pay for all their outstanding credits. However, as stated earlier, because Finanssivalvonta does not supervise these companies, they do not have the responsibility to study these facts about their consumers, so technically they are not doing anything wrong in this operating model in particular.

3.4.2 The Legislative Changes

	QUICK LOAN COMPANIES	BANKS
Clause 19: if credit is applied for and granted during the night, the loan cannot be paid to the customer's account immediately, but only in the morning after 7.00	Most companies follow, but might still market themselves differently. Some companies do not follow this clause.	Followed, terms stated on the banks' home pages next to the loan applications
Clause 8: requires a creditor to provide the interest rates and all other possible costs, the amount of credit, the duration of the contract and the amount of payments and the total costs of the credit together with the costs	Most companies follow to some extent, if not all required figures at least most of them are presented on the advertisements at least with small print.	Followed, all figures are listed in the commercials and also online before application forms. However, sometimes the information was a little hard to find.
Clause 17 A: if the amount of consumer credit taken is under 2000 euros, the annual interest rate can be a maximum of 50 percent	Most companies have found loop-holes to work around this clause.	Followed, some banks even had to withdraw products from the market.

Figure 10

In the chart presented above in Figure 10, I compare these two alternatives from the legislative point of view. It is clear that since these companies function in Finland they are supervised according to the Finnish legislation by the consumer protection officials (quick loans) and financial supervisors (banks) as stated above, and therefore if any of them were breaking the law, it would most likely be recognized quickly and investigated further.

However, the legislative changes have affected both parties differently, and some companies have even found some loop-holes to work around these clauses.

In Finland, banks are supervised extremely strictly and therefore it is safe to say that all the bank alternatives we have studied in this thesis follow the clauses presented. However, to ensure that they do so, they have had to make some adjustments along the way.

All the bank side alternatives I studied in this thesis showed the information required in the Consumer Protection Act clause 8 on their home pages. The "advertisements" or product information pages on their consumer credit –products explained the costs, payback periods and the amount of credit that could be applied for.

As banks are not opened during the night-time, the legislative change regarding clause 19 did not affect the banking industry much at all in 2009. The only influence it had was on their web pages when applying for consumer credit – the credit application would go through but the money wouldn't be transferred to the consumer's account until the next day. However, this change was not significant at all, since such waiting times are normal in the bank industry.

However, the clause 17 A on the interest cap has caused some changes in the bank industry that have had more significant consequences than just re-designing the bank's credit application web pages. Because of the interest cap, banks are not able to provide consumer credits for smaller amounts than the ones presented earlier in this chapter. This makes it difficult for them to compete with quick loan companies in that sense. Also the credit card limitations have been effected to some extent.

For example, OP has had to withdraw the Golden Visa card with a credit limit of 1000 euros from the market completely, because if the consumer was to max out on the credit limit provided, the yearly interest rate would equal over the allowed amount. This is unfortunate, because the Golden Visa card was a popular product since it has better features (for example travel insurance) than a regular Visa card does. The withdrawing of the Golden Visa Card from the market due to legislative changes is very odd, thinking about the fact that bank provided credit cards are usually thought of as a safe way to take loan and a good way to make sure more expensive products like electronics etc have insurance when buying them on the credit-side of the Visa Card. Still, the new legislation clause forced the banking industry to adjust as well.

The quick loan companies have been affected by the legislative changes in a different way. Clearly, the legislative changes have cut back on the most insolent features that the quick loans had when they first came to the market and were not regulated at all. They are now a lot more supervised and the consumers are a lot more educated on the topic as well, compared to how the situation was before the legislative changes. However, some companies have found ways to work around certain clauses and issues that they do not want to face.

The legislative change concerning advertisement (Clause 8) has been taken into effect quite well in general. Quick loan companies' advertisements are not seen a lot in person, but more so on the internet. The advertisements that I looked at during this study were all fairly neatly made and followed the legislation. The costs and payback times etc were marked on the pages at least in fine writing so that if a consumer was to read everything they would have easy access to this information as well. However, naturally the quick loan companies clearly stressed the more attractive features on their advertisements, such as the possibility to take a smaller amount of credit.

The legislative change in concerning clause 19, receiving consumer credit during night-time, came as surprise to me as doing research for my thesis, because most of the quick loan companies I studied advertised on their pages to provide quick loans 24/7. As the article in Uusi-Suomi mentioned already in 2010 that out of 80 companies studied, 4 still provide the consumer with quick loans even during the night time eventhough it is now illegal. In the article they mentioned that the police was informed and that they would start looking into the topic (Uusi-Suomi, 2010). However, six years later the problem still exists and eventhough I tried looking into the topic more, there was no clear explanation to why this was still possible. One article on the Yle Uutiset web page in 2014 said that there was an on-going investigation on a few quick loan companies that were known to not function according to the law (Sullström, 2014). Still now, in 2016, most of the companies I looked at had the possibility to apply for the loan whenever, but in fine writing it would state that the loan would be granted to the consumer within minutes, but payed to the consumer's account only in the morning. Now this means that these companies studied are following the law, but a different question can be presented as to wheather or not this advertisement system can be thought of as misleading.

Eventhough the legislative change made in 2013, clause 17 A on the interest cap, did shut down some of the smaller quick loan companies, it seems like not everyone in the industry was affected by it. Clearly as a result of this the consumer credits are growing in size and the loans granted are bigger than before. The clause 17 A seems to be the most shocking out of all the legislative changes that have taken place since the emergence of quick loans. How is it possible that even with an interest cap of 50% for a loan less than 2000 euros the interest rates can still be as high for the quick loans studied? I figured out two different ways that some quick loan companies work their way around this clause.

Firstly, one alternative is that the company sets their interest rate at the legal rate and starts applying the higher interest rate immediately if a consumer fails to pay on time. By moving the process to debt collection faster, they are able to make more profit on the higher interest rates. An example company of such behaviour is Credit24, studied in chapter 3.2.2.

The other loop-hole I found that at least Vivus (4Finance) uses is that they always provide the consumer with a loan of 2010 euros. This way, the amount of credit that the consumer has is 2010 euros, which is over 2000 euros and therefore the interest rate cap doesn't apply to this loan. The consumer can then withdraw the amount of money that they want, for example 100 euros to their account, but they would still then pay the interest rate for the 100 euros that was originally calculated for 2010 euros. An article written in Helsingin Sanomat in 2013 also backs up this second finding. The article states that it is still possible to get a small quick loan even after the legislative change. It has been suspected that quick loan companies work around this clause by providing the consumer with a loan of 2000 euros but having the consumer pick out how much of that loan they want to withdraw into their account (Helsingin Sanomat, 2013). This is exactly what Vivus does.

All in all, both these alternatives, quick loans and bank alternatives, have their downfalls and their benefits to the consumer. They have both been affected by these legislation changes and both have reacted in their own way.

4 Discussion

In this final chapter, I conclude the information gathered and explained earlier in the report. The differences and problems in the operation of both banks and quick loan companies are looked at and also the current issue of credit report markings in today's financial situation. I lastly also complete a self-evaluation and explain my learning process further.

4.1 Objective

The objective of this study was to find out how the quick loan companies' products and bank provided alternatives differ from each other on an operational level. The most interesting question was presented by the commissioning company asking why the legislative changes of 2013 were so harsh on the banking industry but the quick loan companies somehow manage to work their way around this. This question was very difficult to solve since the quick loan companies are not as co-operative as the banks are. However, I feel like I got a good idea on what they are actually doing and was able to present the commissioning company with a valid answer.

4.2 Problems

The main problems I had with this topic was the reliability of the sources I used. Since the issue of quick loans is relatively new there is no literature on the topic to be found. Also when looking at the information on the quick loan companies' own websites the information is extremely biased and has to be looked at critically. The same applies for the banks' home pages.

Also, one of the issues I had was that eventhough I had a contact person from the banking industry, quick loan company representatives were not willing to answer my questions. This was expected but unfortunate.

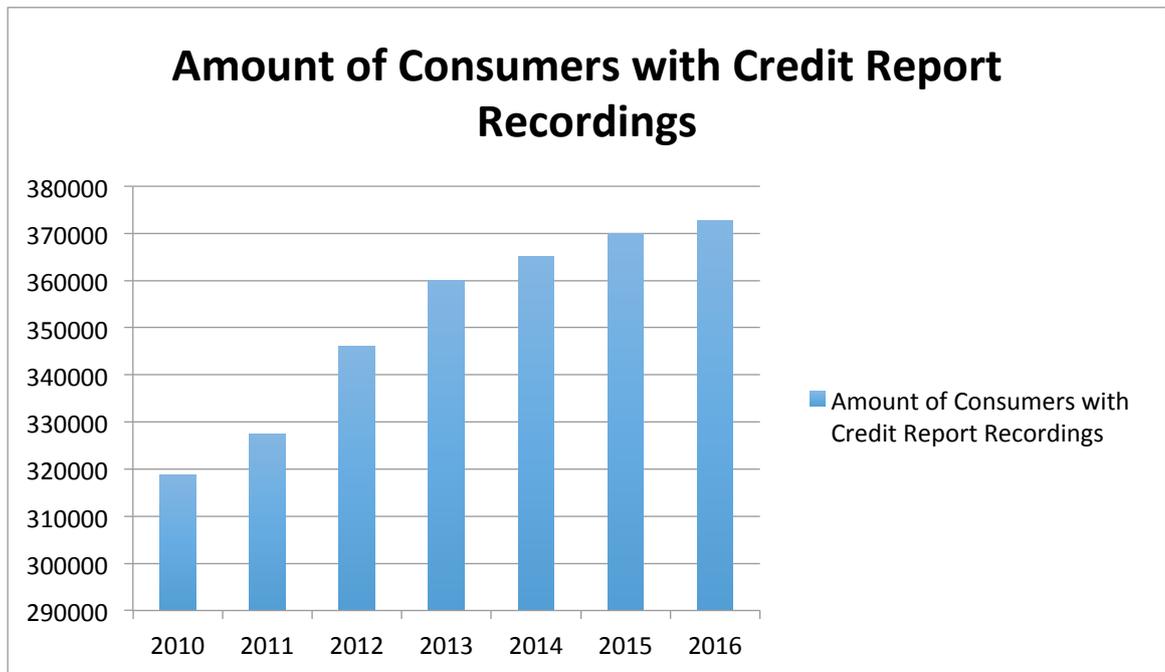
However, all in all I feel like I was able to tackle these obstacles well and managed to find some good sources, studies conducted by other students and financial articles that looked at this topic from an interesting angle and their reliability could be trusted.

4.3 Conclusions

One could conclude this study by stating that even though quick loan companies and bank products seem to be direct competitors, they actually operate rather differently and cater to different life situations. They both have their benefits and downfalls as seen in chapter three, but a consumer that is well aware of these factors could possibly benefit from both of these products to some extent.

However, the current financial situation is increasingly alarming when it comes to private consumers. There is a whopping amount of ten to fifteen thousand new credit report recordings made annually in Finland (Aulasmaa, 2014). Consumers are in more debt than ever and having products like quick loans available is not necessarily helping to the situation since they seem like an easy fix to a difficult situation. Currently over eight percent (8%) of the Finnish population have some records on their credit report (Asiakastiето, 2014).

The main issue is, that eventhough the legislative changes have regulated the industry to some extent, these problems with quick loans will exist until the quick loan companies are also required to study the consumer's other outstanding debts. This is the biggest difference between banks and quick loan companies: banks are obligated to ensure that the consumers won't run into excessive debt, whereas the quick loan companies have no responsibilities here. This is not saying that these companies are necessarily doing anything wrong, the regulations are just lacking in this sense.



(Asiakastieto, 2014. & Aulasmaa, 2014. & MyNewsDesk, 2016.)

The chart above shows the increase in credit report recordings since 2010. The figure shows how the problem is annually growing. In June 2016, the record high amount of credit report markings with already an increase of five thousand markings compared to 2015 (MyNewsDesk, 2016). This means that the figure presented for 2016 in the chart above is not even the complete amount for the whole year. However, the recordings have not been this high since the depression in the 1990's.

When looking at these facts, a question arises: would it be time for yet another legislative change? Perhaps by adding responsibility to quick loan companies, their operations could be ensured and the consumers' risk would again decrease. There is a clear niche for quick loans and they are most likely to stay and even grow as an industry. However, maybe by adding responsibility on their behalf to meet the standards of other financial institutions like banks we could make them a safer alternative. Perhaps it would be time to regulate these companies as the financial institutions that they in reality are?

4.4 Self-Evaluation & Learning Process

For the learning process through the study, I can state that the process of writing this thesis was certainly time consuming and challenging. However, since the topic chosen was of interest to me, learning new things was interesting and most likely very beneficial when thinking about my career.

I personally feel like coming into this process, I was very sceptical of quick loan companies. I did not understand how they functioned and I did not understand how they were regulated and what laws applied to them. However, the more I studied and read, the more I began to see differences in both good and bad between the two alternatives. I feel like this study definitely altered my opinions and views and instead of being so black and white, I can now see the topic as different shades of grey.

As for the self-evaluation on the actual writing part I give myself both credit and critique. I feel like since my writing process began originally with a different topic that I then changed into this one, I adapted rather well. I found the new topic a lot more interesting and stimulating and therefore fun to work with. However, since I worked full-time during the writing of this report my planning and use of time could've been more sufficient.

All in all, I am very happy with the report I provided and I feel like I learnt a lot of new things that will definitely benefit both the commissioning company and myself in the future.

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