Understanding Money Lending Online in Wales

by Wordnerds for Vale of Glamorgan Council

Understanding Money Lending Online in Wales

Introduction

Brief overview of Wordnerds

Wordnerds combines Artificial Intelligence (AI), Natural Language Processing (NLP) and Advanced Corpus Linguistics to provide automated understanding of unstructured text data. We deliver next-generation social listening, business insight software and automated text understanding to provide reliable and actionable insight.

Wordnerds provides brands like Sage, Transpennine Express, Tommee Tippee, and Northumbrian Water with a Software-as-a-Service (SaaS) platform that enables them to listen, understand and act.

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Aims of the project

Vale of Glamorgan Council initially commissioned Wordnerds to help them understand the **landscape of money lending online in Wales**, in order to:

- appreciate the scale of the problem
- educate people about what's going on
- understand what people do when they're looking for small loans

Methodology

Establishing relevant sources

The first challenge for this project was data gathering. The quality of insight can only ever be as good as the text data that we are able to find, and given the broad nature of the brief and the disparate nature of internet discussion, we felt that collecting data from several sources would give us the best opportunity for understanding.

We first examined **Twitter** as the most popular discussion site on the web which is available for third parties to look at. However, we found that Twitter, as quite a mainstream site where the majority of users are publicly identifiable, was the least successful in terms of finding useful data. However, it did help us to understand the factors that contribute to financial hardship.

The decision was made to move away from Twitter, and towards more anonymised sources, such as **Reddit**. As the largest anonymised forum on the internet, we expect to find less guarded conversation on money lending. What we found was a fully developed money-lending community, with many loans being requested from Wales.

Despite the considerable amount of loan requests from Wales, and a large number of discussions on broader money issues, it is difficult to pinpoint any individual discussion to

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Wales on Reddit. In order to understand this element better, we examined a money saving forum specifically aimed at Wales. We therefore brought in a third source, **MoneySavingExpert.com**, a forum about all things financial with a specific subforum for Wales.

This has left us with 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.

Uncovering useful information - Online Loans
Given that the scale of the problem was a key outcome metric for Vale of Glamorgan Council, we started by extracting metadata from posts, and identifying key elements within it (amount borrowed, terms of loan).

We also wanted to understand the content of the posts, to better understand the nature of online borrowers from Wales. We therefore collated the posts, and put them through a series of linguistic tests, including:

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

Across each of these elements, Scotland and Northern Ireland were used as a **control group**. We took a sample of loan requests from users in Scotland and Northern Ireland, and compared this dataset to the Welsh dataset.

To compare the unstructured text of these two groups, we used a corpus linguistic technique known as concordance keywording. 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 Welsh unstructured dataset were specific to this group.

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Borrowing money through social media - Reddit

Background on Reddit

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.

The site is composed of over 2.2 million subcommunities, 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 'Wales' subreddit is found at https://www.reddit.com/r/Wales/ and is therefore known as r/Wales.

This format, using the r/ before the name of the subreddit, makes it immediately identifiable as a reddit forum across the internet.
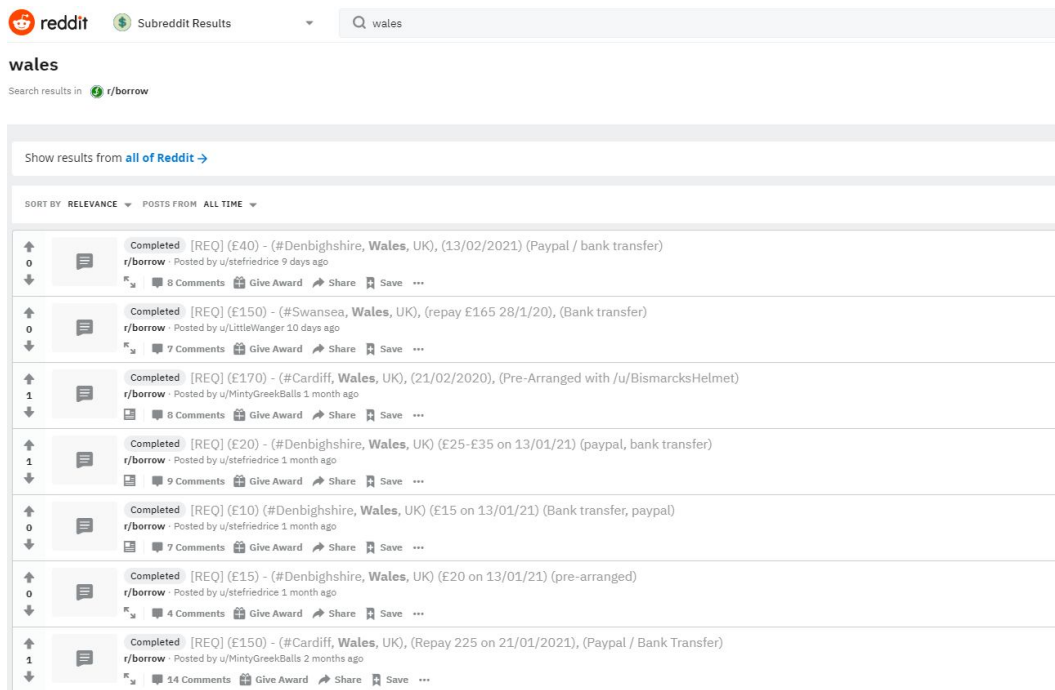
Users receive "**karma**" points for posting regular links, and commenting on the posts of others.

Reddit is the 20th most-visited website in the world. Statista reports that in December 2020 there were 1.74 billion visits to the site. According to a 2016 study by the Pew Research Center, 71% of Reddit's audience is composed of men.

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 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.

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r/borrow

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

Any registered Reddit user who meets the account criteria (90+ day account and 1000+ karma) user 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, the repayment terms that are being requested, within the title of the post:

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Example of a post title in r/borrow

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 DMs Show results from all of Reddit service. At this point the transaction is done in private. Lenders can come from anywhere in the world, but do generally lend to people near to them.

In the private DMs, 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.

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.

> *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.*

Reddit blacklist information.

How loans are repaid

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.

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 $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.

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

The terms that borrowers sign up to

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*

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

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.

What happens when a borrower doesn't pay

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

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.

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.*

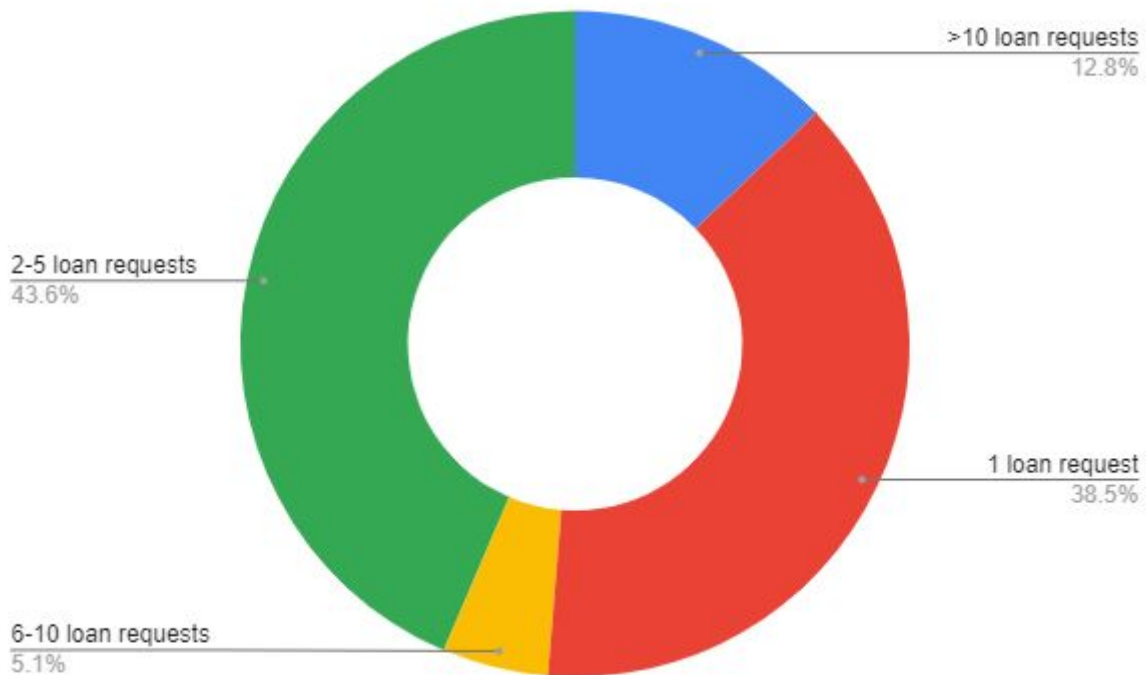**T:** +44 (0)191 300 9444   **E:** hello@wordnerds.ai   **W:** www.wordnerds.ai   **M:** Google Maps

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How users from Wales borrow on Reddit

Wales borrowing on r/borrow in numbers

Since the start of 2020 (04/01/2020 - 24/01/2021), there have been 106 loan requests from users claiming to be from Wales.

Average borrowed	Highest borrowed	Lowest borrowed
£137	**£1,000**	**£7**

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.

Average interest	Highest interest	Lowest interest
29%	**133%**	**10%**

Average payment terms	Longest payment terms	Shortest payment terms
21 days	**4 mths**	**2 days**

Borrowers with Multiple Loans

There are no limits to the number of loans a user can take, so we see some users requesting multiple small loans which accumulate to quite a lot of debt. Around 39% of users have asked for only one loan, with a significant minority (around 5.1%) having taken between six and ten loans between 07/03/2018 and 24/01/2021. 12.8% of users have taken over 10 loans over this period.

>10 loan requests
12.8%

2-5 loan requests
43.6%

1 loan request
38.5%

6-10 loan requests
5.1%

This user, from Swansea, had borrowed approximately £900 across 26 loans, and had another £302.55 outstanding over 7 loans.

/u/Zuubat has taken out and paid back 26 loans, for a total of $1208.94

In-progress loans with /u/Zuubat as borrower:

Lender	Borrower	Amount Given	Amount Repaid	Unpaid?	Original Thread	Date Given	Date Paid Back
Bing400	Zuubat	39.42	0.00		Original Thread	Dec 7, 2019	
BlueWhiskeyDrinker	Zuubat	51.98	0.00		Original Thread	Dec 4, 2019	
oskar1041	Zuubat	56.88	0.00		Original Thread	Dec 1, 2019	
oskar1041	Zuubat	38.72	0.00		Original Thread	Nov 16, 2019	
oskar1041	Zuubat	77.19	0.00		Original Thread	Nov 11, 2019	
BlueWhiskeyDrinker	Zuubat	38.32	0.00		Original Thread	Nov 10, 2019	
SergeIBlockYa	Zuubat	31.26	31.22		Original Thread	Sep 15, 2019	

Link

It appears that they then struggled to make repayments, as lender /u/Bing400 flagged that three loans, totalling £150, could not be repaid. /u/Zuubat has not requested any further loans on this subreddit since.

Posted by u/Bing400 1 year ago

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[UNPAID] (/u/Zuubat) (#Swansea, Wales, UK) - (30+60+60GBP), (2mos)

Couldn't repay

💬 3 Comments   🎁 Give Award   ➤ Share   🔖 Save   ⊘ Hide   🚩 Report   100% Upvoted

How these figures differ from the rest of the UK

Wales borrowers ask for slightly less on average than borrowers from Scotland and Northern Ireland, although the payment terms are very consistent overall.

Wales makes up 29% of the money requests from the three nations (Wales, Northern Ireland and Scotland) on Reddit (361 in 2020).

Average borrowed Wales	Averages borrowed - whole UK	Difference
£137	£151	-10%

Average interest - Wales	Average interest - whole UK	DIfference
29%	26%	+11%

Average payment terms - Wales	Average payment terms - whole UK	Difference
21 days	21 days	+0%

Understanding the Welsh borrowers on Reddit

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 Welsh borrowers are

Two user situations are commonly described in the posts made by Welsh borrowers:

- Recipients of government benefits
- Students, using r/borrow to tide them over until their student loans arrives

Key Topics	Users
Student	12
On Government benefits	8
Previous	5

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Where the Welsh borrowers are from

Swansea is unsurprisingly the home of most of the loans, with the Denbighshire area being overrepresented. This is due to one user in Denbighshire, /u/stefriedrice, requesting a total of 29 loans.

Region	Percentage
Rhyl	3.1%
Gwent	1.6%
Newport	1.6%
Bridgend	2.1%
Wrexham	3.1%
Bangor	9.9%
Montgomery	8.9%
Cardiff	11.5%
Denbighshire	14.1%
Swansea	38.0%

Why Welsh borrowers decide to borrow money

The most common reason given by users is that the loan will tide them over until payday. Essentially, Reddit is being used as a de facto payday loan provider. Unexpected bills are also prevalent as a reason, as well as COVID-related issues.

Key Topics	Users
Payday	23
Food	20
Unexpected bill	15
Rent	12
COVID-related	8

Language used in requests

Many borrowers, rather than focusing on their ability to repay the loan, talk more about how difficult their situation is. Examples include:

My critical expenses right now are food and transport until that deadline along with a rent payment. I hate to resort to the begging bowl, but desperate times call for desperate measures. Any help is greatly appreciated. Link

Struggling a lot this month waiting for my first universal credit payment since losing my job because of the covid. Link

Hi again. Making another post as made couple mistakes in last one and asking for less for help towards my rent and bills so to have a little extra over. My lender is OK with me posting and all my previous loans have been paid off and have good history. I can pay back full on the 24th December. Please PM if you need any information and can provide

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proof of income and ID. Any help would be appreciated. thank you. I can do bit more interest if needed, please any help would be appreciated as have no other option. Thanks for reading. Link

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

Key Topics	Users
help	32
appreciated / thanks	50

How the language differs to the rest of the UK

We used a linguistic methodology called **concordance keywording** to establish how pertinent terms are to a specific corpus of text.

In other words, which words were used by borrowers in Wales more often than you would expect, given their use in the rest of the UK? What are Welsh borrowers more and less likely to mention?

From this work, we can see that:

● COVID has appeared to instigate more loan requests in Wales than in Scotland and N. Ireland. "Lockdown" and "furlough" are considerably more likely to be used in the Welsh posts
● Issues with benefits have been more prevalent in requests from Wales.
● Rent and travel are more likely to be reasons for requesting loans.

More likely to be used by Welsh Borrowers		
Word	WAL	SCO/NI
paycheck	6	0
rent	12	3
lockdown	6	1
benefits	3	0
furlough	3	0
travel	3	0

More likely to be used by NI and SCO Borrowers		
Word	WAL	SCO/NI
required	0	13
history	3	21
documents	0	9
repay	9	30
loan	24	59
thanks	18	55

Fig 14: Selected terms based on their likelihood to be used by Welsh borrowers in 2020, in comparison with Scottish and Northern Irish borrowers in 2020.
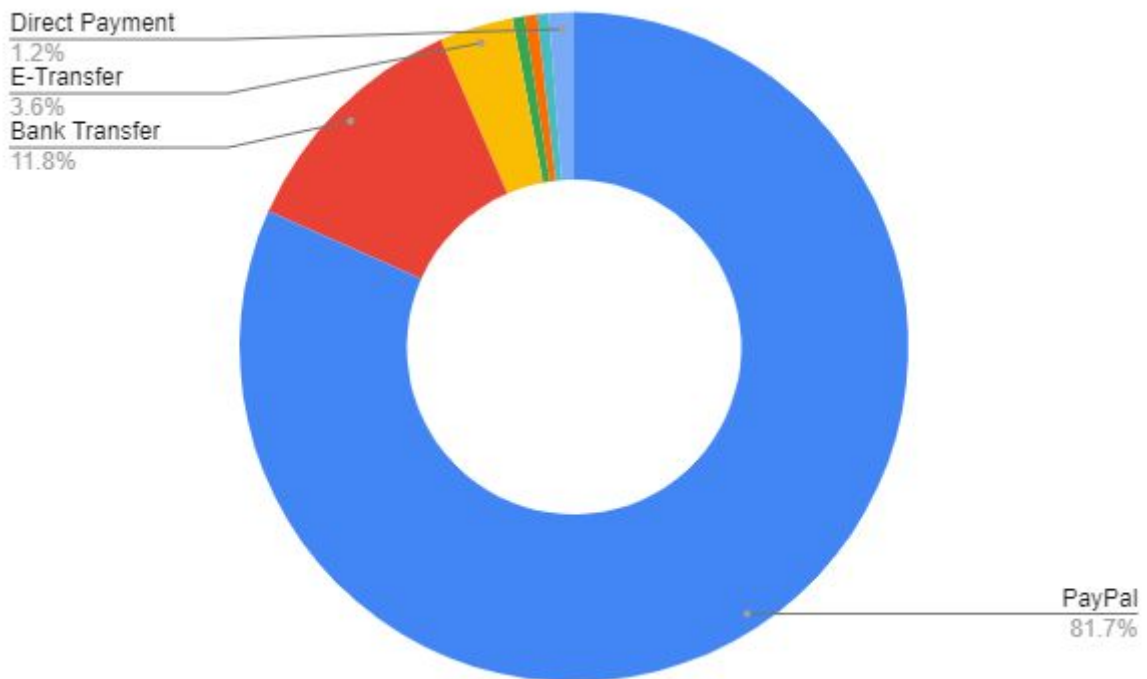
5.5: How the language of users has changed

- Welsh borrowers were considerably more likely to say that they are students in 2020
- It is not unexpected to see lockdown mentioned, but there is also evidence that borrowers are using the service more as a de facto payday loan.
- In 2019, there was more discussion about the mechanics of the borrowing.

More likely to be used in 2020		
Word	2020	2019
student	8	0
bank	6	0
lockdown	6	0
paycheck	6	0
situation	6	0
please	9	1
employment	5	0
college	4	0
essentials	4	0

More likely to be used 2019		
Word	2020	2019
negotiable	1	10
required	0	6
interest	4	13
fees	0	4
receive	0	2
loans	3	11
willing	2	9

Fig 15: Selected terms based on their likelihood to be used by Welsh borrowers in 2019 and 2020.

How the Welsh borrowers request payment / repay

The vast majority of Welsh users are using PayPal to deal with their borrowing on Reddit. E-Transfer uses email, or text messaging, to receive funds.

Information on Lenders

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.

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.

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.

According to the tool:

5% of loans given to Welsh borrowers were from lenders who were subsequently banned from Reddit due to account violations.

We do not know the specific nature of these violations.

26% of loans given to Welsh borrowers were not from verified community lenders, making them much higher risk.

7.1: Lenders' geographical range

Lenders do not give geographical information, but we can surmise something of their whereabouts by looking at where the borrowers they lend to come from. If a lender offers loans to borrowers across the UK, the odds of the lender being from Wales diminish significantly.

Furthermore, r/borrow is used by borrowers from across the world. Where a lender's portfolio is generally overseas, that again makes it less likely that they are from the UK.

We must stress that this is purely on the balance of probabilities. There is no way to know for sure where a user is from. But we can say that:

- Only 8% of lenders who lend to borrowers from Wales, *exclusively* lend to borrowers from Wales.
- 48% of lenders who lend to borrowers from Wales, lend mostly to borrowers outside the UK.

% of lenders who lend to borrowers from Wales who...			
Lend *exclusively* to borrowers from Wales	Lend *exclusively* to borrowers from the UK	Lend *majority* to borrowers from the UK	Lend *majority* to borrowers from overseas
8.33%	29.17%	52.08%	47.92%

Less than 45% of loans to Welsh borrowers were given by lenders who were in good standing and mostly loaned to UK borrowers.

Protection for Lenders

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. While we do not know where any of the lenders are from, the story below is about a lender being scammed by a borrower in Wales.

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.

/u/truemyth11: [UNPAID] (/u/ArwenNew) (#Merthyr Tydfil, Wales, UK) - (30 GBP), (1 month late)

Got burned with this one. First transaction with [u/ArwenNew](#) went smoothly. Second one, never sent payment on date that it was supposed to be paid back. Then 18 days ago, finally received a message back stating payment would be sent on Sept 30th. Waited, and once again no payment. No response to any messages or PayPal requests for payment. Unsure what to do from here since is the first unpaid that I've had to deal with. Out the 30 GBP + loan repayment amount promised.

Comments:

/u/MyPhonePaysMe: To be blunt it seems you may be screwed. I wouldn't have loaned to that user just based on their profile. Several people complained that shes a bad psychic reader and doesn't issue refunds, lol red flags all over that user. Sorry got your loss!

/u/truemyth11: Yeah it was bad on my part in retrospect.

/u/MusicalGold: I see many non payments in her future…

User /u/ArwenNew has since deleted their account.

Broader Money Issues in Wales

While Reddit has numerous generic subreddits for discussing money, it is difficult to pinpoint any individual discussion to Wales. In order to understand this element better, we examined a money saving forum specifically aimed at Wales.

Moneysavingexpert

MoneySavingExpert.com is a British consumer finance information and discussion website, founded by financial journalist Martin Lewis in February 2003. The website focus is to provide people with information on saving money in the form of deals, tips and journalistic articles. In September 2012, it was bought by the moneysupermarket.com group for a value of £87M.

Among the deals and tips, a popular forum is also offered, where users can share financial tips and discuss money matters. This forum is broken down into sub-forums, one of which is specifically focussed on Wales.

We used concordance keywording to highlight the specific financial topics which were regularly raised on the Welsh board, by comparing it with the equivalent forums for Scotland and Northern Ireland. We can see that:

- Welsh users often report concerns around Paypal payments.
- They are also more likely to ask about their consumer rights in Wales.
- Insurance is also a common subject.
- Scotland and NI are more likely to focus on home repair.

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More likely to be discussed on the Welsh forum
paypal
policy
private
pay
insurance
emergency
rights

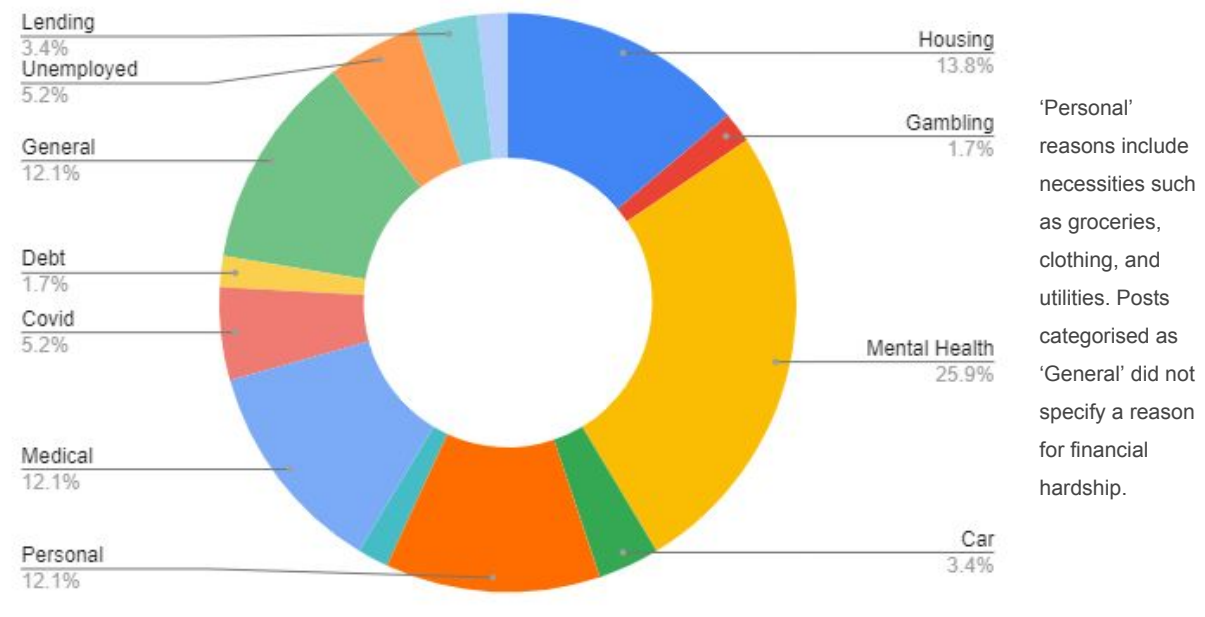| More likely to be discussed on the NI and SCO forums |
| --- |
| credit |
| parking |
| salary |
| houses |
| lease |
| scheme |
| boiler |

Money lending on Twitter

We found that Twitter, as quite a mainstream site where the majority of users are publicly identifiable, was the least successful in terms of finding useful data. However, there was a concerning example of a twitter user offering to 'help with some spending cash' if a potentially vulnerable twitter user from Wales messaged them directly. The account, @Bridget39385245, based in Nigeria appears to be sharing money making scams which some twitter users could be vulnerable to.

Reasons For Financial Hardship- Twitter

Over 25% of the Tweets from Welsh residents experiencing financial hardship between 1st-15th February 2021 referenced Mental Health struggles as the reason for their difficulties; these were often exacerbated by the burden of financial worries. A further 12% listed non-mental health related medical issues, such as disabilities, as being a contributing factor. Almost 14% of posts referenced concerns about housing, such as paying rent or saving for a deposit. A significant minority (3.4%) were struggling for money due to lending it to others and not receiving payment.

'Personal' reasons include necessities such as groceries, clothing, and utilities. Posts categorised as 'General' did not specify a reason for financial hardship.

How lenders describe themselves

Whilst Twitter was generally a less successful source of lender data, it does show how Money Lending Companies and Credit Unions go about expressing themselves to the market. We gathered datasets of small money lenders with offices in Wales, and Credit Unions based in Wales. We found that credit unions were more likely to use help based terminology, such as 'advice' and 'solution', money lenders do not appear to be aggressively advertising loans on Twitter, and instead are sharing financial news stories or customer feedback.

Organisation	Handle	Website
1 plus 1 loans	@1plus1Loans	1plus1loans.co.uk
The Cash Centre	@YesCash	No website
Everyday Loans	@everydayloans	everyday-loans.co.uk
Moneyline	@moneyline_uk	moneyline-uk.com
Y3S Loans	@Y3SLoans	y3sloans.com
Loan.co.uk	@loancouk	Loan.co.uk

Dataset: Credit Unions Twitter

Credit Union	Handle
Credit Unions Wales	@CredUnionsWales
Gateway Credit Union	@GatewayCU_Wales
Dragonsavers	@Dragonsavers
W Wales Credit Union	@WWCREDITUNION
Celtic Credit Union	@CelticCreditUn

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Cardiff and Vale Credit Union	@CardiffValeCU
Cambrian Savings and Loans	@cambriancredu
My CB Wales	@MyCB_Wales
Newport Credit Union	@NewportCredit

Conclusions

The Reddit Social Network is being used as a de facto payday loan provider by people in Wales.

- On the Reddit forum, loans are being made regularly to Welsh users.
- Since the start of 2020, there have been 106 loan requests from users claiming to be from Wales.
- Interest rates in Wales were, on average, 11% higher than those in the rest of the UK.
- The most common reason given by users is that the loan will tide them over until payday.
- COVID has appeared to instigate more loan requests in Wales than in Scotland and N. Ireland.
- The language of borrowers also suggests that some are thinking of this process as more of a favour being offered by lenders, than as a serious loan.

Welsh Users are receiving loans from users with very little information or credentials.

- No demographic or personal information is available on lenders.
- A significant minority (31% in total) of those who loaned money to Welsh borrowers either had no track record of lending, or were subsequently banned from Reddit due to account violations.
- Less than 45% of loans to Welsh borrowers were given by lenders who were in good standing and mostly loaned to UK borrowers.

People seem to seek anonymity when discussing money.

Far from being off-putting to prospective borrowers, the fact that Reddit is such an anonymised forum seemed to encourage more discussion about money. The logical extension of this to some is borrowing money in an anonymised environment. This would also explain why we only found the public face of moneylending on Twitter.

There is a significant human cost to money issues.

Discussion about the mental health effects of debt are commonplace on Twitter, particularly around lack of sleep, depression and anxiety, and an adverse effect on working and family life.

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Further Reading

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