

Help or Harm?

An analysis of the language used
in payday loan contracts

= \$200

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using the power
of words for good

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Write Limited

An analysis of the language used in payday loan contracts – with recommendations for consumers and lenders

We believe that plain language is a vehicle to bring greater equality and access to justice in society. At Write Limited, we've spent almost 30 years actively working towards that goal, and we've seen many examples of just the opposite!

Thankfully, though, in almost every sector people are becoming aware of the benefits of plain language for everyone living and working in New Zealand.

But we're not there yet. As many financial advisors and commentators have highlighted, New Zealand could do better in supporting financial literacy. Using plain language in all types of financial documents is one way to do that. Payday loan contract documents are no exception.

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In this four-part report, we:

1

Explore the clarity of written communication in the short-term 'payday' loan sector, describe what we found, and offer some advice for people contemplating taking out a payday loan.

2

Offer recommendations to lenders on writing clearer loan documents that will help them show leadership in the sector.

3

Summarise what we found in the contracts we looked at.

4

Briefly describe how we carried out our analysis.

Our goal for this report

In carrying out this study and publishing our results, we want to help improve the experience of loan applicants. In turn, we hope to support better relationships between lenders and consumers.

We offer our findings in good faith. We're happy to discuss them with any payday loan companies, or other organisations that might want to improve their own documentation.

We've deliberately avoided including the names of payday loan companies, other than referring to some published news articles.

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1

Are contracts for payday loans clear and understandable?

Here's some good news: in the last 10 to 12 years, financial writing has improved around the world. We look in brief at trends for financial documents and examine whether payday loans are in line with these.

Many types of financial documents are more understandable now – but not all

Since the 2007–2009 global financial crisis, we’ve seen an encouraging improvement worldwide in the clarity, transparency, and consumer focus of financial documents. And the issue of consumer protection has remained topical, as a raft of legislation and consumer protection measures has become law.

Sweeping legislation governs the financial sector in New Zealand

In New Zealand, the Financial Markets Conduct Act 2013 (FMC Act) requires companies to communicate with consumers in plain language. The aim of the Act and for the Financial Markets Authority is to create ‘fair, efficient, and transparent financial markets’.

www.fma.govt.nz/

The Credit Contracts and Consumer Finance Act 2003 (CCCFA) has required credit contracts to be written in clear, understandable language since 2003. The Act was reviewed in 2018, and the Credit Contracts and Consumer Finance Amendment Bill was introduced to Parliament in April 2019. Once the Bill becomes law, which is expected in 2020, borrowing will be even safer.

The Financial Advisers Act 2008 and other legislation also serve to protect New Zealand’s financial consumers.

The positive impacts of this legislation are clear. However, regulatory bodies in the financial and insurance sectors continue to call for improvements in the way companies in the sector communicate and behave. We wholeheartedly support such calls.


What is a payday loan?


A payday loan:

- is a short-term loan
- is available quickly
- is lent at a high interest rate
- must be repaid fully when the borrower receives their next salary or wages.

Such loans are usually small amounts for emergencies. However, the high interest rate means that if the borrower doesn’t repay the money on time, the money they owe increases very quickly.

Payday loan borrowers agree to high interest rates for short-term immediate credit.
www.infonews.co.nz/news.cfm?id=117342

 **Payday loans
in the news for
all the wrong
reasons**


**Short-term loan, long-term
debt: Superloans under
investigation after slew of
complaints**

[www.stuff.co.nz/business/
money/108026277/
shortterm-loan-longterm-
debt-superloans-under-
investigation-after-slew-of-
complaints](http://www.stuff.co.nz/business/money/108026277/shortterm-loan-longterm-debt-superloans-under-investigation-after-slew-of-complaints)


The war on loan sharks

[www.newsroom.co.nz/
2018/06/28/134227/the-war-
on-payday-loans](http://www.newsroom.co.nz/2018/06/28/134227/the-war-on-payday-loans)


**Commerce Commission
taking Moola to court
over lending**

[www.stuff.co.nz/
business/114071992/
commerce-commission-
taking-moola-to-court-
over-lending](http://www.stuff.co.nz/business/114071992/commerce-commission-taking-moola-to-court-over-lending)


'Prosecute the hell' out of dodgy lenders

[www.stuff.co.nz/business/opinion-
analysis/107745169/prosecute-the-hell-
out-of-dodgy-lendersanalysis/107745169/
prosecute-the-hell-out-of-dodgy-lenders](http://www.stuff.co.nz/business/opinion-analysis/107745169/prosecute-the-hell-out-of-dodgy-lendersanalysis/107745169/prosecute-the-hell-out-of-dodgy-lenders)

The good news doesn't yet extend to payday loans

So are all consumers better off? We were curious to see if the benefits of clearer documents were felt equally across the financial marketplace.

We decided to check out the readability of documents used by one group of consumers that had historically been more at risk in the financial market sector – those who took out online ‘payday’ loans. This sector has grown significantly over recent years and is now worth an estimated \$8.4 billion.

www.rbnz.govt.nz/statistics/c5

As the average loan is only a few hundred dollars, that's a lot of people and a lot of loans. Notably, the FMC Act doesn't cover payday loans. Instead, they are covered by the CCCFA and guidance in the Responsible Lending Code.

www.consumerprotection.govt.nz/assets/uploads/responsible-lending-code-june-2017.pdf

We know that changes are coming that will protect consumers. But we haven't seen any proposals to tackle the language used in the loan documents. Even with other changes imposed by law, consumers could still be disadvantaged if the language and layout of the online documents does not make their obligations clear.

www.stuff.co.nz/business/money/111133871/governments-loan-shark-bill-lacks-fundamental-interest-rate-caps-critics-say

We were heartened to see a recommendation from industry commentator BERL that lenders should be required to provide much clearer loan documentation. (See recommendations 5.4 to 5.6 of the paper *The harm from high-cost lending* quoted on page 15.)

www.fincap.org.nz/wp-content/uploads/2019/05/The-harm-from-high-cost-lending-BERL.pdf

● ...we haven't seen any proposals to tackle the language used in the loan documents.

The online nature of these transactions can create additional barriers

We were concerned about online payday loan borrowers but the nature of the transaction was what concerned us.

Companies offering online lending rely largely on written and visual communication to explain the terms of their credit contracts and the implications of taking out a loan.

No financial advisor or customer service representative is on hand to talk to and answer questions as the customer thinks of them. Some lenders have live chat available on their websites – useful for extra information or questions about personal context, but not a substitute for clear information. And once again, live chat services rely on written communication, which could introduce further confusion.

The typical socio-economic profile of these borrowers means they may be particularly vulnerable

We were also concerned about the vulnerability of many payday loan borrowers because of their typical socio-economic profile.

Anecdotally, we know that payday loan borrowers are less likely to:

- have high levels of income, education, and literacy
- own their house
- have many assets
- speak English as their first language.

Although we couldn't find comparable statistics for New Zealand, the following profile of payday loan borrowers in the United States supports our assumptions: www.finder.com/payday-loans-statistics

● In a vulnerable state of mind, consumers find it hard to read and understand legal and financial documents.

Clearly, many borrowers are already stressed because of their circumstances and feel they have little choice but to borrow at high interest rates. In a vulnerable state of mind, consumers find it hard to read and understand legal and financial documents. Those with English as a second language are particularly at risk. Consumers may have access to information in their own language, but if the original documents are written poorly, the translations are likely to be unclear as well.

The Reserve Bank of New Zealand and the Financial Markets Authority (FMA) say consumers are responsible for making sure they understand the terms of the documents they're signing.

www.fma.govt.nz/assets/Reports/Bank-Conduct-and-Culture-Review.pdf

We emphasise that if the information is unclear, people can't make a sound decision.

We tested whether the language in payday loan contracts is likely to help or harm consumers

Loan contracts need to be easy to read and understand. It's vital that consumers can enter the contract knowing, at a minimum, what their obligations are.

We tested the readability and suitability of a sample of 10 online payday loan contracts and related documents in the New Zealand marketplace. We analysed the language, structure, and presentation of the documents in our sample.

We used the Write Plain Language Standard as our testing tool. The Standard embodies the idea that readers need to be able to understand relevant information and clearly know what's expected of them – after just one careful reading.

The Standard is available free to use under a Creative Commons licence at www.write.co.nz/shop/#Standard

● ...if the information is unclear, people can't make a sound decision.

Our concerns were justified – no contract met the Standard

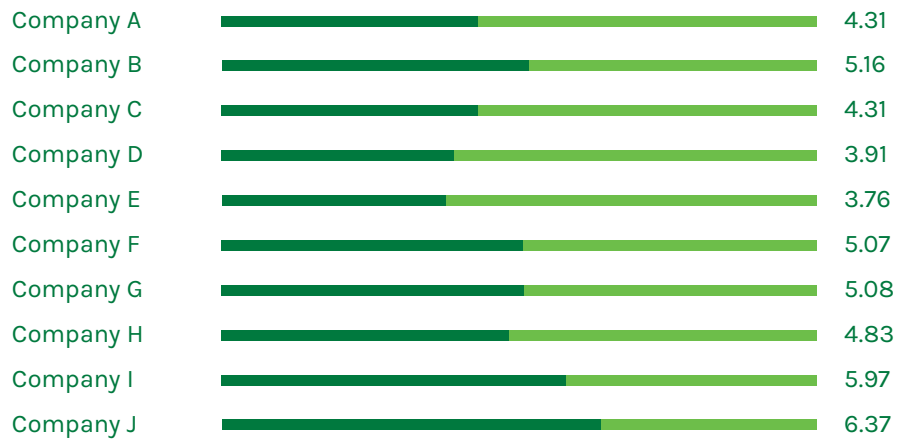
Here's the bad news. All the contracts we reviewed failed to meet the Plain Language Standard.

We found that all 10 contracts were poorly written and poorly formatted, making them unusable for the average reader. Out of a possible score of 10, the contracts scored between 3.7 and 6.4, with an average score of just 4.8.



Payday loan company

Overall score out of 10



- All the contracts we reviewed failed to meet the Plain Language Standard.

Many aspects of the contracts contributed to reading difficulty

Almost all aspects of the documents made reading and comprehension difficult. See our detailed explanations of these problems in Part 3 of this report.

- Poor structure means key information is buried
- Headings are missing, poorly formatted, or fail to convey important information accurately
- Key information for the customer isn't upfront in paragraphs
- Long sentences and wordiness reduce readability
- Poor sentence structure and word choice sometimes bury consumer rights
- None of the contracts use a reader-friendly tone
- Sentences written in passive voice increase the reading difficulty
- Definitions are often difficult to understand
- Poor formatting and presentation make the contracts difficult to read
- Visual clutter makes reading harder



On the plus side, most documents used personal pronouns like 'we' and 'you' regularly. And they had short paragraphs that focused on one topic.

The harm: Most consumers will struggle to understand the contracts

We believe most readers will struggle to understand the payday loan contracts in our sample and find them intimidating. The likely result is that consumers will sign something they don't understand – or worse, interpret the text wrongly and pay dearly for that mistake.

Intimidating language, combined with poor document structures and layout, also has the effect of making these companies appear to have more power than they actually do. Readers may be confused about the differences between their own rights and the power the company has over them in certain situations.

We know from news reports and industry comment that many payday loan borrowers get into a cycle of debt that they didn't anticipate or understand. Clearer documentation is likely to reduce borrower debt and stress.

Getting help when you're about to sign up: Advice for consumers and their advocates

If you're a consumer, do everything you can to make sure you understand what you're agreeing to. Get advice if you need to.

And if you're an advocate for payday loan borrowers, know the resources you can refer to. We hope the findings in this report will spur you on to demand reform not only about interest rates and conditions, but also about the clarity of documentation.

Get advice from a budget advisory service

For people thinking about a payday loan who are reading this report, we recommend getting free help from a budget advisory service before you sign any contract to borrow money. For example, you could contact one of these services.

Money Talks:

www.moneytalks.co.nz/budgeting-services/

Sorted:

www.sorted.org.nz/guides/tackling-debt/before-borrowing/

Citizens Advice Bureau:

www.cab.org.nz/search/tag:%22Consumer%20credit%20contracts%22

Check your rights and what you're agreeing to

Companies can update their terms and conditions without telling you – and you'll be bound to any updates they make after you've signed the contract. This condition usually applies to contracts where you 'electronically sign' the contract by ticking a box saying you agree to their terms and conditions. If possible, ask for a PDF of the terms and conditions at the time you sign up.

To check your legal rights, you can refer to the Community Law Manual. This manual sets out your rights and explains current legislation in plain language. You can get it in print, or use a searchable version online.

www.communitylaw.org.nz/legal-information/

Take your complaint further if you need to

If a contract has a clause that someone didn't understand or you think is unfair, you can take it to the Commerce Commission – especially if the clause is likely to bring hardship. You can also raise the issue with the company. Under the Responsible Lending Code and the Credit Contracts and Consumer Finance Act (2003), they're required to write in plain language.

You can also complain to the Financial Service Providers Register if the company doesn't resolve your complaint satisfactorily.

www.fsp-register.companiesoffice.govt.nz/

Lenders can help the process too

If you're a payday loan company, you have an opportunity to demonstrate ethical leadership in your field by writing loan documents that are fit for purpose. Above all, that means considering the readers' needs and context. Put yourself in your readers' shoes as much as you can and follow the guidance in the Responsible Lending Code.

In Part 2 of this report, you'll find detailed advice to use when you write or redraft your lending documents.

On the next page you can see the short-form version of the Write Plain Language Standard. We've included an expanded version in Part 4 with a more detailed checklist to help you plan or assess your writing.



The most important piece of advice you can follow as a lender

Put yourself in your readers' shoes! Your writing will naturally become more reader-focused.



The Write Plain Language Standard

To apply the Standard to any document, first:

- list your reader(s) and describe their context and questions
- write the intended or ideal outcomes for this document.

Then mark 'Yes' or 'Needs work' against the 10 statements below.

	Yes	Needs work
'Big Picture' elements		
1. The purpose of the document is clear at the start _____	<input type="radio"/>	<input type="radio"/>
2. The content supports the purpose of the document _____	<input type="radio"/>	<input type="radio"/>
3. The structure of the document is clear and logical to the reader _____	<input type="radio"/>	<input type="radio"/>
4. The headings signal the key content _____	<input type="radio"/>	<input type="radio"/>
Language elements		
5. The paragraphs are mostly short and focused on one topic _____	<input type="radio"/>	<input type="radio"/>
6. The sentences are mostly short and straightforward _____	<input type="radio"/>	<input type="radio"/>
7. The words are precise and familiar _____	<input type="radio"/>	<input type="radio"/>
8. The tone supports the purpose of the document _____	<input type="radio"/>	<input type="radio"/>
Presentation elements		
9. The layout and presentation help the reader absorb the message quickly and easily _____	<input type="radio"/>	<input type="radio"/>
10. The document is error-free and consistent with your style guide _____	<input type="radio"/>	<input type="radio"/>

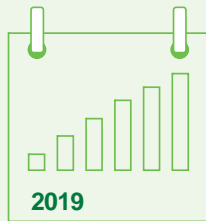
write

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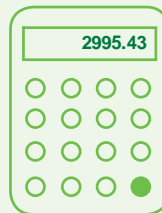
Related recommendations from the BERL paper ‘The harm from high-cost lending’

The following recommendations from the BERL paper support the call for clearer language in payday loan contracts. (Quoted with permission from BERL and FinCap.)



5.4 Clearer definition of high-cost loan

We recommend a clear definition of a high-cost loan be adopted and used consistently when referring to the types of loans identified in this report.



5.5 Clearer calculation of APR

We recommend moving to an APR that is calculated based on compounding interest and this is regulated to be consistently used by all in the industry.



5.6 Better informing borrowers

We recommend that the CCCFA be strengthened to require the lender to provide more detail to the borrower.

Currently section 9c(3)(b) of the CCCFA requires that a lender must, in relation to an agreement with a borrower:

(b) assist the borrower to reach an informed decision as to whether or not to enter into the agreement and to be reasonably aware of the full implications of entering into the agreement, including by ensuring that—

I. any advertising is not, or is not likely to be, misleading, deceptive, or confusing to borrowers; and

II. the terms of the agreement are expressed in plain language in a clear, concise, and intelligible manner; and

III. any information provided by the lender to the borrower is not presented in a manner that is, or is likely to be, misleading, deceptive, or confusing;

Read the full paper here:

www.fincap.org.nz/wp-content/uploads/2019/05/The-harm-from-high-cost-lending-BERL.pdf

2

What can loan companies do to make contracts easier to read and understand?

Writing in plain language isn't just about the words. Of course the words are important – very important!

But so too are the 'big picture' things: what information you include, how you structure your information, and how you treat key messages. The way you display your information also makes a big difference to the way consumers understand it.

We suggest you start with the expanded version of the Write Plain Language Standard in Part 4 (also available for free download under a Creative Commons licence). Use the Standard to test your existing documents or when creating new ones.

Then use the following advice that's specific to creating loan documents.

How to write clear loan documents

Below we offer some advice specifically on writing clear loan documents. By applying the principles outlined below, lenders will find that their documents are more likely to work well for both parties: the lender and the customer.

Audience: Think carefully about the people you're writing for

Create customer profiles (personas) that represent the main groups in your target audience.

You're much more likely to write in a way that meets your consumers' needs if you think about who they are and see them as real people. Create one or more personas that capture:

- likely age, gender, level of education and literacy, income, housing, community
- their reasons for needing a loan
- their state of mind when taking the loan
- their state of mind when referring back to the loan documents later.

Keep these personas top of mind as you write. Try to step into their shoes. Even if you can't fully appreciate their circumstances, you will write more clearly if you use empathy and are committed to doing your best for your customer.

'Big picture': Organise your information in a clear, straightforward way

Stand back and look at your information and what you expect your customer to do with it. Ideally, one well-written document will include all the content a customer needs to read before they sign the contract.

If you have more than one document, ask yourself these questions: Do the parts fit together easily and logically? Will they immediately make sense to your customer as a whole set? Have you explained how the documents fit together?

Do you have a clear hierarchy of information, with the right things sitting together in the right section?

Content could appear broadly in this order, with these types of headings.

- What you've borrowed
- How much you have to pay back and when
- What happens if you miss payments
- How to get help if something goes wrong
- How the company will use and protect your personal information
- How the company defines key terms (if necessary, and use in-text definitions wherever you can)

‘Big picture’: Use a table of contents

A table of contents gives the customer instant access to the information they need. If you’ve used clear, informative headings, your table of contents will naturally act as a roadmap through your document.

Test your table of contents on someone unfamiliar with the document to see how quickly they can find key information. If they can’t find information easily, go back to your headings and make them more informative.

For webpages, use hyperlinks with descriptive link-text.

‘Big picture’: Make key messages very clear

What do your customers most need to know? What questions do they typically have now or later? Can your customer read your contract and clearly understand what they are agreeing to in the short and long term?

Use clear titles and descriptive headings

Use clear titles and descriptive headings to signal key messages and guide your customer through the various parts of your contract. Descriptive statement headings state the main point of the subsequent section of text. This technique helps the reader find information faster – especially if they refer back to the contracts later on.

By contrast, label headings usually have only one or two words that reflect the writer’s focus, and not the key information that’s most relevant to readers.

If you send an email that captures the loan agreement details after signing, make sure you use a subject line that matches the loan and uses the same terms.



Instead of this label heading:

Important Information

Say:

Read this information carefully so you know your rights



Instead of this label heading:

Cookies

Say:

What cookies are and how we use them

Language: Start paragraphs with the main point in the first sentence

Use clear topic sentences containing the main point at the start of each paragraph. This technique helps to create a reader-focused structure. Nine contracts used clear topic sentences sometimes, but not often enough to help readers find information.

The most important information in each section needs to be in the first sentence of the first paragraph under each heading.

Language: Use words that don't intimidate or confuse

The language you use says a lot about your intent to communicate honestly and clearly. Choose words with empathy, and keep to familiar words that your reader is likely to recognise on the first reading.

Use Write's 'Unravelling Legal Jargon' and 'Unravelling Financial Jargon' for lists of alternative words and phrases that are likely to be more understandable and less intimidating to your customer: www.write.co.nz/shop/#Ebooks

Presentation: Design documents and webpages in a reader-friendly way

Well-presented, uncluttered content is easier to read and understand. To achieve clear, readable layout, and help readers understand key messages, we recommend:

- using wide margins, plenty of white space, and minimal indentation
- aligning text to the left, with a ragged margin to the right (not justified text)
- using minimal bold, underline, and italics
- making sure that you have plenty of colour contrast between the text and the background.

● Writing in plain language isn't just about the words.

3

A deeper look at what we found in the documents we analysed

In Part 3, we look in more detail at what we found in our document analysis. The features we comment on in the documents only add to the range of difficulties consumers face when considering a loan agreement.

How the contracts scored against the Write Plain Language Standard

No contracts met the Write Plain Language Standard. Some contracts met some elements of the Standard, as summarised below and shown in the graph on the next page.

‘Big picture’ elements

Purpose element: no contracts met the Standard

Content: two contracts met the Standard

Structure: no contracts met the Standard

Headings: no contracts met the Standard

Language elements

Paragraphs: four contracts met the Standard

Sentences: no contracts met the Standard


Words: no contracts met the Standard

Tone: no contracts met the Standard

Presentation elements

Layout: one contract met the Standard

Proofreading: five contracts met the Standard

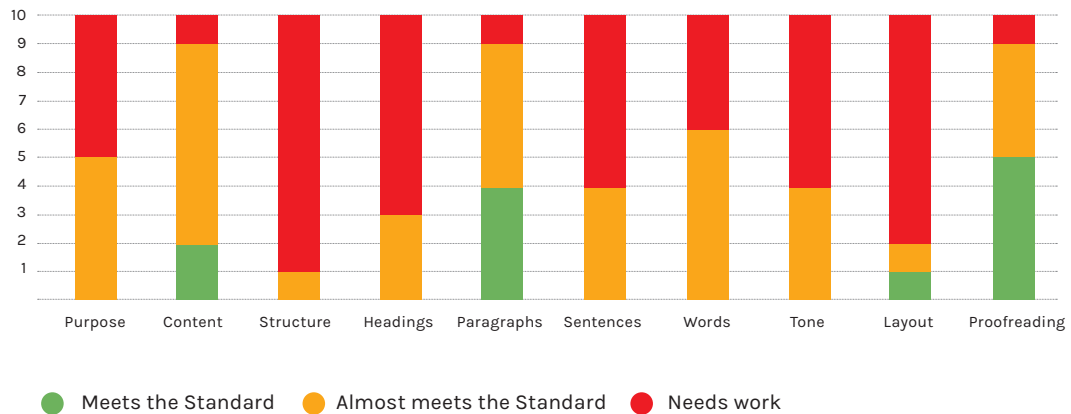


	Purpose	Content	Structure	Headings	Paragraphs	Sentences	Words	Tone	Layout	Proofreading
Number of contracts that:										
Meet the Standard	0	2	0	0	4	0	0	0	1	5
Almost meet the Standard	5	7	1	3	5	4	6	4	1	4
Need work	5	1	9	7	1	6	4	6	8	1

How well did payday loan company contracts meet the Write Plain Language Standard?

The graph uses 'traffic light' format to show how well the contracts we analysed met the Standard.

How well did short-term loan company contracts meet the Write Plain Language Standard?



- All companies appear to structure their content from the company's point of view, effectively ignoring the needs of their consumers.

What we found for the ‘big picture’ elements

The big picture elements are critical for setting the reader up well.

Poor structure means key information is buried

Poor organisation and structure of content ‘buries’ key information, often across several documents. All companies appear to structure their content from the company’s point of view, effectively ignoring the needs of their consumers.

Most documents have no clear purpose statement at the start, making the reader’s job difficult. Where the documents include some kind of purpose statement, the purpose is often implied or buried.

Seven companies use more than one document to form their contract. None of these companies clearly state at the start that consumers need to read several documents before agreeing to the contract terms.

Where one document references another, the connection between them is often unclear and easy to miss. For example, in some cases, general terms and conditions are in a separate document, but the credit agreement doesn’t make clear that the terms form part of the agreement. For other agreements, the consumer needs to refer to another webpage for information about the privacy policy.

- ...some contracts disclose fee information in the middle of long sections of text, without any useful headings to signal this key content.

Headings are missing, poorly formatted, or fail to convey important information accurately

Headings, including titles, are often unhelpful. All contracts use label headings, with only four using descriptive statement headings occasionally. Four contracts use a heading of 'Important Information', and another has a separate document titled 'Important Information'. Since all the information in the contract is important to the reader, this heading is meaningless.

Of even greater concern, some contracts disclose fee information in the middle of long sections of text, without any useful headings to signal this key content. Failing to signal key content means consumers may not find the information they need to make an informed decision about taking out the loan.

Most headings across all the contracts look messy and are often formatted inconsistently. Only two contracts have headings that are consistently formatted and easy to distinguish from the content.

Key information for the customer isn't upfront in paragraphs

Often the true topic sentence of the paragraph is buried, so readers could miss the main message or action point.

- ...consumers may not find the information they need to make an informed decision...

What we found for the language elements

How language elements are used in a document can make or break its level of accessibility.

Long sentences and wordiness reduce readability

Long sentences, unfamiliar language, and wordiness combine to make reading difficult. All documents use unnecessarily long sentences containing more than one idea. Long sentences make it harder for readers to understand and retain information. All contracts use technical terms, legalese, and complex phrasing, making the reading level much too difficult for most readers.

Poor sentence structure and word choice sometimes bury consumer rights

Key information is often easy to miss even if you have a high level of reading comprehension. (We didn't check the legal validity of the contract information.) In many of the contracts, the language used can be described as impenetrable.

None of the contracts use a reader-friendly tone

All the contracts we reviewed have an intimidating and distant tone. Poor tone makes the content hard to read, difficult to understand, and generally off-putting to readers. We didn't look closely at other webpages, but we noticed that home pages and other pages with general information tend to have a much friendlier tone.

Sentences written in passive voice increase the reading difficulty

All contracts frequently use the passive voice, some up to half of the time. And many of the active-voice sentences still use verbs that make the company appear to have more power than the consumer. Heavy-handed language makes the tone intimidating, and also introduces the risk that readers could be confused about the differences between their rights and the company's powers.

Definitions are often difficult to understand

Six contracts contain vague definitions using legalese and unfamiliar technical language, defeating the purpose of giving a definition. One contract places definitions in the middle of a document, for no apparent reason.

Some contracts expect consumers to look words up in a separate definitions section, rather than giving an immediate explanation where the term occurs. Consumers may not look up the word, even if they're not sure of its meaning. Or they may assume they understand – potentially risky if a word has a special meaning that's different from its usual use.

What we found for the presentation elements

The layout and presentation of any document, whether in print or on screen, will show the content in all its glory. Layout needs to support readability.

Poor formatting and presentation makes the contracts difficult to read

All the contracts we reviewed could use better presentation to support readability.

Narrow margins and poor use of white space make both webpages and hard-copy documents look cramped and difficult to read. In two of the contracts (both web versions), poor contrast between body text and background causes reading difficulty for anyone without excellent vision.

Some contracts use the same format as headings for highlighting important text. Formatting important information in the same style as the headings confuses readers, and may mean that the text is overlooked.

The occasional proofreading error sometimes makes documents even harder to navigate and understand. For example, two contracts consistently refer readers to the wrong paragraph number to find the definitions.

Visual clutter makes reading harder

All the contracts have poorly formatted bullet lists, and overuse bold font and ALL-CAPITALS. Legal documents have traditionally used this type of formatting to highlight extra-important information and add emphasis. However, overuse or inconsistent use creates visual clutter for the reader. Clutter hinders clarity, instead of enhancing it.

- All contracts use technical terms, legalese, and complex phrasing, making the reading level much too difficult for most readers.
- ...contracts contain vague definitions using legalese and unfamiliar technical language, defeating the purpose of giving a definition.
- All the contracts we reviewed have an intimidating and distant tone.

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How we analysed the contract documents

Part 4 briefly describes the methodology we used.

Our assessment tool: The Write Plain Language Standard

We used an expanded Write Plain Language Standard to create a weighted scoresheet for each set of contract documentation.

The basic Standard is available free to use under a Creative Commons licence at www.write.co.nz/shop/#Standard

The ‘big picture’ elements: purpose, content, and navigation

1. The document is targeted to meet its stated purpose

- The purpose of the document is clear at the start
- The document has an informative title
- The document has a purpose statement
- The statement is clear and at the start of the document

2. The content supports the purpose of the document for the intended audience

- Content answers readers’ likely questions
- Content is relevant; that is, it includes all detail the reader needs to understand the discussion and recommendations, but no other detail
- Content includes sufficient context for readers, including relevant history and links to broader considerations
- Content is accurate
- Any graphics are relevant and useful

The document is easy to navigate

3. The structure of the document is clear and logical to the reader

- Content is in order of importance to the reader
- Main messages are obvious and clearly stated

4. The headings clearly signal the key content

- Headings summarise main messages and aren’t labels
- Headings are frequent enough to help readers find specific information quickly
- Headings are in a logical hierarchy that supports the structure of the document

The language elements

5. Paragraphs are mostly short and focus on one topic

- Paragraphs begin with the topic sentence
- Every sentence in the paragraph relates to the topic
- Paragraphs are generally no more than six lines

6. Sentences are mostly short and straightforward

- Sentences contain one main idea
- Sentences average 15–20 words (or 9–12 words for emails and webpages)
- Sentences are free of unnecessary words
- Sentences use active voice where appropriate ('we decided' instead of 'decisions were made')

7. Words are precise and familiar

- The document uses precise, familiar words
- The document uses verbs rather than nouns to express actions ('consider' rather than 'give consideration to')
- The document keeps technical terms to a minimum and explains them if necessary
- The document spells out acronyms and abbreviations

8. The tone supports the purpose of the document

- The language does not distance the reader
- Words like 'you', 'we', and 'I' are used where appropriate
- The tone is appropriate for the purpose and the reader
- Contractions are used if appropriate

The presentation elements

9. The layout and presentation help the reader to absorb messages quickly and easily

- The document has a clean uncluttered look with plenty of white space
- The document has a clear visual hierarchy for headings
- Fonts are large enough to be easily read, and contrast sufficiently with the background
- All graphs, tables, and diagrams have clear titles and descriptive labels
- Graphics are near the text they relate to

10. The document appears error-free

- We noticed no errors of punctuation, style, grammar, or consistency

Choosing the companies in our analysis

We chose companies for our analysis that showed up consistently highly in Google searches, using a range of search terms.

Deciding what content to include in our analysis

Some companies split their credit contracts over more than one document. We analysed all the documents that collectively made up a legally binding credit contract.

Our analysis also included the text on any direct debit forms provided, although we didn't look at the layout or usability of the forms themselves. We didn't look at website layout and structure, application processes, or any other webpages with general information.

We didn't check the accuracy of the content in these contracts against the governing legislation or lending codes.

Scoring the documents and weighting the scores

When we work with clients on document audits as part of a culture change programme (see *Rewrite: How to overcome daily sabotage of your brand and profit* Lynda Harris, 2015), we choose a score with clients that we agree represents 'fit for purpose'.

For this study we chose a nominal 'fit for purpose' score of 7.1 out of 10. This means that a document that reaches this score is reasonably clear.

However, the typical user of payday loan documents may be vulnerable or disadvantaged in one or more ways. So, scores of closer to 10 out of 10 would be ideal for those people.

We worked out the percentage of content in each document that formed part of the contract set, and weighted our scores accordingly. This method helped us score all contracts consistently and show how usable the content was overall.

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About the Write team

Our mission

Our mission is to help organisations and individuals get more value from their daily investment in business communication.

When we fulfil our mission, we help build a fairer, more respectful society in which people can more easily communicate their ideas and access the information they need.

Using the power of words for good

We help businesses and organisations achieve their strategic goals through clear and efficient communication. We offer insightful consultancy, expert writing services, and bespoke training to radically improve the way a workplace communicates. We know that words have the power to positively transform lives, workplaces, and society as a whole.

We've grown from small beginnings in 1989 to become the largest plain language consultancy in the world. We're at the forefront of the plain language movement in New Zealand, and a long-standing member of the international plain language community.

Who we work with

We work with savvy people from every sector to achieve measurable benefits that last.

Increasing trust, transparency, and efficiency in the public sector

Our government clients link clear business writing with building trust, increasing transparency, and improving efficiency. We work with whole organisations, teams, and individuals to help them achieve their strategic goals.

Connecting the commercial sector with its markets

Our commercial and professional clients link clear communication with business success. Law firms, banks, insurance companies, large retailers, and financial advisors rely on us to help them connect with their markets. We also help them to communicate complex legal or financial requirements.

Empowering NGOs and not-for-profit organisations to serve

Our clients from NGOs and not-for-profit organisations care about empowering the clients, groups, and communities they work with. They also need to be efficient and transparent. We help them to bridge any communication gaps, so that their valuable services, support, and research can continue and grow.

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WriteMark[®]
Plain Language Standard

Rewrite

Plain English Awards

Advocating for plain language for New Zealanders

Over the years, we've produced compelling evidence of the link between an organisation's writing style and its ultimate success. And we've developed techniques to help our clients change their writing culture for the better. Lynda Harris has distilled these gems in a book, *Rewrite: How to overcome daily sabotage of your brand and profit* – to show that change is not only possible, but necessary for every organisation.

Write is the home of the WriteMark[®] Plain Language Standard – a symbol of clarity awarded to documents written to a high standard of plain language.

Our Chief Executive, Lynda Harris, is the founding sponsor of New Zealand's Plain English Awards, a yearly event hosted by Write.

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