

# Google's Payday Lending Announcement

## What It Means, Why It Matters

Google [has announced](#) that it will no longer accept search ads for payday loans. Coming on top of a [similar policy statement by Facebook](#) last year – and with the Consumer Financial Protection Bureau preparing to propose [the first nationwide rules](#) for these products – Google's move adds important new weight to the campaign against the predatory practices of payday and other triple-digit-interest small-dollar lenders.

### How do payday loans work?

Promoted as a source of one-time emergency credit, payday loans are engineered to suck people into unaffordable long-term debt. Because of their high fees and a lack of basic underwriting, the [typical borrower takes out eight loans a year](#) and ends up spending about \$520 in interest and fees on an average loan amount of \$375.

In addition, payday lenders often demand electronic access to borrowers' bank accounts; then, through withdrawals timed to coincide with the arrival of direct-deposited paychecks, they make sure that loan payments get made, regardless of the borrower's ability to pay for food, rent, and other basic life expenses. Many borrowers [get hit with bank overdraft charges](#) as well as high loan fees. As a result, a significant number of payday loan customers have their bank accounts closed involuntarily.

In the great majority of cases, payday loans compound rather than ameliorate the financial problems they are supposed to address. The damage, moreover, is disproportionately borne by low-income households and people of color. Even after controlling for income, African-Americans are [more than twice as likely](#) as those of other races and ethnicities to take out a payday loan.

### What is Google doing exactly?

Google is saying it will not accept search ads that send people either directly or indirectly to payday lenders. The company is *not* tinkering with its unpaid, "organic" search results: people who expressly type in phrases such as "payday loans" or "consumer loans" will continue to find companies offering such products. The new policy applies to the *ads* that appear alongside and within search results.

As a result of this change, when people type in searches like "I need money for food" or "I need money for rent," they will no longer see ads for short-term or high-interest payday loans.

### Why is Google taking this step?

The company says it has made this change in order to "protect our users from deceptive or harmful financial products." Google crafted its new policy in consultation with major civil rights and consumer advocacy organizations, including Americans for Financial Reform, Center for Responsible Lending, Common Sense Kids Action, The Leadership Conference on Civil and Human Rights, NAACP, National Council of La Raza, National Hispanic Media Coalition, OpenMIC, ColorofChange.org, Georgetown's Center on Privacy & Technology, and Upturn.

### Why is Google's announcement important?

With the industry doing a [rapidly increasing share](#) of its business online, Google's decision means that payday lenders will lose an important avenue of customer recruitment. (Google is by far the country's most heavily used search engine, with a market share of more than 65 percent.) The new policy will also impede the industry's efforts to use secretive marketing intermediaries known as "lead generators," which often serve up payday loan ads to consumers living in states where such loans are illegal. Payday loan search ads, whether placed by lenders or lead generators, are [extremely common](#). An indication of their value to the industry is the fact that they sometimes sell for more than \$10 a click.

Studies show that online payday loans are just as damaging as their storefront counterparts. And they [can often be even costlier and more complicated](#), leading to longer-term indebtedness. In addition, many online payday-lending ads are the handiwork of lead generators, who may deceive people into submitting bank account numbers and other personal information, which gets auctioned or sold to third parties. In a disturbing number of cases, this kind of sensitive information winds up in the hands of companies that use it to steal money out of the bank accounts of people who have never agreed to any transaction at all. ([Ninety percent of Better Business Bureau complaints](#) about payday lenders relate to online lenders.)

Above and beyond the immediate practical implications, Google's announcement, and the company's readiness to forego a significant revenue stream, reflects a growing national consensus on the inherently harmful nature of payday loans.

The image displays a side-by-side comparison of search results for Google and Bing. A vertical dashed line separates the two search engines. At the top, the Google logo is on the left and the Bing logo is on the right. Below the logos, two search queries are shown in search bars: "i need money to pay rent" and "need loan fast".

**Search 1: "i need money to pay rent"**

- Google Results:**
  - Bad Credit Loans
  - [www.speedloanusa.com/](http://www.speedloanusa.com/)
  - Bad Credit OK
  - \$100 to \$2500. Faster Approval
- Bing Results:**
  - 2-Minute Payday Loans - \$100-\$1000
  - Approved in 2 Minutes
  - Ad · [QuickerCash.com](http://QuickerCash.com)
  - \$100-\$1000 Approved in 2 Minutes.
  - Deposited Directly in Your Bank!

**Search 2: "need loan fast"**

- Google Results:**
  - Fast Cash \$500-\$5,000
  - OneClickLoan.com
  - Ad [www.oneclickloan.com/](http://www.oneclickloan.com/)
  - Instant Approval. Bad Credit OK.
  - Get Cash In A Click Up To \$5,000.
- Bing Results:**
  - Fast 2-Min Payday Loans - Payday Loans Approved Instantly!
  - Ad · [www.FlashPayday.com](http://www.FlashPayday.com)
  - Payday Loans Approved Instantly!
  - Deposited Straight in Your Bank.

At the bottom left, there is a location indicator: "Philadelphia, PA". At the bottom center, the text "SAMPLE SEARCHES" is written in red.