Language used on credit card websites the hardest to understand

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New research led by the University of East Anglia (UEA) reveals how easy it is for consumers to understand the language used on personal finance websites.

The study analysed the text of websites for payday lenders, personal loans and credit cards in the UK and found that while payday loans sites are easier to read, all are difficult.

Credit card websites are hardest to read and contain more complex terminology, though no significant differences are found between payday loans and personal loans.

The UK payday loan market is substantial—the world's second largest after the United States—and the loans themselves have been associated with financial hardship and other socially negative outcomes. Because of this, money saving websites typically suggest customers turn to cheaper forms of credit, such as credit cards.

All credit providers are subject to the same advertising and promotions principles, and the same rules for consumer credit conduct of business. However, there are less strict rules regarding financial readability, for example compared to those limiting the level of complexity in the descriptions of medical products.

As well as looking at how easy it is to understand the websites, the study examined whether cheaper forms of debt are as easy to understand as payday loans. The findings are published in the journal Economic Letters.

Lead author Matt Burke, a postgraduate researcher at UEA's Norwich Business School, said the study reflects recent interest expressed by UK regulator the Financial Conduct Authority in exploring issues relating to financial readability. The study was co-authored by Dr. John Fry, of Manchester Metropolitan University.

"Amid much concern over financial literacy, and its associated negative social outcomes, we provide the first known measurement of readability

in consumer finance, something regulators have found helpful in other areas," said Mr Burke.

"Lender websites are responsible for the majority of payday loans, and in our sample only they conform to minimally accepted readability levels. Borrowers with different risk profiles are offered access to different products. As such there are occasions where payday loans may provide a genuine economic function.

"One possibility is that readability is simply higher for higher-cost products and reading comprehension is, inevitably, negatively linked with risk. However, credit card websites include more financial terminology and are generally less comprehensible compared to other lenders."

Mr Burke added: "Future research needs to consider how the readability and linguistic accessibility of these websites affects consumer wellbeing."

Research on readability in finance is limited and has to date focussed mainly on financial disclosures, consumer insurance contracts and annual reports. For this study the homepages of 31 payday lenders were analysed, as this is where the consumer can gather information and begin an application. The equivalent webpages were also selected for 31 credit card and 31 personal loan sites.

The ratios of financial words to total words, complex words to total words, and of complex financial words to total complex words were calculated. The average numbers of words per sentence and the overall word count were also analysed.

The Fog Index, a formula designed to measure the level of reading difficulty of any text, was used to test readability. Of the sampled

studied only the payday loans websites would pass basic tests for [readability](). The personal loan and credit card websites both failed these, and would also compare unfavourably to accepted communication standards in medicine.

There is evidence of differences between lender types in terms of both the proportion of financial words used and the webpage length. There is more variation in the length of payday webpages, and the extent to which credit card websites include complex financial terminology is more varied.

The authors also suggest that some credit card and personal loan companies may have moderated the extent to which they use financial terminology in order to share qualitative similarities to [payday]()-loan websites.

"How easy is it to understand consumer finance?" by Matt Burke and John Fry, is published in *Economic Letters*.

More information: Matt Burke et al. How easy is it to understand consumer finance?, *Economics Letters* (2019). [DOI: 10.1016/j.econlet.2019.01.004]()

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