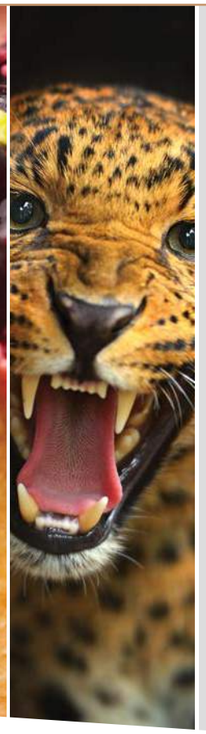
THE CONSUMER CREDIT MAGAZINE

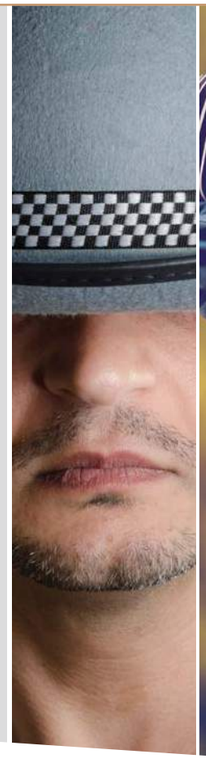
ccta

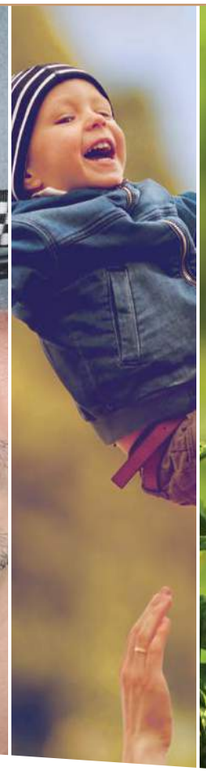
FEATURES
YOUR CCTA
MEMBER NEWS
NEWS BRIEF
LEGAL NEWS
INDUSTRY STATS

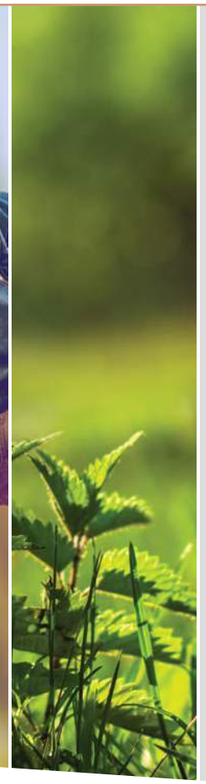
JAN:MAR:17 | V72 | NO.1

in this issue









REGULARS:

CONTACTS

Greg Stevens, Chief Executive
greg.stevens@ccta.co.uk

Graham Haxton-Bernard, Head of Legal, Compliance and Regulatory Policy
graham.haxton-bernard@ccta.co.uk

Anne Threapleton, Head of Marketing and Communications
anne.threapleton@ccta.co.uk

Debbi Gower, Head of Finance, Complaints and Conciliation
debbi@ccta.co.uk

Phillip Harding, Membership Services Manager
phillip.harding@ccta.co.uk

Consumer Credit Trade Association
A company limited by guarantee and registered in England. Registered Number 00034278.
VAT Number 232 4655 76. Registered Office Address
Airedale House, Aire Valley Business Park, Dowley Gap Lane, Bingley, BD16 1WA
T: +44 (0)1274 714959 F: +44 (0)1274 928365 www.ccta.co.uk

NOTE: With diverse contributing authors, the views expressed in this magazine are not necessarily the views of CCTA.

A CLEAR AND POTENT VOICE IS CRUCIAL IN THE NEW WORLD

THE CCTA CONFERENCE IS OVER FOR ANOTHER YEAR AND WE HAVE HAD A FEW WEEKS FOR REFLECTION. WE NOW READY OURSELVES FOR THE CHALLENGE OF THE NEW BUSINESS YEAR BECKONING.

Greg Stevens
Chief Executive, CCTA

A FASTER SPINNING WORLD...

It is also time for our members to prepare for 2017, and bring home their business plan and profit for the current year. When talking to them we found that for most, 2016 was partially, or extremely challenging from both a business and profit perspective, as the total integration to FCA CONC & PRIN continued apace. Therefore to assist, we are holding 2016 prices wherever possible, especially for membership, training, briefings and conference.

During the last two years there have been many casualties in the overall market, especially the non-banking sector with firms withdrawing, or being acquired, as the true cost of compliance and regulation became clearer, and profit margins inevitably became squeezed. We are sorry to have lost many long established community lenders, albeit we have recruited many new firms offering different products, delivery channels, or services. Most importantly though we are in excellent shape to provide ongoing quality technical assistance, business expertise, and training second to none. We are also enhancing our policy and public affair work in 2017 to increase our member's voice.

It has been nigh on impossible to get any kind of meaningful positive traction or leverage with politicians, the regulators, or other stakeholders over the last two years, and anyone who states otherwise is delusional. We have manfully stuck to the task whilst recognising that the real opportunity would present itself after the regulator had accomplished the objective of delivering Financial Conduct Authority (FCA) authorisation by April 2016. The authorisation process however has been laboured, clunky, and far from satisfactory for many firms, and possibly the regulator. It necessitated the regulator being distant from firms and advisors with many communication streams becoming a monologue rather than a dialogue.

In simple terms the 96,000 live consumer credit licences in 2013 were transmuted into 49,504 firms with FCA interim permission, to a lesser number (still to be confirmed) of firms with full authorisation at the end of the FCA regulatory round. Many of the firms who have received full authorisation are limited permission firms where consumer credit products are a lesser part of the retail offering. The jury is out whether significantly reducing the players in the market was in the best interest of the consumer.

We had a 125th anniversary celebration at the conference gala dinner to reflect our legacy, and acknowledge all of the members that we have served since 1891, but we also focused on the future, that comes with no guarantees of longevity, for associations or members. No organisation has the right to expect that they will continue trading come what may, and many firms and indeed industries have paid the penalty over the last few decades, especially in manufacturing. CCTA, your association, remains financially secure and fixed on the arduous task ahead, to increase your collective voice and influence with government, regulators and all other relevant stakeholders.

So here we are on the threshold of 2017 and a new consumer credit year, in probably the most disjointed and troubled political and economic peacetime world. We announced at conference that we are supporting an All Party Parliamentary Group (APPG) on alternative lending that is looking at the non-banking sector, and includes product categories such as peer to peer lending alongside all other lending products. This APPG is not aimed at being an action against group, more of a total market review including innovation, delivery channels, linked products etc to understand the positive and negative nature of products in the wider market. We will be using our fledgling in-house policy committees to feed ideas, research, and analysis into the APPG. There will be more news about the APPG in the New Year.

The article in this current magazine by Jonathan Horsman of Centaurus Communications, our public affairs partner, spells out our joint approach to both raise the CCTA member voice, and put CCTA at the heart of government, and all other relevant stakeholders. In life, timing is everything, and the time is now perfect for CCTA to forge ahead with a 2017 programme to champion the cause for wider consumer credit in the new era, and also the case for the SMEs who have not been well served by the banks, or the current disproportionate regulation. The latest financial stability report from the Bank of England has come with a warning that RBS failed the new stringent financial stress test put in place after the credit crunch. No cause for alarm yet, but it does reinforce why we need strong consumer credit trade associations. Our members carry the financial risk, not the general public as in the case of the banks.

At the time of writing this article the Liberal Democrats have just secured the Richmond Park constituency seat, therefore Theresa May's majority in the House of Commons had been reduced to eleven. Francois Hollande had decided not to seek re-election as the President of France leaving a chink open for Marie Le Pen, the leader of the National Front to run for President. Donald Trump has upset the Chinese by speaking directly to Tsai Ing-Wen, Taiwan President, Matteo Renzi Prime Minister of Italy is about to resign, Greece are still avoiding facing up to their burgeoning debt, and finally the UK Supreme Court will sit to discuss the implementation of Brexit. All of that in the space of three days, in a changing world that is spinning faster and faster.

Speed, diversity, and complexity are the major component parts of the new order. Combined with the emerging social discord they provide a melting pot that is going to tax the best of organisations going forward. The old order of legacy, slow improvements, and measured orderly markets are now a thing of the past.

Trade associations have to up their game to assist current and new members to acclimatise to regulation, especially as we head towards to more personal accountability and responsibility under the current approved persons regime. The FCA Senior Managers & Certification Regime, specifically designed for the banks to safeguard against another credit crunch, will leak across to consumer credit in 2018, and it is serious for individuals held accountable against the rules. Your association will be lobbying FCA and other stakeholders to ensure that it is appropriate and proportionate to all sizes of firms.

There is no doubt that there will be turmoil within trade associations post full implementation of FCA regulation in all of its forms. The combined banking trade association is still being discussed and they will probably arrive at a decision in 2017 to amalgamate some or all of the trade associations. More of the small boutique trade associations will struggle as membership declines, or it becomes more transparent that the regulator is only listening to the larger associations. Providing a clear and potent voice is crucial in the new world and the funding of lobbying and delivery, can only be offered in the long term by a financially secure and adaptable association.

Our conferences over the last five years have proved successful in getting our message to a wider group of members and stakeholders, as we have progressed through the FCA process.

We would like to take the opportunity of thanking all of the sponsors and exhibitors who have supported us during that period. In 2017 we are reverting back to a one day conference so that we can focus more effort on lobbying in all of its forms, including social media. Our new website is already proving very successful in reaching more stakeholders and new members, and we will now be utilising that vehicle, as well as other communication devices to increase our brand reach and awareness. The date for the 2017 conference has yet to be confirmed.

Finally all of the CCTA team and council members would like to wish you and yours a very Merry Christmas and a happy and prosperous New Year.

CONFERENCE SPEAKERS **DAY ONE**

JOHN LAMIDEY
Senior Partner, Arminius Associates, Speaker and Chair

GREG STEVENS
CEO, CCTA

JEANETTE BURGESS
Partner and Head of Regulatory Services, Walker Morris LLP

RICHARD WARRINGTON
Senior Manager, Risk & Regulation Practice, Crowe Horwath Global Risk Consulting LLP

AMARDEEP NOTAY
Consultant, Risk & Regulation Practice, Crowe Horwath Global Risk Consulting LLP

SIR GERALD HOWARTH
Member of Parliament for Aldershot

JOHN WIGHTMAN
Ombudsman, Financial Ombudsman Service

REGAN NAUGHTON
Compliance Officer, First Response Finance

HARRY CUMMINE
Director for Finance and Compliance, Lesley Stephen & Co Ltd

SIMON BROWN
Head of Compliance, Oakbrook Finance

RICHARD CARTER
CEO, The Nostrum Group

KARL-MAGNUS WADSACK
Principal Consultant, Alternative Lending, Equifax

CONFERENCE SPEAKERS **DAY TWO**

JOHN FELLOWS
Chair, Head of Compliance & Audit, First Response Finance

GREG STEVENS
CEO, CCTA

JO DAVIS
Partner, Head of Asset, Leasing & Consumer Finance, Locke Lord LLP

RICHARD TALL
Partner, Corporate Banking, DWF LLP

DAVID SMITH
Economics Editor, Sunday Times

JONATHAN HORSMAN
Managing Director, Centaurus Communications

RICHARD STUPPLE
Partner, Boxchange Ltd

HELEN LORD
Director, Vulnerability Registration Service Ltd

JEANETTE BURGESS
Partner and Head of Regulatory Services, Walker Morris LLP

CLIVE SUMMERS
Regulatory Director, Eversheds Consulting

GRAHAM HAXTON-BERNARD
Head of Regulatory and Compliance, CCTA

RICHARD ELLISON
Partner, Shakespeare Martineau

CCTA 2016 CONFERENCE STRONGER **TOGETHER** GOING FORWARD

The CCTA annual conference took place on the 2 and 3 November at the Nottingham Belfry Hotel. As the second part in our 'Embracing Change' trilogy, it reflected the CCTA 2017 ethos perfectly, 'Stronger Together – Going Forward.'

We would like to extend a sincere thank you to:

- our speakers, whose unparallelled knowledge created an unmissable forum for our audience
- our supporters, for their friendly enthusiasm, engagement, whole hearted involvement
- the delegates, for their investment in the future of the industry.

STRONGER TOGETHER 2 NOVEMBER

Through a series of open panel discussions, we addressed the day-to-day problems of running a consumer credit business in the current climate.

GOING FORWARD 3 NOVEMBER

On the second day, we expanded on the wider political arena, providing an economic overview and a holistic vision of the structure of tomorrows' industry.

The full event covered:

- BREXIT
- business and political culture/political overview
- economic considerations and overview
- credit worthiness and data issues – the big picture
- affordability – the puzzle and the big picture
- dealing with vulnerability and the bigger picture
- fintech, here, now and in the future.

MAIN EVENT SPONSORS

WALKER MORRIS

OYSTER BAY SYSTEMS

Crowe Horwath.

PANEL SPONSORS

EQUIFAX

NOSTRUM GROUP

SUPPORTED BY

ANCHOR Computer Systems Limited

WELCOM SOFTWARE

Callcredit Information Group

redwall creative

the MONEY Charity

VRS Vulnerability Registration Service

cifas Leaders in fraud prevention

MONEY ADVICE TRUST

CREDIT STRATEGY

Financial Ombudsman Service

CREDIT-CONNECT

FCA FINANCIAL CONDUCT AUTHORITY

CCTA CONFERENCE 2017

EMBRACING CHANGE THE VOICE

Our 2017 conference will round off the 'Embracing Change' trilogy, and highlight a year of increased public affair activity.

The work of the CCTA policy committees, since their introduction in 2016, will be at the forefront of the 'new format' one day event. The expertise and experiences of our members will have been boiled down and channelled upstream of the regulator, to the policy makers with the power to affect change in a wider credit society.

In 2017, the CCTA voice will be both heard, and reflected in the regulations which govern our industry, and our annual conference a perfect opportunity to report on progress and expand our 2018 thinking.

EMBRACING CHANGE – THE VOICE.

John Wightman
Ombudsman
Financial Ombudsman Service

CCTA FINANCIAL OMBUDSMAN

WE'D LIKE TO THAN CCTA FOR THE OPPORTUNITY TO SPEAK TO THEIR MEMBERS AT THE CONFERENCE THIS YEAR

Although we have had consumer credit within our remit for nearly ten years there are still plenty of businesses in this area that have little or no experience of the ombudsman, so these opportunities to explain more about what we do, and share some of our insight, are very important. We also get the chance to hear some of the issues affecting you and help make the service work for businesses.

We spoke at the conference about high cost, short-term lending and how we've seen an increase in the number of complaints about payday lending in the last year or so. We also explained that currently we're seeing a little over 200 of those cases each week, with the main issues being centred on the affordability of the loan. We regularly meet with payday lenders to talk about our approach and are happy to speak with businesses if they have any queries.

We know that CCTA represents a range of consumer credit businesses and we have lots of different resources for businesses to help them resolve complaints. We have a technical advice phone line (+44 (0) 20 7964 1400) where we can give a steer on individual cases or information about our approach. We also have online technical notes and a decisions database for help with particular problems. We publish Ombudsman News regularly throughout the year with articles by ombudsmen on what they are seeing, and case studies showing how our approach has been applied in specific situations.

At the moment, around one in ten cases brought to us about payday loans are represented by a claims management company (CMC) and generally we don't see many CMC represented cases in other areas of consumer credit. As with businesses, we also engage regularly with CMCs to explain our approach to certain types of cases. We expect CMCs to learn from our approach and apply it before deciding whether to send cases to us. After all, it is unfair for both consumers and businesses to refer complaints to us where there was clearly never a chance of success. Where we see consistent areas of poor practice, we can and do share examples with the claims management regulator, which has its own powers to take necessary action. It is worth noting that we're still upholding over half of the complaints we receive about payday loans, which suggests we're not always seeing firms resolving complaints fairly in that area.

We know that the cost of complaints is something on the minds of some of CCTA's members. We were set up by Parliament as a free alternative to the courts to provide consumers with access to justice. We charge businesses a case fee regardless of the outcome of the case, but it's worth knowing that we don't charge businesses a case fee for the first 25 cases brought against them in a year. We understand that for some firms who have (or almost have) exceeded the 25 cases the case fee may be a concern. However, in the last financial year, of all the businesses that had a complaint with us, 90% didn't pay a case fee because they didn't exceed the number of free cases. The case fee itself has been frozen for the past four years.

We're committed to engaging regularly with businesses and their trade bodies and we're extremely grateful for the valuable insight this gives us. Most recently, CCTA attended our industry steering group to share our insight about the sorts of issues we might see in the year ahead. We'll be formally consulting on our plans and budget for next year in December. So if you would like a say please get in touch.

We hope that you found our session at the CCTA conference as useful as we did, and we hope to see you at similar events in the future.

Richard Warrington
Senior Manager, Risk & Regulation
Crowe Horwath GRC

CHAMELEON CHARACTERISTICS

MARKET REVIEW: LESSONS TO BE LEARNT FOR LENDERS – TIPS FOR THE FUTURE (LENDERS PERSPECTIVE)

Many CCTA members are now authorised so have managed to present to FCA a business case that has been scrutinised, and passed the entry requirements. This is not the end of the matter, it is just the beginning.

However, there are ways to ensure newly regulated firms keep ahead of the game, be vigilant, be aware of what is going on around you, and be prepared to review your practices to always ensure that customers are at the heart of your decision making.

The consumer finance market is very competitive, but there are underlying issues that firms need to consider. The regulator, the consumer lobby and the media are watching the market, as there are some clear indications that competition and technological advances are disrupting the 'norm', but the opportunity needs to be tempered with an awareness that there is pressure on lenders to make sure they get it right. Consumer debt is rising, is it clearly responsible lending?

Industry figures can be presented in different ways, but some of the highlights (sourced from FCA papers, the Money Charity, and Step Change) are as follows:

- 61% of consumer credit users have at least one consumer credit product (excluding mortgages or student loans)
- one in four adults hold outstanding debt, with the average amount outstanding per UK adult standing at £3,737
- two million credit card holders have defaulted or are in arrears, a further 1.6 million were making minimum payments. 5.1 million accounts would take over ten years to pay off the outstanding balance, assuming current repayments continue and no further borrowing
- in Q2 2016 £285 million of card debt was written off
- at the end of September 2016, outstanding consumer credit lending was £188.7 billion (an increase of £12.4 billion in 12 months)
- one person every five minutes 28 seconds is declared insolvent or bankrupt
- net lending to individuals increased by £157 million a day in the last 12 months.

The underlying message is that the UK public are looking for support, as savings levels are dropping, but the key has to be that lenders must ensure that they provide credit that is affordable to meet the responsible lending criteria.

Lenders must learn from what is happening around them:

- how responsible are you? Do you spot customers who could be in financial difficulties and offer assistance early?
- have you identified what you class as 'vulnerable customers'? Have you put in place clear processes to support them and ensure your operational staff have the right skills to handle them?
- are you 'living' your regulated business plan, or was it just a document to satisfy the application process? Any changes to the plan should be clearly evidenced and justified in case FCA want to test it
- is treating customers fairly embedded, so that it's part of the firm's culture? Can you show how business decisions are driven from the customers' perspective, not just focused on short term business outcomes?

If you aren't confident in your position, you must take action, otherwise the potential for regulatory scrutiny increases, with fines and other penalties following. Better to be on the front foot evidencing awareness of such risks and issues, than being complacent and thinking everything can carry on as before.

FCA are increasing the pressure on individuals. Thirteen fines against individuals over the last 12 months, of which nine related to approved persons, six were for breaches of the principles for business, so you must ensure you are operating in the right way. The introduction of Senior Managers and Certification Regime by the end of 2018 will make the responsibility expectations more onerous, start preparing now.

To ensure your business meets the regulatory requirements but also delivers good results, you should consider carefully:

- how does your business make its profits? Is it from customers who get into difficulty?
- is fair treatment evident throughout the processes, not only meeting the rules but also the Principles?
- are positive customer outcomes your focus? Satisfied customers will return to do more business
- are you fully aware of the risks and issues that could impact your business, viewed from two perspectives, the customer and the firm?
- have you developed a culture that clearly encourages good conduct, sound decision making, appropriate behaviours, even displaying a 'duty of care' to customers in all that you do?
- Does the 'tone from the top' get played in the 'tune from the bottom'?
- Can you prove it?

TONE & CULTURE

Greg Stevens
Chief Executive, CCTA

STICKY MOMENTS

IN OCTOBER OF THIS YEAR THE FCA PUBLISHED A FIFTY PAGE DOCUMENT TITLED 'OUR FUTURE MISSION', WITH A FOREWORD FROM ANDREW BAILEY, CHIEF EXECUTIVE.

Interestingly in his foreword he states: "The Mission is not a long document. We could have written much more, but we have tried to keep it short and focused on the important questions that we see. It is striking, to me at least, that financial conduct regulation is not supported particularly by a large body of academic and other thinking. We hope that the mission might contribute to provoking more thinking".

He also states that: "The FCA was created in 2013 in the heat of the conduct crisis. It is a dedicated conduct regulator, part of the twin peaks approach adopted by the UK. I have been a strong supporter of twin peaks for a long time, and it is a great pleasure to have had the opportunity to lead the institutions responsible for both of the peaks in the UK. Forming and developing these institutions has been, and is, for me the best sort of public policy challenge imaginable".

He then explains that the mission document is a very important part of the challenge to create a clear understanding of the FCA's remit and ensure that it is well communicated and understood. He states that: "Establishing and embedding a clear mission is critical to our success, both as regulator and to UK financial services as a whole". He also states: "The FCA has more tools at its disposal than many financial conduct regulators around the world. One important reason for this that we have important competition powers, something that is unusual for a financial regulator but that we think it fits well within our role".

Andrew details two areas of financial crises in the last decade worthy of castigation, the first was prudential in nature, affecting the safety and soundness of major banks and investment firms and calling into question our financial stability at the level of the whole system. The second crisis has involved the conduct of business by financial firms. Of four of the most prominent headings for conduct crisis the only product that touches our members is Payment Protection Insurance. Many consumer credit firms outside the banks did sell the product wisely and that provided the consumer with appropriate and affordable protection.

The mission document spells out the overriding strategic objective set by Parliament to ensure that relevant markets function well.

In addition it reminds us that the FCA has three operational aims with which to deliver their strategic objective; to protect consumers, protect the integrity of UK markets and enhance competition. It also states the need to ensure that it is a proportionate and effective regulator as financial services adapt and meet new needs in new ways.

FCA recognise it is not possible, or even desirable, to create markets and firms which never fail (their words). To do so would involve a cost of regulation which would substantially exceed the benefits, and even then provide no guarantee. Their approach is to create a framework of rules to govern the operation of markets and then apply a combination of forward looking judgement in their supervision, and backward looking judgement in their enforcement actions where they suspect rules have been breached.

TONE & CULTURE

Increasingly we are hearing that tone and culture are prerequisites for financial services firms, as well as in other organisations. Many organisations have 'toyed' with behavioural culture programmes over the last 30 years, launching company wide programmes underpinned by HR and marketing material. All too often the programmes have failed, as on many occasions they were utilised and high jacked by management, including directors, to squeeze more productivity or better results which benefitted the few rather than the many.

The FCA are very clear about culture and governance in fact it is one of their seven priorities this year, as set out in their 2016/2017 business plan. Jonathan Davidson, FCA director of supervision, retail and authorisations, has taken personal leadership of the culture and governance priority and spoke in length about it at the second annual Culture and Conduct Forum for the financial services industry in London.

In his opening address he said: "Let me start by 'un-muddying' the waters and state our position unequivocally. The culture of our regulated firms is and always has been vital in our regulation of their conduct. Therefore culture and governance is one of the priorities for our policy work, our thematic projects and for the work that we do in day to day authorisation and supervision".

Johnathan then defined culture as the typical, habitual behaviours and mind sets that characterise a particular organisation. He stated that the behaviours are the 'way things get done around here'. They are the way we act, speak and make decisions without thinking consciously about it. Sitting underneath those behaviours are mind sets inside people's heads, the beliefs or values that people feel are important. We can't see these mind sets but they are the main determinant of behaviour from the office worker to the board of directors. He stated: "We are not going to prescribe the overall culture. Our ambition is for the conduct element of culture: that mind sets will shift to make doing the right thing for consumers the objective that is always considered, and that it trumps all other objectives for everyone in financial services".

The FCA does not believe there is a one size fits all culture that comes off the shelf. They recognise that the regulated community is not homogenous. They also recognise changing culture is very difficult and that it takes time. They are perceptive that culture comes from the past and normally comes from the top down, ongoing programmes, systems and controls. They realise that the types of people who are attracted to and thrive in any one culture are those who have the mind sets suited to success. As a result, culture is remarkably resilient in the face of attempts to change it. It takes focus, consistency and time to effect change.

Davidson stated: "The first factor shaping culture is 'tone from the top'. We are therefore interested to understand how leaders are role modelling the professed culture. Is the culture, or the main determinants of culture, an important and regular item for board discussion? What changes are they making to break from the past? How do leaders spend their time?

"The second factor surrounds the formal, tangible practices and cues which tell people what they need to do to be successful and ensure that the right people are employed and rise to leadership roles. Clearly the recruitment, compensation and promotion practices are critical to this.
The third factor are the narratives that circulate in a firm that explain what the firm is trying to achieve, how it will be achieved and why it is important. Key narratives that the FCA look at are the tone of the strategies, business plans, and mission and value statements. The most interesting and most accurate narratives are the ones that are referred to the most, repeated the most and passed on the most because they resonate with the culture of employees.

"The fourth set of factors that shape the culture of a firm is the capabilities of the organisation depending on size. To learn a new mind set and set of behaviours requires new learning capabilities. Reinforcing industry competence is one of the outcomes that the FCA want to come from the Senior Managers Certification Regime (SMCR)".

The FCA SMCR, effective in banks since March 2016, is likely to replace our current approved persons' regime in 2018, personal accountability and responsibility come with the territory. Your personnel will need guidance and assistance with the regime.

The biggest question which tests every culture whatever the size of the firm is, 'what do you do in the sticky moments?' The moments when you face the culture test and people watch what you do, and then that becomes the culture. The boardroom or business owner sets the tempo, climate, and culture employees will follow, even if pretending to follow a pseudo culture. What was your sticky moment, and what did you do?

> "INCREASINGLY WE ARE HEARING THAT TONE AND CULTURE ARE PREREQUISITES FOR FINANCIAL SERVICES FIRMS, AS WELL AS IN OTHER ORGANISATIONS. MANY ORGANISATIONS HAVE 'TOYED' WITH BEHAVIOURAL CULTURE PROGRAMMES OVER THE LAST 30 YEARS, LAUNCHING COMPANY WIDE PROGRAMMES UNDERPINNED BY HR AND MARKETING MATERIAL."

Jonathan Horsman
Managing Director
Centaurus Communications

FEEDING THE BEAST

CCTA HAS BEEN INVALUABLE IN HELPING MEMBERS GET AUTHORISED, BUT A DIFFERENT KIND OF ENGAGEMENT IS REQUIRED TO EARN A SOCIAL LICENCE TO TRADE FROM WIDER SOCIETY. BOTH LICENCES, LEGAL AND SOCIAL, ARE ESSENTIAL FOR LONG TERM VIABILITY.

Engagement with the regulators has always been a core CCTA service, helping members navigate unpredictable regulatory waters and emerge unscathed with strong and vibrant businesses. The cost of compliance is simply too great for many Small to Medium Sized Enterprises (SMEs) to bear alone. In this way, CCTA does consumers a great service too, ensuring that a diverse range of specialist businesses remains in the marketplace to cater to consumers' individual needs.

But, in parallel to CCTA's regulatory work, there is a need to engage wider public audiences, and specifically the regulators' political masters, i.e. the government ministers and parliamentarians who set the political climate in which the regulator operates and chooses its priorities.

These audiences need to hear the case for a vibrant SME lending sector. They need to be warned against the pitfalls of overly restrictive and disproportionate regulation. They should recognise the need for a level playing field for all consumer credit businesses, not just the big boys with the lobbying muscle.

If this doesn't happen, the consequences are potentially grave. The FCA will have a free hand to write rules that are bearable for the big businesses, but unbearable for the small, local operators serving consumers in communities across the country.

SECURING A SOCIAL LICENSE TO TRADE IS KEY TO LONG TERM BUSINESS SUCCESS

So, what are the specific threats? It is a daunting list. The macro risks are well known to everyone who runs a credit business:

- a regulator inclined to monologue instead of dialogue
- an un-level playing field with the banks and credit cards
- well organised and skillful consumer activists who want to shut down businesses.

On top of that, we have Brexit and a domestic political situation as chaotic as anything we have seen since the war.

More specific to members' day-to-day operations, we have:

- a review of high cost credit and the price cap
- a consultation on affordability
- a review of the remaining sections of the Consumer Credit Act
- reviews of arrears management and remuneration
- the extension of the Senior Managers Regime to credit businesses.

The list goes on.

All this is happening against a backdrop of intensifying competition and increasing borrowing levels. The former means new market entrants with new technologies and lending models and no legacy systems. The latter brings with it increased levels of concern and scrutiny from policy makers, and pressure from the activists for more regulation.

In these conditions, engagement is mandatory, not a luxury. Nature abhors a vacuum and unless credit businesses make the case for their services themselves, other voices will do it for them, and the account they give is unlikely to be positive. There is a highly politicised debt charity sector that is well plugged into Westminster and the media. It is unsympathetic to credit businesses and it has the ear of politicians.

The credit industry needs to match these voices step for step, otherwise the benefits of what it does will be lost in a cacophony of consumer detriment. There is little sympathy for credit businesses in the political marketplace. 'Risk based pricing' is a rational concept for economists, but its flipside, the idea that the 'poor pay more', is anathema to politicians interested in social equality and fairness.

Hence, the industry has to work doubly hard to overcome prejudice and justify its products and services, especially those aimed at lower income or impaired customer groups. There are rational and receptive voices in Parliament, but they need servicing with arguments and evidence so they feel able to push back against critics and make the case for light regulation.

So, the risks are fairly apparent. But what do we mean by a social licence to trade, exactly?

It is best defined as social acceptance from Parliament, the media, civil society and the country at large, that CCTA businesses and the services they offer play a legitimate and valued role in the economic lives of consumers and communities up and down the country.

Winning one is not easy. It requires advocacy, engagement and persuasion with three key audience groups:

1. MONEY ADVICE

Money and debt advisers work at the coalface between businesses and consumers. They have a unique insight into the impacts, both negative and positive, of the activities of credit businesses on consumers. When things go wrong, it washes up at money advice first. Equally, when things are going right, it will be evidenced in the statistics they produce. This data provides either a charge sheet or a case for leniency and support, depending on what presents.

But money advice also has its own political agenda. Most organisations rely on government for at least some funding. Hence, they need to constantly make their own case for support to the politicians, just as CCTA needs to make the case for a vibrant SME sector.

The most persuasive case for more support is a narrative of deepening crisis with bad supplier behavior and large numbers of consumer victims. This increases the political forfeit for ministers minded to cut funding. This narrative tends to be constant even when bodies like Financial Ombudsman Service (FOS) and the Financial Conduct Authority (FCA) itself report falls in the number of complaints.

The way to mitigate it is through is engagement. Businesses that have taken the time to explain what they do, and importantly, address any operational concerns, are less likely to be held up as emblems of bad practice. Moreover, they can earn recognition for the value they bring to consumers. This endorsement will be listened to by the politicians and the regulator, whose ear the money advisers have.

2. THE MEDIA

The media loves consumer victim stories, they sell newspapers. Journalists will write positive stories about the industry too, but industry needs to furnish them. This is essential if consumers are to get a balanced view of what the industry is about, rather than a narrative of harm and detriment fed by debt charities, who have good routes into media too.

The media is like any other client, if you give it what it needs (eye catching content that fits with the news cycle) it will gratefully accept and report it. The industry needs to feed the beast and not be consumed by it.

3. PARLIAMENT (THE MOST IMPORTANT)

Parliament is sovereign. Even regulators are answerable to it. But it is also inexpert and time poor. Therefore, just like every other industry body and interest group, the credit industry needs to find effective and persuasive ways of engaging with time pressured MPs and Lords who make our laws and set the climate of opinion in which the regulator operates.

The industry needs to build a base of understanding among a core group of MPs and Lords who follow the industry and speak in the Chamber on occasions when the House debates credit and debt. These individuals are the reference points to which other members, and crucially the party whips, will turn when they have to reach an opinion on a policy question related to credit. They are also the people who will push back against MPs who hold opposing views, i.e. ones who are more beholden to consumerist arguments and therefore anti credit.

Parliament is the only institution with the power to hold the regulator to account. But without the knowledge and ammunition to question its decisions, the institution is defanged. Hence, Parliament should be the priority target for the industry's public affairs efforts.

The right messaging is essential too. In noisy marketplaces such as Parliament and the media, you need compelling and relevant messages to get heard. There are a great many industry and consumer agendas competing for limited column inches and the ear of six hundred odd legislators. There are even more press releases, briefing papers, etc. that never get read.

To communicate a compelling message, CCTA needs to tap its members expertise and experiences, and boil these down for the policy makers so they get a granular feel for what's really happening in the market and the impact of the policies and regulations they are ultimately responsible for.

The customers' voice is at the heart of this. Rest assured, other lobbyists will claim that they represent the interests of your customers. They don't, they are your customers. Some might have a relationship with a sub-set of them, such as those presenting to money advice, but only you have a relationship with all of them.

This privileged position needs leveraging, so that your customers' interests are both heard and rightly reflected in the regulations that are built for them. There is a vital role for CCTA's new policy committees in drawing out and refining the messaging for the policy makers.

There is a multitude of channels and fora that CCTA can utilise to get its message to policy makers and wider society. The trick is selecting the right combination that gets succinct messages into the right ears at the right time.

CCTA's expertise on policy and industry matters is well recognised in the regulatory space, the challenge now is to broaden the coverage to build understanding in key constituencies upstream of the regulator.

Jeanette Burgess
Partner and Head of Regulatory Services
Walker Morris LLP

DOES THE CAP FIT?

AN APPROPRIATE DEGREE OF PROTECTION?

ON 29 NOVEMBER 2016, THE FINANCIAL CONDUCT AUTHORITY (FCA) PUBLISHED A 'CALL FOR INPUT: HIGH-COST CREDIT INCLUDING REVIEW OF THE HIGH-COST SHORT-TERM CREDIT PRICE CAP', TO REVIEW THE PRICE CAP INTRODUCED IN JANUARY 2015 AND TO LOOK MORE WIDELY AT HIGH-COST CREDIT PRODUCTS, HOW THEY ARE USED AND THEIR POTENTIAL TO CAUSE CONSUMER DETRIMENT.

The FCA's announcement of a review of the price cap fulfils its commitment to reviewing the cap two years after its implementation. The Chief Executive of the FCA, Andrew Bailey, has described the announcement of the review as: "A significant moment for our approach to consumer credit regulation", and the FCA has requested responses by 15 February 2017.

The FCA intends to use the evidence and feedback it obtains to analyse the effect of the price cap upon high-cost short-term credit (HCSTC) lenders and consumers and assess whether the level of the cap should be changed. Further, the FCA will consider whether other high-cost credit products should continue to be excluded from the price cap.

HISTORY OF THE PRICE CAP

The price cap on HCSTC was introduced on 2 January 2015, having been announced by the then Chancellor, George Osborne, in November 2013 as part of the government's plans to regulate the payday lending industry. This was a highly surprising move, especially as the FCA itself had previously expressed reservations about a cap on charges, fearing that some lenders might respond by increasing fees to the legal maximum. Concerns were also expressed on behalf of the industry that the cap could have unintended consequences, especially given that research from countries where a cap had been introduced suggested price controls would result in reduced access to credit and open up a larger market for illegal lenders. The price cap currently applies only to HCSTC, which is defined as a borrower-lender or peer-to-peer regulated credit agreement under which:

- the APR is equal to or exceeds 100%
- the credit is due to be repaid or substantially repaid within 12 months.

Other forms of high-cost credit, including home-collected credit, logbook loans and rent to own agreements are expressly excluded from the definition of HCSTC and therefore able to operate outside the price cap.

The price cap was designed to secure an appropriate degree of protection from excessive charges for borrowers of HCSTC and, according to George Osborne, to: "make sure that hardworking people are served by the banking system".

THE PRICE CAP CONSISTS OF THREE ELEMENTS:

- an initial cost cap when loans are taken out or rolled over which means that interest and fees charged must not exceed 0.8% per day of the amount borrowed
- a default fee cap of £15
- an overall price cap of 100% which means that a borrower can never be required to repay more than 100% of the amount borrowed in terms of interest and all charges.

WILL THE LEVEL OF THE CAP CHANGE?

The FCA will review, in light of evidence, whether it will need to 'consider restructuring and/or recalibrating the cap'. It is acknowledged that there has been significant change in the HCSTC market over a relatively short period of time driven by the introduction of the price cap and the scrutiny of the FCA authorisation process. Although the FCA suggests that a 'viable market' in HCSTC has been sustained, it cites evidence gleaned from authorisation applications and quarterly reports of product sales data which suggests a significant decline in the number of lenders and loans:

- a drop in the number of firms. Of the 144 firms authorised for HCSTC lending, a number of these firms do very little lending, and 188 firms which originally applied for HCSTC permissions withdrew their authorisation applications
- the number of loans and applications has fallen steeply. Between January 2014 and June 2015, there were over 800,000 fewer individuals taking out at least one HCSTC loan than between January 2012 and June 2014
- an increase in the number of declined applicants, Firms have become more risk averse and the FCA is currently satisfied that consumers are not being inappropriately excluded or suffering adverse consequences as a result of being declined.

THE FCA REPORTS CORRESPONDING CUSTOMER BENEFITS:

- lower costs for consumers. From the start of 2014 to April 2015, consumers on average were paying 'substantially less' for HCSTC, down from £100 in interest and fees at the start of 2014 to £60 following the introduction of the price cap. Such changes, over a relatively short period of time, are attributed to firms adapting their approach in anticipation of, and as a reaction to, changes in the regulatory environment
- a decline in the number of consumers falling into arrears or default. Between January 2014 and April 2015, the proportion of loans being charged a late payment fee has steadily decreased from 16% to 8%. According to the FCA, this decline demonstrates 'real benefits of the new regulatory regime to which HCSTC firms have been subject', pointing to tightened lending criteria as the driver of better customer outcomes.

In addition, lenders in the market have experienced reduced revenues and profitability, with the decrease in the latter being accelerated in the first half of 2015. The FCA has said it will scrutinise this impact further to see to what extent it was attributable to the introduction of the price cap. However, many key players remain in the market and we are seeing a steady stream of clients wanting to apply for FCA authorisation to offer HCSTC, which would tend to indicate that many still consider they can run the model on a profitable basis.

Another impact of regulatory change has been the demise of the traditional single period payday loan in favour of longer term instalment products (in 2012-13 the average loan duration was 30 days, by June 2015 this had risen to 80 days). It is reported, however, that the average loan value has remained static throughout that period at £250.

Quite properly, the FCA will not pre-judge the outcome of the review without completing the process, but there are some hints in the call for input that it is not minded to make any changes to the level of the cap at the present time. It is acknowledged that the full extent of the changes in the regulatory environment has not yet stabilised and as such, it would be inappropriate to make changes to the price cap before these have fully worked through. Firms are still 'going through a period of change' and the FCA acknowledges that firms are experiencing a reduction in profits as they seek to adapt their business models to limit the impact of the price cap. Accordingly a degree of caution is called for in interpreting the number of firms in the market as an indication that the price cap could be set any lower at this stage.

SHOULD THE PRICE CAP BE EXTENDED TO OTHER HIGH-COST CREDIT PRODUCTS?

Critics have argued that the targeting of the price cap solely at the payday lending market was somewhat arbitrary, given the wealth of high cost credit products on offer. The FCA has expanded the scope of its review of the rate cap to look across the market for high-cost products as a whole to build a comprehensive picture of how they are used, whether they cause harm, and if so, which consumers are affected. It will also enable the FCA to investigate whether the application of the price cap has caused consumers to use other high-cost products (the so called 'waterbed' effect where a push on one part of the market causes ripples elsewhere), and whether this has made them worse off as a result.

The intention of this approach is to establish whether 'further policy interventions' are needed and the products that the FCA will look at include:

- payday lending
- home-collected credit
- catalogue credit
- some rent-to-own
- pawn-broking
- guarantor lending
- logbook loans.

The FCA's announcement that it will review issues around high-cost credit has been welcomed by debt charity StepChange's Chief Executive Mike O'Connor, who commented that: "the need for caps in other markets has already been accepted, as with payday loans and credit cards".

The review is also welcomed by Russell Hamblin-Boone, chief executive of the Consumer Finance Association (CFA), who observed that: "consumers will benefit from equal regulation of other high-cost credit markets".

Press reports have put the spotlight on the rent-to-own sector in particular, used by many to purchase household appliances and other goods on credit, and called for the expansion of the cap in this sector to curb costs of up to three times the original price of the goods, once interest and other charges are factored in.

The FCA has stated that it will consider whether the application of the price cap should be extended and also whether the definition of HCSTC is still capturing the products that it intends. The FCA is aware that some firms have explored the boundaries of HCSTC to seek to game around the definition and has kept this under close review and intervened whenever it has identified such behaviour. It will review the extent to which the current APR threshold and repayment period continue to be appropriate in light of product innovation and interpretation of the rules by firms.

It is not clear the extent to which the review will whet the appetite of the FCA to impose price controls more broadly, however there has not been any evidence over the past two years of a significant call from any source, including politicians and consumer groups, seeking an expansion of the cap. In light of the changes the price cap has wrought on the HCSTC sector and the fact that it is probably still too early to properly assess its full impact (especially as the two year authorisation window has closed and lenders are just starting to return to business as usual), the cautious view would be to wait and see before extending the cap. If there is evidence of so-called 'water-bedding' with customers swapping from HCSTC to other products to meet short term credit needs, then widening the scope of the cap could well render more consumers credit-excluded.

THE FCA TIMETABLE

- stakeholder events following call for input publication. December 2016 to February 2017
- call for input response deadline. 15 February 2017
- evidence gathering including consumer survey for HCSTC price cap review. Quarter 4, 2016 to Quarter 2, 2017
- review and assess evidence from call for input. Quarter 2, 2017
- publication of results of HCSTC price cap review. Mid-2017
- further work if the FCA decides to restructure or recalibrate the price cap, including developing proposals for consultation: Half 2, 2017 to Half 1, 2018
- further work on issues relating to high-cost credit and overdrafts identified in the call for input, Quarter 2, 2017 onwards.

Mike Bradford
Director
Vulnerability Registration Service

A SAFETY NET

THE VULNERABILITY CHALLENGE TIME FOR ACTION

Consumer vulnerability, the 'V' word', is a hot topic for regulators, the media, consumer lobbies, academics, mental health charities and, in spite of Brexit fever, is also on the radar of government.

Mike Bradford, director of the recently formed Vulnerability Registration Service, looks at a practical solution to protect vulnerable consumers and turn rhetoric into action.

Organisations in all sectors, and lenders in particular, have a social, moral and regulatory responsibility to identify and treat potentially vulnerable consumers with sensitivity.

While we tend to talk about vulnerable consumers in the third person, vulnerability can affect any of us during our lives for a multitude of reasons:

- personal or family issue
- financial stress
- mental health
- job loss.

In fact, anything that causes us, as individuals, to suffer some form of hardship that should be factored into how we are treated by those organisations we deal with, or those soliciting our custom, for example charities.

Almost two years ago in February 2015, Martin Wheatley, the then chief executive of the FCA, called for action in this area: "We all know somebody in a vulnerable situation and we can expect the number of people who find themselves in those circumstances to grow over the coming years. We all need to start thinking about what the solutions to these challenges will be."

This message has been reinforced in the FCA's Mission Paper published on 26 October 2016. Andrew Bailey, the FCA's chief executive said: "People can become vulnerable at any time in their lives. It can be temporary or permanent. Our paper into consumer vulnerability found that vulnerability is not confined purely to a consumer's situation. It can be caused and exacerbated by firms' actions or processes. We know that wealthy consumers may also be vulnerable. We must meet the Public Sector Equality Duty of the Equality Act 2010. As a regulator, we aim to afford more protection to those with less financial capability."

Martin Lewis, founder and chair of the Money and Mental Health Policy Institute (MMHPI) also identifies the growing urgency of the situation: "The relationship between money and mental health is toxic. Every day I hear from people who struggle to control their spending in periods of poor mental health. While there is general demand from consumers for everything to get faster and easier, including shopping and accessing credit, for those with mental health conditions, that make them prone to crisis spending this can be dangerous."

While the causes of vulnerability are wider than mental health, the link is incontrovertible as is the relevance to the credit industry.

A quarter of people with a mental health problem also have problem debts. Half of those in debt crisis have a mental health problem. Problem debt can make it harder to recover from mental illness, and three times as many adults with mental health problems report debt or arrears, compared to those without mental health problems (MMHPI).

A personal view is that we are still struggling with the vulnerability agenda and how to move this into practical actions. It can be all too easy to identify the problems in this area, rather than what is achievable even as a starting point.

Cutting through the plethora of vulnerability definitions, in simple terms we are vulnerable when due to our personal circumstances, we are especially susceptible to detriment, particularly when an organisation is not acting with appropriate levels of care.

For the credit industry, this is the test the FCA will apply when assessing 'know your customer' obligations. Consumers in vulnerable circumstances will be significantly less able to represent their own interests, and more likely to suffer harm than the average consumer.

It is against this backdrop of a proven urgent need to push the agenda from debate and discussion to one of 'doing', that the Vulnerability Registration Service (VRS) is being developed to help vulnerable consumers protect themselves against the financial, social and very personal hardship suffered as a result of their vulnerability.

The VRS has been discussed with regulators (Information Commissioner's Office and Financial Conduct Authority), a number of trade associations and lenders, consumer lobbies and mental health charities, and has been received very positively.

As a private sector initiative, independent of any other database provider or credit reference agency, the sole purpose of the VRS is to protect consumers and provide organisations with a tool to complement their regulatory and social responsibilities around dealing with vulnerable people at a particular point in their lives.

VRS recognises the many forms of consumer vulnerability and provides a single reference point for consumers and organisations, enabling an individual's vulnerability issues to be handled sensitively and professionally.

By keeping things simple as a starting point, it is possible to circumvent many of the challenges around data sharing. The service is designed to offer a simple solution to help vulnerable individuals and their representatives register themselves to prevent inappropriate marketing and/or financial offers.

Importantly VRS does not replace an organisation's responsibilities for identifying and counselling vulnerable consumers, but provides a 'decision agnostic' platform for consumers and the organisations they deal with as an additional safeguard for consumers during their period of vulnerability.

VRS does not indicate why a consumer may be vulnerable nor does it process the information supplied, other than for providing a platform for optional user interaction when the individual's particular circumstances can be discussed with the consent of that individual.

Rather than creating a multitude of vulnerability flags according to vulnerability type, VRS uses a very straightforward proprietary set of flags that signify the source of the register entry, typically the consumer themselves, either directly with VRS or through a user of the service, for example a lender, or a third party with a signed client authority or legal mandate to operate on the consumer's behalf, i.e. power of attorney.

In some instances, the individual may opt to be declined for any credit related services they apply for or for any application to be manually underwritten to ensure that their circumstances are fully taken into consideration. The VRS flag will identify this choice.

So, in practical terms, VRS is designed to help organisations which access the register to identify consumers in potentially vulnerable circumstances and provide instant Application Programming Interface (API) access and data upload facilities.

For lenders specifically, the VRS can be used at point of application or when deciding on any customer engagement strategies from marketing to account management, arrears and collections. Problem debt can make it harder to recover from mental illness, and three times as many adults with mental health problems report debt or arrears, compared to those without mental health problems (MMHPI).

The VRS will evolve and increasingly develop on a cross/multi-sector basis, but it is at least a starting point for lenders to enhance their corporate responsibility credentials, and be seen to be taking their vulnerability responsibilities seriously.

A NEW VULNERABILITY REGISTER FOR CONSUMER CREDIT

CREDIT STRATEGY

Vulnerability is at the heart of many creditors agendas right now and in a timely fashion the Vulnerability Registration Service (VRS) has been created, with plans to launch in the new year.

Helen Lord, co-director of VRS, discussed how the platform will work at the CCTA's 'Stronger Together – Going Forward' conference in Nottingham.

The VRS is an independent private sector data processor with the purpose to protect consumers and provide organisations with a tool to help deal with vulnerable people.

It is run by seven co-directors who all have backgrounds in the consumer credit market.

Vulnerable customers will use the platform to record their personal circumstances when they are looking to protect themselves from further debt or related financial problems. When vulnerable consumers fill in the register it can be as simple as only having to fill in their name, address and date of birth. The system will automatically remind consumers they are on the register every three months. This means the consumer can update their personal situation or remove themselves from the list altogether.

Lenders and creditors will be able to subscribe to the platform and therefore access all of its data.

VRS said the platform could be used as a starting point when companies make decisions on customer engagement strategies such as arrears and collections.

Because the register is a data processor it does not need to be regulated by the Financial Conduct Authority (FCA). However, VRS said it has had a 'positive dialogue' with the regulator during the register's development. Bruce Turnbull, co-director of VRS, said: "Data sharing between financial services and utilities and telecoms is unheard of but they all have vulnerable customers so could be using just one platform."

Richard Carter
Chief Executive
Nostrum Group

GRASP THE NETTLE

THE RECENT COMPETITION AND MARKETS AUTHORITY (CMA) REPORT ON THE STATE OF THE UK BANKING MARKET HAD A NUMBER OF THINGS TO SAY ABOUT FUTURE DIRECTION, THOUGH PERHAPS THE MOST IMPORTANT WAS THE ENDORSEMENT OF OPEN APIs AND, IN PARTICULAR RE-ENFORCING THE COMMITMENT TO PAYMENTS SERVICES DIRECTIVE 2 (PSD2).

WHAT IS PSD2 AND MORE IMPORTANTLY, WHAT DOES IT MEAN FOR BANKS, LENDERS AND CONSUMER?

WHAT IS PSD2?

PSD2 is an EU directive on payment services and despite the UK's current stance on Brexit, the UK Government, through the CMA report remains committed to its introduction.

There are four main topics covered by the directive:

- extension of scope beyond Europe
- third party bank account access to account information service providers and payment initiation service providers
- standardisation of card surcharges
- increasing security of online payments and account access.

The effect of PSD2 will be wide ranging, although it is the requirement that banks open up their data and services to provide third parties with access to them that is most interesting to us. This will force banks to build, and make available, Application Programme Interface (APIs) in the expectation that this will invite more innovation in the payments space and increase competition for consumers.

WHAT DOES IT MEAN TO BANKS?

Banks have to make the interfaces available by the end of 2018 and in doing so, they face a dilemma. Either they use the regulations to create a whole new way of interacting with the customer or they fail to seize the moment and become further dis-intermediated from the customer and ultimately become the banking rails rather than an end-customer service provider.

In a number of ways we've been here before. The mainstream banking providers were so pre-occupied with capital adequacy (rightly so, some might say), regulatory issues and redress programmes for miss-selling that they failed to acknowledge and respond to the threats from the emerging Fintech providers. These innovators were able to provide differentiated, competitively priced, more customer friendly services in areas such as payment and money transfer (think TransferWise), lending (think Zopa, Funding Circle and other non marketplace lenders, such as 118118 Money, Oakbrook and Avant) and directly in their own back yard for consumer banking (Atom, Mondo, Starling, Tandem and others).

The risk that PSD2 presents to the banks is whilst they hold the customer money and all the regulatory and adequacy risk this presents, the potential to lose the customer interface and brand loyalty is absolutely possible.

Interestingly, the provision of PSD2 allows third parties to build applications that sit over the bank account and present a new user interface to the customer, perhaps one that is lightweight and personalised to the particular customer's requirements. Imagine that instead of logging into your Lloyds or Barclays accounts, you log into a new platform that dynamically pulls your balance and transaction data from the two banks and presents it in a single view, and you start to get a sense of the threat to the banks.

Who owns the relationship in this case? Not the bank, they're merely acting as the servicing infrastructure and whilst they may be able to charge account servicing fees explicitly or implicitly though overdraft charges etc, the loss of customer engagement inhibits their opportunity to cross sell.

First mover advantage will be fundamental for the banks. The one that launches the platform first, perhaps as a separate brand gets the opportunity to act as the aggregator and, ultimately gain both loyalty and a hugely detailed view of the customer's financial position and consolidated balances.

Security is going to be a major concern to all of the parties involved with open interfaces, and it will take a brave consumer to allow open access to their bank account to a new start business that has little brand presence or loyalty. That said, the obligations of PSD2 require the banks to increase security. However the mere fact that the APIs will exist will make the bank systems more susceptible to being targeted. Potentially a reason why some banks may plan to slow pedal their implementations, waiting to see how others progress.

FOR THE CONSUMER?

Consumers already trust a number of third party service providers to manage elements of their financial lives, such as PayPal for money transfer and payments. It won't be long before PSD2 opens up a world of opportunity for the consumer.

Consider a few simple use cases. We've looked at simple account aggregation, but let's take it a step further and add some personalised functionality. Using an If This Then That (IFTTT.com) approach, the new platform could be configured to automatically sweep excess balances at the beginning of the month to a higher interest account until such time as the balance drops beneath a (user defined) threshold/level. So far so good, we're starting to see the some of the opportunity.

Let's crank it up a few gears though, again, using IFTTT which can connect the customer to all manner of services and devices. How about a scenario where depending on the settings you have on your Hive or Nest central heating system, the platform automatically deducts more money from the consumer's disposable income and drops it into a 'bills' savings account ready for when the increased bill comes in. Imagine that you turn the heating up tonight and automatically make allowance in your budget for the increased bill. The same applies for car travel, the further you drive, the greater the wear and tear and therefore the requirement for an increased maintenance allowance.

The opportunities really are endless. Link it to your Apple Watch or Fitbit and each time you hit your daily step goals a money treat appears. Connect to geo-location and when you pop into town, money is transferred from the savings account to the current account to avoid any embarrassing card declines then when you return home, the money goes back to the savings account, all automatically, without the customer doing anything and wholly based on their own rules.

Further disintermediation comes where the platform can be used to automatically move the customer from one bank to another, automating the current account switching process.

FOR THE LENDER?

The opportunities presented to lenders are many and varied, though not without risk. For years lenders have had to rely on credit reference data to make lending decisions. Essentially this is backward looking data, reflecting on how a customer has managed their outstanding loans over the years, though does not provide true insight into their financial affairs and assets. Banks which own the customer's current account have had an unfair advantage; using their walled garden of data they can form a more rounded view of customer behavior and financial capability.

The obligation on lenders to take customer affordability into account when making a lending decision forms one of the key elements of the FCA's guidance on responsibility. This has given rise to a series of new data sources from the CRA's emerging service providers and in some cases, an increased data capture burden for the consumer.

Even with these new sources, those customers with thin credit files (i.e. they have no, or little, loan performance data), find it difficult to get credit and are a long way from the financial inclusion that Government wants.

PSD2 changes all that and makes that data available anyone (subject to the customer providing permission). Apart from the objective aspects of confirming income, salary payment data and outgoings to form a more refined affordability score, the data also highlights where the customer is spending their money. For example if they have a large, increasing expenditure with gambling sites this may reflect negatively on their scoring, though conversely, someone who gives to charity may be marked up; not necessarily for financial reasons, but more because it contributes to a behavioral assessment.

An increasing number of lenders rescore their customers over the loan term, either for remarketing campaigns or for risk management (certainly this will become a greater requirement under International Financial Reporting Standards 9). But imagine a scenario where the lender has ongoing access to read the customer's bank account and see that, over time, their financial situation is worsening, then they have the opportunity (regulation permitting) to implement more tailored forbearance and 'treating customers fairly' policies.

The converse is also true, coming back to our imaginary aggregation platform, how about a service which detects that the customer is likely to go overdrawn (they have the current balance and know the scheduled payments for the account over the remainder of the month and also have the historic payment data) and then offers either a payment holiday (interest bearing, naturally) or a cheaper line of credit product, protecting the customer from expensive unauthorised overdraft fees. This again, is exactly the type of service that customers will pay for and one which also reduces income for the banks. We may even find specialist lenders springing up offering bank independent overdrafts as a standalone product.

But where there are benefits for lenders using the open data, there are also risks, not least in how the regulator perceives the data may be used. Potentially, they may take a position that whilst it's all well and good for the lender to view the bank account data before they make a lending decision, shouldn't the lenders also check account balances before they take a payment, particularly if it will adversely affect the customer's ability to see themselves through to the end of the month?

Without a doubt, the winners from the introduction of PSD2, such an innocuous acronym, will be the consumer, with new service providers a close second, followed by lenders and, depending on whether they grasp the nettle, the banks.

STRATEGY TO MAKE UK PAYMENTS FIT FOR THE DIGITAL AGE

The Payment Strategy Forum has revealed a new strategic plan for the UK payments industry intended to make sure it is fit for 21st century. This takes into account new regulations like PSD2 and the process of digitalisation, and includes moving the UK to a common message standard by the end of H2 2017 as part of an ambitious roadmap.

PSR, 29 November 2016

Out of the frying pan?

FCA CALLS FOR INPUT ON HIGH COST CREDIT AND OVERDRAFTS

The Financial Conduct Authority (FCA) announced in November that it is seeking evidence and feedback to further inform its work on high cost credit, including a review of the payday loan price cap. Since taking over regulation of consumer credit in April 2014, the FCA has focused on products that it believes pose the highest risks to its consumer protection objective. One area of focus has been high cost credit, which includes payday loans, home collected credit, catalogue credit, some rent-to-own, pawn broking, guarantor and logbook loans. Other credit products, such as motor finance, credit cards, overdrafts and some instalment lending, may be high cost, particularly for less creditworthy customers or depending on how they are used.

The call for input covers:

- high cost products
- overdrafts
- the high cost short term credit (payday loan) price cap. The FCA is keen to see if there is any evidence of consumers turning to illegal money lenders directly as a result of being excluded from high cost credit because of the price cap
- repeat and multiple high cost short term credit (HCSTC) borrowing.

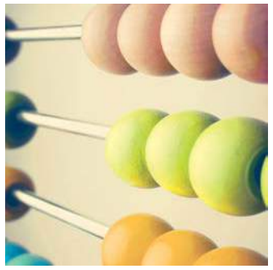
Approach to current payment services regime, FCA feedback statement

The Financial Conduct Authority (FCA) has published a feedback statement which details responses to its call for input on the approach to the current payment services regime. In summary:

- respondents are happy with current guidance and find the Perimeter Guidance Manual (PERG) a useful source of information
- respondents feel the guidance could be updated to reflect developments in the market since it was first published in 2009
- further guidance on specific matters would be welcomed
- combining the FCA's payment services and e-money approach documents would be useful, as would raising awareness of the e-learning module for payment service providers.

The FCA will now develop its approach to the revised payment services regime and publish final guidance to help PSPs, following a further consultation.

Source: FCA, 15 November 2016



Counting the cost?

CONSULTATION ON REGULATORY FEES AND LEVIES 2017/18

The Financial Conduct Authority (FCA) has published a consultation on regulatory fees and levies from 2017/18. The consultation paper (CP) sets out the proposed policy changes to how FCA fees will be raised from 2017/18. They are funded entirely by the fees and levies recovered from the firms they regulate. Each chapter identifies the firms and other bodies it will affect. Each chapter covers a self contained area of policy, as summarised below.

- chapter two sets out proposals to introduce a new levy on consumer credit firms to recover HM Treasury's expenses in tackling illegal money lending as required under s333T FSMA introduced by the Bank of England and Financial Services Act 2016
- chapter three seeks comments on the fee-blocks through which we propose to recover our costs in implementing the second Markets in Financial Instruments Directive (MiFID II)
- chapter four proposes to base the fees of recognised investment exchanges (RIEs) and benchmark administrators (BAs) on income, and to adjust the charging structure for service companies (SCs)
- chapter five proposes updates to the Fees manual (FEES) in the Handbook with a number of technical clarifications.

The consultation will close on 16 January 2017 and the FCA will consider responses and publish feedback in a Handbook Notice early next year.

Consumer credit information sheets updated by FCA

The Financial Conduct Authority has announced on its webpage that it has updated consumer credit information sheets on the following areas:

- arrears (No 001)
- default (No 002)
- high-cost short-term loans (No 003)
- high-cost short-terms loans, peer-to-peer lenders (No 004)
- arrears, peer-to-peer lending (No 005).Firms will be expected to use the new versions from 18 January 2017.

Lenders must include a copy of the relevant information sheet when notifying aconsumer that they are in arrears or default. This is required by the ConsumerCredit Act 1974 (section 86A).

These information sheets are intended to help consumers by telling them abouttheir rights and responsibilities, and where they can get help.

IMPORTANT: The changes update the names and contact information of therelevant support organisations. However, firms are not permitted to start usingthe new information sheets until 18 January 2017. Until then, the currentversions must be used.

A guiding hand...

FCA GUIDE FOR CONSUMER CREDIT FIRMS ON STEPS TO REDUCE FINANCIAL CRIME RISK

The Financial Conduct Authority (FCA) has published a guide for consumer credit firms that provides high level guidance on steps to be taken to reduce financial crime risk. The guide is for, in particular, those that are new to being regulated. It provides a high-level FCA guide to financial crime including:

- examples of good and poor practice for businesses under the Money Laundering Regulations 2007 (MLRs), relevant to consumer credit businesses
- guidance to firms on steps that can be taken to reduce financial crime risk. The aim of this guide is to enhance understanding of the FCA's expectations and help you to assess the adequacy of your financial crime system and controls.

The FCA have also published a webcast on financial crime requirements that consumer credit firms can register for on their webpage. The webcast provides consumer credit firms with an oversight of financial crime issues that may arise within a firm's day to day business activities. It also provides an overview of what the FCA expects your firm to do to meet its regulatory obligations and to comply with financial crime legislation.

Source: www.fca.org.uk

FCA publishes revised guidance consultation on guarantor loans

The FCA has published a revised proposed guidance consultation (GC16/7) on guarantor loans under the requirement in section 87 of the Consumer Credit Act 1974 to serve a default notice before enforcing a guarantee or indemnity following breach of a regulated agreement.

This guidance is relevant to firms that offer guarantor loans, consumers and other interested stakeholders. In February 2016 the FCA published a guidance consultation (GC16/2) which set out how they will interpret provisions of the Consumer Credit Act 1974 (CCA) regarding the enforcement of security in the context of guarantor loans and whether this requires a default notice under the CCA. The FCA has now published a further guidance consultation in the light of responses to GC16/2.

Whilst this guidance will not be binding on firms, the FCA will take it into account in deciding whether a firm has followed the law and whether any supervisory or enforcement action is warranted.

A turn in the sandbox...

FINANCIAL CONDUCT AUTHORITY UNVEILS SUCCESSFUL SANDBOX FIRMS ON THE SECOND ANNIVERSARY OF PROJECT INNOVATE

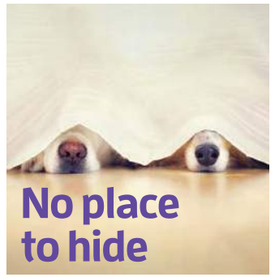
In November, the Financial Conduct Authority (FCA) marked the second anniversary of Project Innovate by announcing the firms that were successful in their applications to begin testing in the first cohort of the regulatory sandbox.

The regulatory sandbox is part of Project Innovate, an initiative kicked off in 2014 to provide innovators with support to navigate the regulatory system and promote competition in the interest of consumers.

The first cohort of the regulatory sandbox closed to applications on 8 July 2016. The FCA received applications from 69 firms from a diverse range of sectors, geographies and sizes. 24 applications were deemed to meet the sandbox eligibility criteria and were accepted to develop towards testing, including early stage start-ups, challengers and incumbent firms.

The current list of 18 firms expect to begin testing shortly. Tests will be conducted on a short term and small scale basis. The FCA have worked with the sandbox firms to agree testing parameters, building in consumer safeguards. In addition to the firms below, six firms were not ready to begin testing and will be part of group two.

Firms can apply to be part of the second sandbox cohort from 21 November 2016. The application period will close on 19 January 2017. The FCA encourages applications from firms of all sizes.



No place to hide

CONSULTATION FROM FCA ON ITS FUTURE MISSION

At the end of October, the FCA began a consultation on its mission document, a set of principles that will inform its strategy and day-to-day work. The regulator proposes that part of its new mission should clarify that it can go after unregulated firms if they pose a threat to consumers. It says: "Our market integrity objective applies to the overall UK financial system. This means that, if we believe that a regulated firm's unregulated activity could affect the integrity of the financial system, for example the mis-selling by a firm of a product that the FCA does not regulate, we could seek to make rules or use other powers."

The key themes covered include:

- protecting consumers
- vulnerable consumers
- delivering consumer redress
- when the FCA intervenes
- the scope of regulation
- the interaction between regulation and public policy
- competition, supervision and enforcement
- the FCA handbook.

Comments are required by 26 January 2017. An accompanying regulation roundup states the FCA will publish the final mission paper with its 2017/18 business plan.

Chain reaction...

HM TREASURY RESPONSE TO CMA REPORT ON COMPETITION IN THE RETAIL BANKING MARKET

On 9 August 2016 the Competition and Markets Authority (CMA) published the final report of its market investigation into retail banking. The CMA found features of the banking sector that restrict effective competition. The CMA also found specific market features which leads to adverse effects on competition in the supply of Small to Medium Sized Enterprise (SME) banking services. As part of the remedies package, the CMA makes four specific recommendations to government:

1. HM Treasury to give an authority powers to have regulatory oversight of the CASS.
2. HM Treasury to work with credit reference agencies and SME lenders to enable SMEs to undertake soft searches for loans.
3. HM Treasury to review commercial, technical and regulatory developments in the area of sharing SME data.
4. Department for Business, Energy and Industrial Strategy (BEIS) to work with the British Business Bank and professional associations to explore ways in which their members can channel advice on identifying and choosing providers and sources of finance to SMEs.

The government responses are below:

1. HM Treasury to give an authority powers to have regulatory oversight of CASS.
2. HM Treasury to work with credit reference agencies and SME lenders to enable SMEs to undertake soft searches for loans.
3. HM Treasury to review commercial, technical and regulatory developments in the area of sharing SME data.
4. BEIS to work with the British Business Bank and professional associations to explore ways in which their members can channel advice on identifying and choosing providers and sources of finance to SMEs.

The shape of things to come?

NEW POUND COIN – FIRMS TOLD TO PREPARE FOR REDESIGN

Businesses should get ready now for the introduction of the new 12 sided pound coin, the Treasury has said. A new website is urging firms to adapt their equipment and train their staff in preparation for the arrival of the new coin in March 2017. All machines accepting cash, whether it's in exchange for a rail ticket or a chocolate bar, will have to be updated. For a six-month transitional period businesses will need to accept both the old and new coins. After that the existing round pound coin will be phased out.

The website, hosted by the Royal Mint, suggests that businesses should check before March whether any of their cash handling equipment needs updating, and make sure machines that take payment in coins can handle both the old and the new versions.

"The new £1 coin will be the most secure of its kind in the world and its cutting-edge features will present a significant barrier to counterfeiters, reducing the cost to businesses and the taxpayer," said David Gauke, the Chief Secretary to the Treasury.

Stress test...

RSB FAILS BANK OF ENGLAND STRESS TEST

Royal Bank of Scotland has failed to meet two key requirements of the Bank of England's stress test, which also revealed capital inadequacies in Barclays and Standard Chartered.

RBS, which is still 73% owned by the government, did not meet its Common Equity Tier 1 capital or Tier 1 leverage hurdle rates in the test, which conducts a hypothetical UK and global recession and an independent stress of misconduct costs. As a result, RBS has already updated its capital plan which has been accepted by the PRA Board.

Barclays and Standard Chartered have also announced plans to strengthen its capital position and will not need to submit a revised capital plan. The test did not reveal capital inadequacies for the other four participating banks, HSBC, Lloyds Banking Group, Nationwide Building Society and Santander UK.

Commenting on the results, Ewen Stevenson, chief financial officer, said: "We are committed to creating a stronger, simpler and safer bank for our customers and shareholders. We have taken further important steps in 2016 to enhance our capital strength, but we recognise that we have more to do to restore the bank's stress resilience including resolving outstanding legacy issues."

Source: financial reporter

BBA Brexit quick briefs

The British Bankers' Association (BBA) has launched a webpage on a number of Brexit 'quick briefs': a series of short papers intended to inform readers about key commercial, regulatory and political considerations relating to Brexit and banking.

1. staying in or leaving the EU single market.
2. An orderly exit from the EU.
3. What is 'passporting' and why does it matter? (with summary).
4. What is 'equivalence' and how does it work? (with summary).

The papers can be found at: www.bba.org.uk/landingpage/brexit

Source: British Bankers' Association

Tied up with string?

NEW RULES ON PACKAGED BANK ACCOUNTS HAVE IMPROVED STANDARDS, BUT FIRMS HAVE MORE WORK TO DO ON SALES AND COMPLAINTS HANDLING

In October, the Financial Conduct Authority (FCA) published findings from its thematic review of packaged bank accounts.

In 2013, the FCA introduced new rules on packaged bank accounts. These were designed to help customers understand whether the product was right for them. Firms are now required to establish and record whether customers are eligible to claim for each of the insurances in the package. They are also now required to send annual statements, prompting customers to review their eligibility and whether the products continue to meet their needs.

The findings of the thematic review suggest that the new rules around packaged bank accounts have raised standards in the market, but that firms have more work to do on sales and complaints handling.

The review found that eligibility checks for travel insurance had improved, but firms had more work to do to check and record eligibility for other insurances, such as gadget insurance and motor breakdown cover.

The review also assessed how firms were dealing with complaints initiated in late 2014 about packaged accounts, when complaints volumes were rising. The review suggested that too many customers who complained about being mis-sold packaged bank accounts during this period did not get the right outcome, a finding supported by the number of complaints the Financial Ombudsman Service (the Ombudsman) upheld in that period.

Steady as she goes?

INDUSTRY MUST DO ITS BIT TO MAINTAIN CREDIT STANDARDS, SAYS FCA'S BLACKWELL

Speaking at the Financial Services Expo (FSE) Lynda Blackwell, Mortgage Sector Manager at the FCA, said that the FCA was looking at a number of challenges that might impact on future growth in the market, in particular potential increases in business activity in high risk product areas.

Blackwell said the FCA was concerned about a growing appetite, from both lenders and intermediaries, to move into 'high-risk sectors'.

"Buy-to-let seems to have bounced back a bit recently but that seems to be on the remortgage side," she said. "Some commentators are saying it's dropped by 30% and we've certainly seen a massive correction in the market since the end of quarter one. Buy-to-let is not going to be the growth area it once was and firms will have to diversify."

Blackwell outlined how the FCA has recently analysed a number of product sectors it defines as higher risk and has seen a trend for increased activity in some specific areas, notably mortgages for the credit impaired, debt consolidation loans and right to buy.

In terms of forthcoming challenges for the broker market, Blackwell highlighted the move towards Brexit as well as the potential impact of robo-advice.

CML – GROSS MORTGAGE LENDING REACHES £20.5 BILLION IN SEPTEMBER

The Council of Mortgage Lenders estimates that gross mortgage lending reached £20.5 billion in September. This is 7% lower than August's lending total of £22.1 billion, and 2% higher than the £20.1 billion lent in September last year. This is the highest September figure since 2007 when gross lending reached £29.9 billion.

Gross mortgage lending for the third quarter of 2016 was therefore as estimated £63.6 billion. This is 11% higher than the second quarter of this year, and 4% higher than the third quarter of 2015.

Digging deeper

CITY WATCHDOG TO EXAMINE OVERDRAFT CHARGES

The Financial Conduct Authority (FCA) is to launch an investigation into overdrafts, signalling it could reverse the competition regulator's decision earlier this year not to impose limits on charges.

The Competition and Markets Authority (CMA) published a raft of measures in August aimed at shaking up the retail banking market but has faced criticism that the findings of its two year probe would fail to do enough to break the vice like grip of the big lenders on the high street.

The competition regulator's decision that banks set their own maximum monthly charges on overdrafts, instead of regulators imposing a cap, came in for particular criticism.

However, the FCA said that it planned an investigation on overdrafts that would go 'beyond the scope of the CMA's recommendations', as part of a broader inquiry into high cost loans.

As part of its broader review into the high cost credit market, the FCA is also expected to look at payday and logbook loans.

The CMA has continued to face fierce scrutiny of its banking report, which ran to 700 pages and cost £5m to produce, in the months since it was published.

The BBA has published its High Street Banking Statistics for October 2016

KEY POINTS:

- house purchase approval numbers are 10% lower than in October 2015 and in the first ten months of 2016 were 4% lower than in the same period of 2015
- consumer credit is now showing annual growth of over 7% reflecting strong retail sales growth in October supported in the case of personal loans by favourable interest rates
- net capital market issues by non-financial companies increased by £3.3bn in October and in the ten months to October 2016, a total of £17.2bn (net) has been raised. This alternative finance compares with an increase in bank borrowing of £7.9bn (net) over the same period.

Dr Rebecca Harding, BBA chief economist, said:

"Consumer credit is now growing at its fastest rate since November 2006, reflecting strong retail sales growth. Consumer confidence remains robust as borrowers take advantage of record low interest rates.

"Mortgage approvals ticked up a little October. There has only been a relatively modest increase in activity since the Bank of England cut rates in August.

"Finally, there was a slight increase in business borrowing in October but this was driven by a one off factor and will probably unwind next month. However, businesses are increasingly going back to capital markets as a means to raise funding. They also continue to hold cash deposits, suggesting that they are building up cash reserves for ready access to resources should the need arise."

FLA publishes September data

NEW CAR FINANCE

New figures released by the Finance & Leasing Association (FLA) show that new business in the point-of-sale (POS) consumer new car finance market grew 9% by value and 3% by volume in September, compared with the same month last year. In Q3 2016 as a whole, new business was up 7% by value and 3% by volume. The percentage of private new car sales financed by FLA members through the POS reached 86.2% in the twelve months to September, up from 85.5% in the twelve months to August. The POS consumer used car finance market also reported new business growth in September, of 8% by value and 5% by volume.

CONSUMER FINANCE

Growth was shown of 7% in consumer finance new business in September, compared with the same month last year. In Q3 2016, new business was also up by 7% compared with the same quarter in 2015. Credit card and personal loan new business together grew by 8% compared with September 2015, while growth in retail store and online credit new business was flat. New business in the second charge mortgage market grew 4% by value and fell 1% by volume over the same period.

ASSET FINANCE

Whilst asset finance new business (primarily leasing and hire purchase) grew by 12% in September, compared with the same month last year, the thirty sixth consecutive month of growth. In Q3 2016, new business was also up by 12% compared with the same quarter in 2015. The commercial vehicle finance and business equipment finance sectors reported new business up in September by 5% and 29% respectively, while plant and machinery finance new business increased by 16% over the same period.

If the cap fits!

RENT-TO-OWN CUSTOMERS NEED PRICE CAP, SAYS CITIZENS ADVICE

Consumers who use 'rent-to-own' firms to buy goods should be protected by a price cap, similar to controls on payday loans, Citizens Advice has said. Up to 400,000 people use the firms to buy household appliances, typically paying the money back over a three year period. But after interest is added, they can end up paying twice the original price.

The Financial Conduct Authority (FCA) has told the BBC that it is prepared to consider such a cap on charges. Citizens Advice also said there was a lack of affordability checks in the industry, meaning that people signed up to agreements they could not afford. And it said that rent-to-own firms did not always take a flexible approach when shoppers got into debt.

Since January 2015, the FCA has imposed a cap on the amount that payday lenders are allowed to charge their customers. Since the introduction of that cap, Citizens Advice says that the number of people with payday loan debt problems has halved. So it wants similar controls on the rent to own market.

Total number of complaints continues to fall

Financial services firms recorded a 2.6% reduction in new complaints between January and June 2016 compared to the previous six months, according to new complaints data published by the Financial Conduct Authority. The total number of complaints was 2.05 million.

Payment protection insurance (PPI) is the most complained about product. The total number of PPI complaints was more or less unchanged at 0.93 million. Without PPI, the number of complaints was 1.12 million.

Complaints about current accounts have seen the largest reduction, 46,000 or 10%, in this period.

The total redress paid to consumers was £1.96 billion which is less than 1% lower than the redress paid between July and December 2015.

All product categories saw a reduction in redress payments in the first half of 2016 from the second half of 2015, except for home finance group of products which increased by 2% and general insurance and pure protection (including PPI) which increased by 6%.

Matchmaker... matchmaker...

NEW MATCHMAKING SERVICE FOR SMALL BUSINESSES LOOKING FOR FINANCE

Small businesses struggling to access finance from big banks will be matched with alternative finance options, under a new government scheme.

From 1 November 2016, nine of the UK's biggest banks will pass on the details of small businesses they have rejected for finance to three finance platforms. Funding Xchange, Business Finance Compared and Funding Options.

These platforms will then share these details with alternative finance providers and go on to facilitate a conversation between the business and any provider who expresses an interest in supplying finance to them.

These new rules make it easier for businesses to access finance when they have been turned down by traditional lenders.

RBS, Lloyds, HSBC, Barclays, Santander, Clydesdale and Yorkshire Bank, Bank of Ireland, Danske Bank and First Trust Bank, will all have to offer access to these finance platforms, with small business having to give their permission before their details are shared.

Research shows that 71% of businesses seeking finance only ask one lender and, if rejected for finance, many simply give up on investment rather than seek alternative options.

Last year 324,000 small and medium sized business sought a loan or overdraft, 26% of these were initially declined by their bank and only 3% of those declined were referred to other sources of help.

Under the thumb?

FCA URGED TO REMAIN INDEPENDENT

The Head of the Financial Conduct Authority is being urged to remain independent from politicians and instigate change, amid fears that rules introduced since the 2008 crisis are being watered down. The call to Andrew Bailey is made in a report published the New City Agenda think tank in October, which says there should be an overhaul of the way financial regulators are run.

The report highlights a reversal of some of the changes made since the banking crisis eight years ago. It points to the departure of Bailey's predecessor, Martin Wheatley, as "a political sacking orchestrated by the Treasury" and intended to signal a softer approach to the City. It describes a weakening of rules intended to hold bankers to account by forcing them to demonstrate they had behaved correctly, the so called reverse burden of proof, a year ago as the fastest climbdown in 300 years of financial regulation.

"There is a clear and present danger that we will repeat the mistakes of history. Much needed change is already being watered down," the report said. "The attention of politicians has moved on. The vote to leave the European Union will mean that the UK will be in full control of its regulation, but it will also have significant resource implications for regulators over the coming years. Regulators need to redouble their efforts to change their culture and move away from the bureaucratic and ineffective approaches of the past."

The report was written by André Spicer, a professor at Cass business school at City, University of London.

Sticking plaster policy?

FCA REGULATION HAS NOT FIXED THE PAYDAY LOAN MARKET

According to a new report from StepChange Debt Charity, nearly two years on from tough regulations implemented by the Financial Conduct Authority (FCA), the payday loan market continues to show signs of irresponsible lending and poor treatment of people in financial difficulty.

The proportion of people going to the charity with payday loan debts has fallen from its peak of 23% in 2013 to 16% this year, but the report identifies persistent and new issues that show regulation and political pressure have by no means fixed the market.

The report also questions whether regulation is falling behind changes in the market, with lenders shifting from the traditional 30 day payday loan to more costly, longer term instalment loans.

The charity is calling on the FCA to finish the job of tackling these problems during the upcoming review of payday loans, and is calling on the government to help by looking at new forms of affordable credit for those that need it the most.

Regulations introduced in 2015 were designed to tighten lending criteria, but the charity's evidence shows that irresponsible lending still occurs, people still build up multiple loans and affordability assessments undertaken by lenders are still not always effective. In the first six months of 2016, StepChange Debt Charity helped 28,000 people with payday loan debts and over a third of them had three or more such debts. The average amount owed was still £1,380, just £17 lower than before the regulations came into force.

A framework plan...

HM TREASURY CONSULTATION ON RULES FOR THE FMI SPECIAL ADMINISTRATION REGIME

In November, HM Treasury published a consultation on rules on rules for the Financial Market Infrastructure (FMI) special administration regime. The deadline for responses is 15 January 2017. The government expects that the FMI administration rules will be laid in 2017 and will then come into force on 6 April 2017 following the introduction of the Insolvency (England and Wales) Rules 2016.

The consultation seeks views from insolvency practitioners and legal professionals, given the application of insolvency rules. The government also seeks views from the financial industry, in particular companies operating payment and settlement systems, creditors to these companies, service providers and members of the systems. The government welcomes views from any other interested parties.

Autumn Statement 2016 – in a nutshell

The Chancellor Philip Hammond, delivered the Autumn Statement on 23 November which included a number of items relevant to financial services as follows:

- insurance linked securities
- FinTech
- pensions scams
- consumer insurances markets
- credit unions
- bank levy reforms.

The National Living Wage will increase from £7.20 to £7.50 from April next year, representing a pay rise of around £500 to a full-time worker. While this is undoubtedly good news for lower earners, it spells trouble for some businesses.

John Harding, employment tax partner at PwC, said: "This is positive news for working families, but the additional strain on 'EJams', employers just about managing, should not be underestimated. This comes at the same time employers are facing a triple whammy of additional costs from the Apprenticeship Levy, holiday pay changes and pension auto-enrolment increases.

Flying free...

LATEST EMPLOYMENT FIGURES CONFIRM POPULARITY OF SELF-EMPLOYMENT

Self-employment in the workforce shows no sign of slowing, as the latest UK employment statistics have revealed the lowest unemployment rate for eleven years.

Data from the Office for National Statistics (ONS) for July to September 2016 has highlighted that the popularity of self-employment continues to rise.

Since the same period a year ago, the number of self-employed has increased by 213,000, and now totals 15.1% of all workers.

The employment statistics also show an increase of 350,000 people in full time jobs compared with the same period in 2015, with 23.24m of the population now in full time work.

The data suggests that small business owners have looked to recruit new staff in 2016, particularly on a part time basis. There are now 8.56m people in the UK working part time, a jump of 110,000 since last year.

National Chairman at the Federation of Small Businesses (FSB), Mike Cherry, welcomed the findings. "More people in work is testament to the hard work of small business and the fall in unemployment is especially welcome", he said.

Source: Business Advice

Banking fraud up 13% as fraudsters continue to wreak havoc

October's Office for National; Statistics (ONS) crime figures show banking and credit fraud is up 13% in the year ending June 2016. John Marsden, Head of ID and Fraud at Equifax, comments:

"Companies have stepped up their fraud protection with multiple layered fraud defences, but this often moves criminal activity to channels that are less well protected. Fraud is a surprisingly professional industry. The number of cases continues to rise as criminals find new ways to access information, often fueled by a deep understanding of their target's identity.

"Consumers must take steps to protect themselves from falling prey to fraudulent behavior. People are without doubt confused about where to store and share confidential information like their bank account number, sort code and even date of birth. The advice is very clear, remain vigilant, and keep the following guidelines in mind when handling your personal information:

- do not do your online banking in public places and definitely do not use public wi-fi (criminals can set up bogus public wi-fi hotspots to access devices and information)
- never respond to unprompted banking messages unless you are absolutely certain the request is genuine, for example you have spoken with your bank to confirm
- be very aware of domain names online and the security signs visible in a browser. Make sure you log on to a banking website at a web address you know, not via a link
- never provide any banking details to a third party you don't know or are unsure about (in part or as a whole)
- avoid unnecessarily sharing details.

At the end of the rainbow?

FCA FINDS WEAK PRICE COMPETITION IN SOME AREAS OF THE ASSET MANAGEMENT SECTOR

In November, the Financial Conduct Authority (FCA) published the interim findings of its asset management market study, which suggests that there is weak price competition in a number of areas of the asset management industry.

The FCA launched the market study in November 2015 to assess whether competition is working effectively. It looked at whether institutional and retail investors get good value for money when purchasing asset management services. The UK's asset management industry is the second largest in the world, managing almost £7 trillion of assets. Over three quarters of UK households with occupation or personal pensions use the services asset managers offer.

The FCA found that:

- there is limited price competition for actively managed funds, meaning that investors often pay high charges
- there is stronger competition on price for passively managed funds
- fund objectives are not always clear, and performance is not always reported against an appropriate benchmark
- despite a large number of firms operating in the market the asset management sector as a whole has enjoyed sustained, high profits over a number of years with significant price clustering
- investment consultants undertake valuable due diligence for pension funds but are not effective at identifying outperforming fund managers. There are also conflicts of interest in the investment consulting business model which require further scrutiny.

The FCA has proposed a significant package of remedies that seek to make competition work better in this market, and protect those least able to engage actively with their asset manager.

Hit the ceiling?

POLICY STATEMENT AND FINAL RULES ON CAPPING EARLY EXIT PENSION CHARGES

A policy statement published by the Financial Conduct Authority (FCA) on capping early exit pension charges contains feedback to the May 2016 consultation. The FCA is going ahead with proposals outlined in CP16/15 and from 31 March 2017, early exit charges:

- will be capped at 1% of a member's benefits
- cannot be increased in existing schemes that currently have early exit charges set at lower than 1%
- cannot apply in schemes entered into after the new rules come into force.

Secondary legislation specifies matters that are not to be treated as early exit charges for the purpose of the cap.

Christopher Woolard, executive director of strategy and competition at the FCA said: "People eligible for the government's pension reforms should feel able to access them as they wish. The 1% cap on early exit charges for existing pensions, and the 0% cap for new contracts, will mean that current and future savers will not be deterred by these charges from accessing their pension pots."

INFLATION SEES SURPRISE FALL TO 0.9%

Amidst all the talk of 'Trumpflation' across the pond, the UK's inflation rate has confounded expectations by falling in October.

The consumer price index (CPI) rose by 0.9% in the year to October, compared with a 1.0% rise in the year to September, according to the latest ONS statistics.

Economists had expected a small uptick from 1.0% to 1.1%, a continuation of the recent upward trend. The main downward contributors were clothing prices and university tuition fees, both of which rose by less than a year ago. Sterling fell sharply on the news, losing around half a cent against the US dollar, according to Hargreaves Lansdown.

Downward pressures were offset by rising prices for motor fuels, and by prices for furniture and furnishings, which fell by less than they did a year ago.

CPIH rose by 1.2% in the year to October 2016, unchanged from September.

Source: financial reporter

Government plans to crackdown on fraudulent whiplash claims

The Ministry of Justice (MoJ) has launched a consultation on its plans to reduce the high number of whiplash claims and help insurers cut premiums. Insurers have pledged to pass on savings to policyholders, worth a total of £1 billion.

Whiplash claims are 50% higher than a decade ago, despite the UK having some of the safest roads in Europe and a fall in the number of accidents. This has been fuelled by what the MoJ calls 'a predatory claims industry that encourages minor, exaggerated and fraudulent claims', driving up the costs of insurance premiums for motorists.

The consultation, which runs until 6 January, outlines plans to scrap the right to compensation or put a cap on the amount people can claim for minor whiplash injuries. Capping compensation would see the average pay out cut from £1,850 to a maximum amount of £425. Compensation would only be paid out if a medical report were provided as proof of injury.

Never too old?

BUILDING SOCIETIES LENDING AGE LIMITS

The Building Societies Association has published an updated list of the thirty societies who have chosen to increase their upper lending criteria age limit to 80, 85 or has removed it all together.

Following the recommendations of the BSA's 2015 interim report on Lending into Retirement (Lending to older borrowers), building societies have largely reviewed their lending criteria.

For a full list visit www.bsa.org.uk.

An eye on the future?

GOVERNMENT LOOKING TO EXTEND AUTO-ENROLMENT TO SELF-EMPLOYED

Pensions minister, Richard Harrington, has announced the government will be undertaking a review of auto-enrolment and is considering ways to bring self-employed workers and low earners into saving under the scheme. In an interview with the Financial Times, Harrington said: "The self-employed are not all people with accountants and independent financial advisors. Many self-employed people could now be earning the minimum wage, maybe a bit more, but it is complicated. In the end we have to look at them being included in an envelope like the auto-enrolment system, and the same with people who have multiple jobs."

David Newman, Head of Pensions at Close Brothers Asset Management, commented: "Ensuring the self-employed have put aside enough for their future retirement is one of the toughest nuts for the Pensions Minister to crack. Given the success of auto-enrolment among other parts of the workforce, expanding the scheme to encompass the self-employed makes sense. To do nothing is to see a pension saving gap among a group of 4.8m become a saving chasm.

"With the state support for retirement likely to diminish in the future, pension planning is only going to grow in importance. The first step is build a savings habit, the second step is to set aside enough each month to build a big enough pension pot to retire in comfort."

Source: financial reporter

Sentinel™

Can your Loan Management System take your customers on a journey

Payday Loan • Instalment Loan Guarantor Loan • Secured Loan

Our experience and knowledge of the instalment credit market means that our **Sentinel** system is capable of handling a multitude of different loan agreement types as standard.

This flexibility is at its core assisting you to drive your lending business forward through the changes required by the FCA.

The adaptability means that it provides an end-to-end solution with web services enabling applications from customers, lead generators, brokers and affiliates and a back office function taking your customer from their initial application and underwriting through payment collections and arrears management to settlement.

It is already the system of choice for over 200 companies. Why not call us to see why these companies chose **Sentinel**.

For further information on how Sentinel can help your business contact:

Mike O'Sullivan 01248 672940
07854 955070

Alternatively email
enquiry@anchor.co.uk

Anchor Computer Systems, 1 Chestnut Court, Parc Menai, Bangor, Gwynedd LL57 4FH **Tel.** 01248 672940 **www.anchor.co.uk**

ANCHOR™ Computer Systems Limited

CONNECTING AND NAVIGATING LIFE AFTER AUTHORISATION

Keep your contact details on the Connect system up to date so that the regulator can contact you if they need to.

Connect is the FCA online system where you can submit applications and notifications for:

- approved persons
- appointed representatives
- variation of permission
- standing data
- passporting
- part 4A permission (dual regulated firms still have to use the paper forms)
- payment institutions: authorise, register or cancel
- PSD agents: add, amend or remove
- cancellations of Part 4A permissions
- consumer buy-to-let registration
- suspicious transaction and order reports (STORs)

Consumer credit firms looking for guidance on being supervised by the FCA can find further help and information in our post-authorisation video guides. You can find them on our consumer credit web page.

For more information please visit www.symanteccloud.com

NEW MEMBERS

Moore Stephens LLP
London

Ramsdens Financial Ltd
Coulby Newham

EUI Ltd
Cardiff

RSW Law Ltd
Wilmslow

Instamoni Ltd
Farnborough

Autovolo Ltd
Hertfordshire

Armada Investments Ltd
Exeter

CCTA MARKETING OPPORTUNITIES 2017

Our new Marketing Opportunities Brochure will be distributed early in the New Year. It will contain updated details of:

- **Consumer Credit Magazine advertising**
- **sponsored magazine articles**
- **mail shot promotions**
- **website advertising**
- **general sponsorship**
- **conference opportunities**
- **CCTA's communication and networking structure.**

If you are not on our marketing list, and would like a copy, email: marketing@ccta.co.uk

Subject: 2017 Marketing Opportunities Brochure Request

Name and job title

Company name

Email address

CCTA TRAINING 2017

We are currently updating courses for our 2017 training offer in line with amended regulation. A full schedule and details will be available early next year.

Our venues will include London, Manchester and Birmingham, and we will be updating relevant existing courses.

All members will be contacted as soon as further information is available, and the Training Programme will be uploaded to the non-member pages of our website on release.

If you have any question please contact: training@ccta.co.uk

BRIEFING SEMINARS 2017

Our 'member only' briefing seminars provide in depth information and clarity around any current major issues facing our industry. Because of this they are not scheduled in advance, but dates for 2017 events will be forwarded to all members as and when necessary.

POLICY COMMITTEE MEETINGS 2017

A full 2017 schedule will be distributed to members, and will be available in the 'member hub' area of the website, as soon as they are published.

Current committee members with be informed personally, and details of the 'joining process' will be forwarded to all CCTA members along with the dates, early next year.

CELEBRATE MEMBER AUTHORISATION

AUTHORISED MEMBERS

ADVANCIS LTD. T/A BUDDY LOANS
PRA GROUP (UK) LTD.
THE SMARTERBUYS STORE LTD.
SKYLINE DIRECT LTD.

YUILL & KYLE JOINS SELECT MINORITY OF INDEPENDENT SCOTTISH LEGAL FIRMS TO GAIN FCA AUTHORITY

Glasgow based independent law firm Yuill & Kyle Limited has secured full authorisation from the Financial Conduct Authority, the 'gold standard' for firms carrying out pre-sue collections of regulated debt.

The status, acquired following a rigorous application process, means the West Regent Street business is now one of only a tiny number of independent Scottish legal firms so recognised by the FCA.

The City watchdog's authorisation means the firm can now carry out debt collection services in compliance with FCA regulations, including pre-sue collections whether by writing, or phoning a creditor's customers who are in default.

YUILL & KYLE SOLICITORS

VEHICLE CREDIT

Vehicle Credit Limited is extremely pleased to announce that in September 2016 it obtained full FCA Authorisation. Vehicle Credit Limited provides Hire Purchase financing to the motor finance industry in the sub-prime market, with coverage all over England & Wales.

With the authorisation process taking almost 18 months to complete, the completion has come at a time when Vehicle Credit Limited are expanding its coverage of motor dealerships and therefore providing dealerships with the confidence that they are dealing with a lender who is compliant for their customers and will be remaining as a foundation of the sub-prime market.

Vehicle Credit Limited are now looking forward to the challenges ahead of expanding its operations further and becoming a recognised name in the sub-prime arena.

VTC Vehicle Credit Limited

JL MONEY

Receiving our full permission from the FCA is a significant milestone for us at JLM. This gives us the confidence to continue to take the necessary steps to build a significant consumer finance business which places customers with varying finance needs at the heart of all we do.

Although our application was not due to be submitted until November 2015, we began in house process of compiling all the necessary documentation in January.

Starting early meant we could submit a more 'complete' application to make the process smoother for us. Eventually when the FCA started processing our application, we only had to respond to five sets of questions before our permission was granted within the statutory 12 months period.

We found the FCA to be open and easy to talk to, especially given our unusual consumer finance business model.

JL money

MALLARD VEHICLE FINANCE

Mallard Vehicle Finance, the specialist near-prime vehicle finance lender, received full authorisation in August 2016. Mallard is a privately run hire purchase provider who operate throughout England and Wales. Having waited for six months with no news from the FCA, it was a relief to receive a very short list of further questions that were easily answered. Mallard was very fortunate to be able to go through the process without paying any consultants or compliance agencies. This was in part down to the support and advice we received from Graham at the CCTA, and Mallard would like to thank CCTA for this.

Mallard Vehicle Finance
the sensible finance company

AVANT CREDIT

AvantCredit offers unsecured personal loans. AvantCredit uses machine learning technology and big data to go beyond credit score and better assess the creditworthiness of these consumers. AvantCredit were fully authorised on 5th September 2016. The FCA authorisation process was relatively straightforward with most interaction with the FCA focussing on our new permissions of debt collection and debt administration.

AN AUTHORISATION STORY

mmf Debt Purchase & Recovery Specialists

Denise Crossley FCICM
Chief Executive Officer, Motormile Finance

Motormile Finance (MMF) were authorised in August 2016 following 18 months of scrutiny under FCA supervision. As this particular scenario is unique in the debt purchase space, we feel it now gives MMF a distinct edge in our market sector. Through the process of authorisation, we have had to evidence our business plan and processes to an unprecedented degree.

Authorisation generally involves the completion of a business plan, several forms, and a few questions here and there. MMF, in comparison, have been in the spotlight. The FCA has scrutinised every single aspect of the business from top down and bottom up, including due diligence sign off on all of our new purchases over the past 18 months. The journey, from start to finish, has been a huge learning curve and challenging at times. However, we have emerged a much stronger business as a result!

A NEW CHAPTER

When you speak to the FCA, having that authorised 'tick in the box', actually counts for very little if things are not right. In fact, what it does mean is that a business has met the threshold conditions, but ongoing supervision is the key. I liken it to driving; passing your test is the first important step, but careful driving by the rules thereafter is the ongoing supervision. FCA Authorisation will of course melt away into the ether, but supervision is certainly here to stay to ensure markets operate effectively and compliantly!

MMF's internal analysis and reporting on potential book purchases in now exemplary in the industry, which is a direct result of our supervision. For example, we ask our sellers for three or four times the volume of information compared to others bidding for the same debt book, and consequently our sellers have gained greater comfort from our experience when deciding to sell to MMF. Our experience has, we believe, resulted in MMF being considered the safest pair of hands right now. We know exactly what is required when interpreting the regulatory rules & guidelines, and we are executing them to the letter.

Having the ability to guide our sellers through the sale & purchase process in accordance with regulatory requirements has been key to protecting their brand in the long term. Selling to MMF gives greater assurances to our partners that we are working in tandem to create an improved customer journey and reduced complaints, which is a result of our specific insight and regulatory experience.

IT'S DEBT PURCHASE, BUT NOT AS WE KNEW IT

Unfortunately, some debts continue to be purchased by way of limited account sampling and checking data sets, followed by an exchange of contracts and relying on warranties if something goes wrong. However, this method bears no resemblance to the level expected by the regulator, and relying on warranties when something goes wrong is simply unacceptable.

The regulator expects, that when debts are sold, all information & documentation relating to each debt should be made available at the point of sale/purchase. This ensures the purchaser is completely assured that all the debts being offered are collectable, balances are accurate, relevant documentation has been served correctly, the documentation is valid, and so on.

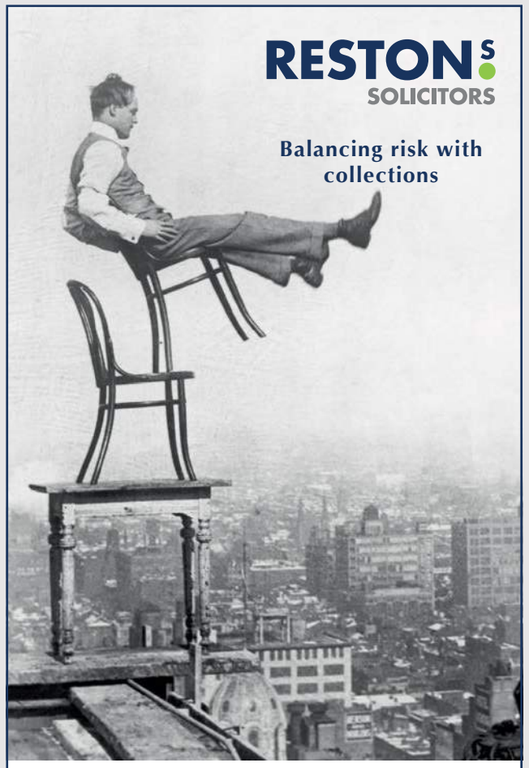
You cannot know all that for every customer of course, however undertaking vastly more due diligence on every portfolio being purchased, and thoroughly sampling individual accounts, will provide much greater confidence.

THE NEXT GENERATION

The industry has taken great strides over the past two years but it is still evident that not all purchasers are playing under the same rules. Some businesses appear to be operating under their interpretation of the rules that were deemed sufficient immediately prior to passing through the gateway of authorisation.

Is this right? The FCA's view is that they will catch up with offenders in supervision, be it through complaints, FOS reporting, consumer forums or thematic reviews therefore it is important that businesses ensure the correct way of operating is adopted at all times, in order to stay on the right side of regulation.

IN THE SPOTLIGHT



Restons Solicitors Limited assists a number of market leaders in the Debt Purchase, Finance and Utility sectors with both secured and unsecured collections.

Our fundamental understanding of commercial, reputational and compliance issues, together with a focused, proprietary interest in our clients' receivables means that we continue to excel in terms of client satisfaction, recoveries and complaint avoidance.

To find out more about how our expertise can help you, contact Nigel Coe on 01925 661602 or npc@restons.co.uk or go to www.restons.co.uk

RESTONS SOLICITORS

www.restons.co.uk

ADDLESHAW GODDARD AND HBJ GATELEY APPROVE MERGER

The partners of Addleshaw Goddard and HBJ Gateley have voted by an overwhelming majority to merge their businesses, creating the UK's 15th largest legal firm.

The merger, which will see HBJ's business, people and partners transfer to Addleshaw Goddard by June 1st 2017, will deliver stronger client and sector offerings across the whole of Great Britain.

As a single business, Addleshaw Goddard and HBJ believe it will better meet the needs of clients and the opportunities within the UK market whilst providing a stronger platform to further develop its business and its international scale. The enlarged firm retains Addleshaw Goddard's management structure. Malcolm McPherson from HBJ will join the Addleshaw Goddard Board.

STREET UK APPOINTS EQUIFAX FOR AFFORDABLE ONLINE LENDING LAUNCH

Equifax Limited, has been appointed by non-profit lender Street UK to support the launch of its online lending platform. Street UK is an ethical lender that provides loans to people underserved by traditional lenders.

Craig Tebbutt, Head of Alternative Lending at Equifax, said: "This appointment reflects our growing foothold within the alternative lending market as we continue to support new and existing lenders expanding their market reach. Street UK has a strong proposition and its decision to boost its online exposure will enable more people to easily access its services."

Kashaf Ali, CEO at Street UK, said: "Equifax was our first choice as we sought a reliable and well known brand with a comprehensive and robust range of verification solutions."

EQUIFAX

HAMPSHIRE TRUST BANK'S ASSET FINANCE TEAM APPOINTS EXPERIENCED UNDERWRITERS

Hampshire Trust Bank has announced the appointment of two underwriters to its asset finance team.

Alan Lowman and Nina Osborn have joined the specialist bank as Senior Underwriter and Underwriter respectively. Both will be focused on further improving broker service.

Hampshire Trust Bank's Asset Finance team offers hire purchase and leasing finance for businesses and consumers via a UK wide network of independent introducers. The division has completed over 6,000 deals since it began operating two and a half years ago.

Chris Welch, managing director of asset finance at Hampshire Trust Bank, said: "The success of the asset finance team is testament to the long term relationships we have with our intermediaries. We understand the importance of providing brokers with swift lending decisions and are constantly looking for ways to improve our service to the intermediary sector. Alan and Nina are key additions to our growing team."

Hampshire Trust Bank

Hampshire Trust Bank

Attention Finance Brokers:

Dependable and knowledgeable service

We specialise in **hire purchase** and **leasing finance** for small businesses via brokers.

Dealing personally with each application, our Asset Finance team is currently financing vehicles and equipment for businesses across a range of sectors.

So whatever your clients' individual needs, make us your next call.

For more information, please contact your local Broker Development Manager:

Alan Timms, Central and East:
07714 191181 | alan.timms@htb.co.uk

Colin Bailey, South:
07539 820936 | colin.bailey@htb.co.uk

Martin Jones, South West and Wales:
07757 372999 | martin.jones@htb.co.uk

Paul Barter, North West and Scotland:
07766 397836 | paul.barter@htb.co.uk

t: 020 7862 6262
e: assetfinance@htb.co.uk
www.htb.co.uk

Hampshire Trust Bank Plc is authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority. Our FRN number is 204601. We are a company registered in England and Wales, registration number 01311315. Registered office: 131 Finsbury Pavement, London EC2A 1NT. Hampshire Trust Bank, HTB and are registered trademarks of Hampshire Trust Bank Plc.

LEGAL NEWS

Q&A

Clive Summers
Regulatory Director, Eversheds Consulting

EVERSHEDS Consulting

Complaints – Why is the FOS so important?

Set up by parliament the Financial Ombudsman Service (FOS) badges itself as the UK's official expert in sorting out problems with financial services.

The FOS will resolve and provide an unbiased answer to any complaints that are referred to it where a financial service business and the customer cannot resolve the situation.

If FOS decides someone has been unfairly treated it has the legal powers to put things right. FOS has wide powers to decide an outcome and where appropriate impose redress. In reaching a decision the ombudsman will do this by considering what is fair and reasonable in all the circumstances of the case. In considering what is fair and reasonable relevant law and regulations, the regulators' rules and guidance, codes of practice and what are considered to be good industry practice at the relevant time are all considered.

So why are the actions of FOS so important for consumer credit firms to be aware of, both in terms of the day to day dealing with FOS on the firm's complaints but also in respect of the data and information FOS generates?

Most firms are aware that FOS decides and rules on most complaints that are not concluded by firms' complaints processes (those falling within the FOS jurisdiction) and it is important to note that all firms have an obligation to co-operate fully with FOS in resolving a complaint, including the disclosure of key documents relating to the matter.

The service is also free to the customer but a fee is payable by the firm and therefore it is in the firm's best interests to resolve complaints fairly and in a timely fashion to minimise the progression of these through to FOS.

There are also several other key areas to be mindful of:

- the decision of the ombudsman is binding on the business if the decision is accepted by the customer and enforceable in court
- there is reputational risk in this situation as all ombudsman decisions are now published on the FOS website, and there is a tool enabling web users to search complaint rulings against a firm
- FOS shares information with the Financial Conduct Authority
- when FOS rules against a firm it is important to revisit any route cause analysis undertaken to ensure that any similar poor customer outcome drivers are acted on and similar complaints or situations are re-visited.

Firms can of course make dealing with FOS easier by following a number of simple steps. It is key to check time limits early when dealing with a case and flag this with FOS. Documents should also be provided and the position should be explained in a clear and measured way. Firms should also encourage open and friendly dialogue with FOS and finally in dealing with complaints bear in mind vulnerable customers.

Finally care should be taken on escalating a complaint to the ombudsman if an adjudicator upholds it and it may be appropriate to consider a different approach on wider industry issues or cases of significance.

Philip Alton
Partner, Credit, Finance & Leasing

Gateley Plc

Salary sacrifice, sacrificed

It has been a popular tool in the employee benefits armoury for almost ten years, but the Chancellor's Autumn Statement sounded the death knell for most forms of salary sacrifice.

Salary sacrifice is an important product in the car finance market, currently estimated to represent about 5% of the UK car finance market. Under it, employees agree to exchange some of their salary for a non-cash benefit in kind (and this article will focus on cars). The benefit is taxed at a lower effective rate when compared with salary, or is not taxed at all.

With the exception of schemes for pensions, childcare, ultra-low emission cars and the Cycle to Work scheme (which will become exempt), from April 2017 salary sacrifice will be treated in the same way as if the benefit had been provided in cash. Grace periods of up to a year will be given for existing schemes, rising to four years for schemes involving cars, accommodation and school fees. The Treasury estimates that these changes will produce an annual tax saving (and consequent cost to taxpayers) of £200m.

Doing nothing is not an option. Funders and employers currently operating salary sacrifice schemes should look at alternative ways of providing benefits in a tax-efficient way. Various options remain available and, for cars, these include employee car ownership (ECO) schemes.

Under an ECO scheme the employer gives the employee a monthly allowance to spend on a car. The vehicle must be owned by the employee to avoid 'benefit in kind' charges. The monthly cost of the vehicle is taken out of the employee's salary and, for business use, mileage can be reimbursed to the employee. The benefits of ECO are that it avoids company car tax and also provides national insurance savings.

The downside of ECO is its more complex structure, which is partly due to the necessary fleet modelling but also because of the underlying legal and regulatory framework within which they operate. Because the employee must own the vehicle the end-user agreement is generally a credit sale agreement. This carries a number of consequences:

- the end-user agreement will be Consumer Credit Act regulated
- the vehicle funder will need to be Financial Conduct Authority (FCA) authorised
- the employer will need to be FCA authorised for credit broking activities (or act as an AR).

The need for detailed fleet modelling, together with the requirement for the employer to be FCA authorised mean that lead times for introducing ECO are not short. Prompt action is advised!

Paula Swain
Partner, Shoosmiths

SHOOSMITHS

It is not FOS's obligation to apply the law

A recent case demonstrates the role of the Financial Ombudsman Service (FOS) and the importance for creditors of seizing the opportunity to put their case across to FOS when they have the chance.

In The Queen on the Application of Clifford v Financial Ombudsman Service, 2016, the High Court in Manchester was asked to decide whether permission to proceed with judicial review of an ombudsman's decision should be granted.

FOS upheld a complaint in 2015 about the selling of PPI. The applicant seller sought permission for a judicial review of the decision. This is something that many readers might have considered upon receipt of a disappointing decision from FOS. The applicants felt that ombudsman had failed properly or sufficiently to investigate the matter.

The case refers to section 225 of the Financial Services and Markets Act, and the obligation on the ombudsman to resolve complaints speedily and with minimum formality. FOS is obliged to allow redress in appropriate circumstances which is both fair and reasonable. It is not FOS' obligation to apply the law, this is a matter for a court. The aim of FOS is to provide appropriate redress where a complaint is upheld. FOS is not obliged to consider the law as an exclusive guide to the resolution of the complaint, but should have regard to published guidance applicable.

The applicant alleged that certain allegations made by the customer were false, and that the ombudsman should have been assiduous in the search for evidence before making a decision.

The court rejected the application, and upheld the ombudsman's decision noting that in the firm's representations to the ombudsman no reference was made to any falsity on the customer's part. This allegation was raised after the decision had been made. It was also noted that the firm had not made representations challenging the allegation that the firm had made a recommendation in relation to the policy. As to the guidance considered by the ombudsman, the guidance was not guidance directed to the ombudsman, it was guidance directed to the firm. The ombudsman is entitled to have regard to this.

The court concluded that: "I am satisfied that the ombudsman gave careful consideration to whether or not there was a personal recommendation, did so by reference to available guidance and from a careful consideration of the documentation, no arguable case has been raised."

This case advocates the importance of considering FOS complaints carefully and ensuring that you have provided FOS with all relevant information and your detailed response in full. There is value in obtaining early legal advice.

Joanne Davis
Head of Asset, Leasing and Consumer Finance, Locke Lord

Locke Lord

CCTA – FCA Consultation: 'Guarantor' loans

QUESTION: I'm a lender who regularly asks for a guarantor on regulated deals. I understand the FCA is looking at changing what is required before being able to recover from a guarantor if the customer defaults. What do I need to do?

ANSWER: The FCA has published a guidance consultation on its proposed interpretation of the default notice requirements for 'guarantor loans'. After initially consulting the industry on draft guidance in February 2016, the FCA is consulting the industry further with a final policy statement setting out their position on the issue due next Spring.

The consultation concerns regulated agreements, both credit and hire, under which an individual (an individual in this instance does not solely mean an individual person, but also a partnership of three or less), other than the borrower, provides a guarantee or indemnity. The guidance specifically concerns sections 87 and 111 of the Consumer Credit Act 1974 (CCA) under which a default notice must be served on the debtor, and a copy also served on the guarantor, before the lender can 'enforce any security'.

The guidance is primarily concerned with the interpretation of the phrase 'enforce any security'. The majority of those within the industry have been in agreement for years that enforcement implies a measure of compulsion being imposed on the debtor or guarantor. The FCA's position in its February consultation was somewhat different to this, arguing that enforcement meant "taking or requesting payment". Under that initial interpretation, a lender would not have been able to take a payment from a guarantor without first issuing a default notice and providing a copy to the guarantor.

Following consultation throughout 2016 the FCA has modified its position a little, although not yet to the extent likely desired by the industry. Their revised interpretation is that a guarantee will be enforced if:

- the lender demands payment by the guarantor
- the lender takes payment from the guarantor using a continuous payment authority or direct debit mandate without providing appropriate prior notification to the guarantor.

The FCA has clarified that a guarantee is not enforced if:

- payment is made voluntarily but the guarantor, following notification of the borrower's default and without any element of compulsion
- the lender requests payment by the guarantor, but making clear that this is not a demand for payment.

If the FCA maintains this interpretation then lenders will need to think about how they engage with guarantors on an informal basis before a Default Notice is issued. Ensuring that conversations are accurately documented and that it can be demonstrated that no 'demand' has been made will be crucial to avoid the risk of breaching the Consumer Credit Act.

GOVERNMENT CONFIRMATION THAT UK WILL IMPLEMENT GDPR

The government has confirmed that the UK will implement the General Data Protection Regulation. Karen Bradley, Secretary for State, addressing the Culture, Media and Sports Select Committee confirmed that the UK will implement the legislation.

Karen Bradley stated: "We will be members of the EU in 2018 and therefore it would be expected and quite normal for us to opt into the GDPR and then look later at how best we might be able to help British businesses while maintaining high levels of protection for members of the public".

Government confirmation means that businesses should now prepare to comply with the changes and enhancements to data protection regulation required under the GDPR. Some key areas for consideration are as follows:

- enhanced consumer rights including more requirements in responding to subject access requests (which will not be chargeable and will need responses within 30 days rather than 40 under the Data Protection Act 1998), a right to erasure in certain circumstances, data portability (whereby individuals can request and electronic copy of their data be passed to a third party organisation)
- changes to the definition of consent. Consent will need to be demonstrable and reaffirmed and it can be withdrawn. Individuals will need to take action to confirm consent removing the opt-out option for organisations seeking to gain marketing consent, consumers will need to opt-in
- organisations processing special categories of data (sensitive data) or systemically monitoring personal data as part of its business will need to employ and independent data protection officer who has no conflict of interests
- reporting data breaches to the regulator and affected individuals will be mandatory within 72 hours of identifying the breach meaning that incident management plans and data breach handling plans will be essential for businesses
- privacy impact assessments will be required in certain instances
- data processors will share liability for protecting personal data along with data controllers
- privacy statements will need to be enhanced and there will be the need to make very clear the rights of individuals providing their personal information
- controllers and processors will need to be able to demonstrate that they have appropriate controls and data protection policies in place.

PRIVACY NOTICE GUIDANCE

The ICO has issued guidance regarding privacy notices stating that it is essential for organisations to clearly explain to consumers what they are doing with their data and why.

The ICO has provided a check list about how to notify consumers about how their data will be used stating that their needs to be consideration about how that notification takes place. It also states that organisations should regularly review how they notify consumers. A new code of practice, 'Privacy notices, transparency and control', has also been issued by the ICO. It includes a section about privacy notices under the GDPR because requirements are more specific that under the Data Protection Act 1998.

The GDPR states that information provided to individuals about processing personal data must be:

- concise, transparent, intelligible and easily accessible
- written in clear and plain language, particularly if addressed to a child
- free of charge.

DATA PROTECTION ACCIDENT WAITING TO HAPPEN?

A radical shake-up in data protection law is just round the corner
It goes beyond mere compliance – it will affect how you do business
How prepared are you?

Multimillion Euro fines
Mandatory data breach reporting
Requirement for a designated data protection officer
A higher bar for 'consent'
Restrictions on profiling
Marketing implications

Significant record-keeping and procedural requirements
Impacts on products and systems
Global application
Data portability and erasure
Consumer rights
Commercial implications

RegulatoryStrategies
www.regulatorystrategies.co.uk

Contact our directors Mike Bradford or Helen Lord by email at consultancy@regulatorystrategies.co.uk **or call** 07837 998626 **or** 07545 995316 **to discuss how we can help**

RECENT DATA BREACHES

ICO ISSUES £70,000 FINE

A company that sent out 2.2 million illegal marketing text messages has been fined £70,000 and ordered to stop by the ICO. The penalty was issued to London based Nouveau Finance Ltd, a company which provides a loan matching service.

Although there were only 92 complaints made about the messages, an ICO investigation revealed that Nouveau Finance Ltd had sent out over two million messages without consent.

The business, which is registered with the Financial Conduct Authority, contracted a marketing services company to carry out the six month long text campaign, but failed to check that this company had complied with the Privacy and Electronic Communications Regulations. People had not given permission to receive the messages and the company didn't identify who they were from. All of these failings broke the law. Steve Eckersley, the ICO's Head of Enforcement said: "Relying on another company to do your marketing is not a get out clause when it comes to the law. If your business has instigated a campaign, you are responsible and it's up to you to make sure it meets the requirements of some very strict regulations.

NUISANCE CALL BOSSES TO FACE £500,000 FINES

Company directors could be fined up to £500,000 if their business is behind nuisance phone calls, under government moves to clamp down on the problem.

The law is to be changed in Spring 2017 to make directors personally liable for breaches of regulations.

At the moment only firms can be fined for ignoring rules on cold calling, but many declare bankruptcy, only to open up again under a different name. The change will mean the Information Commissioner's Office (ICO) would be able to impose combined penalties of up to £1m on company directors and their businesses for breaches of the Privacy and Electronic Communications Regulations.

The ICO has issued fines totalling almost £3.7m to companies behind nuisance calls and spam text messages.

Digital and Culture Minister Matt Hancock said: "Nuisance callers are a blight on society, causing significant distress to elderly and vulnerable people. We have been clear that we will not stand for this continued harassment and this latest amendment to the law will strike another blow to those businesses and company bosses responsible.

FINANCIAL FIRM FINED AFTER SENDING SEVEN MILLION SPAM TEXTS

Company bosses are being urged to ensure their marketing complies with the law as a financial firm is fined £130,000 by the Information Commissioner's Office (ICO).

Intelligent Lending, trading as Ocean Finance, sent more than seven million texts offering a new credit card powered by a major lender.

Manchester based Ocean Finance believed it was complying with the law because the third party firm it obtained names and phone numbers from claimed it had people's consent to send texts.

But an ICO investigation found the consent was insufficient to meet the requirements of the law.

Steve Eckersley, ICO head of enforcement, said:"Company bosses everywhere should sit up and take note of this fine and check their practices are compliant with the law before embarking on marketing campaigns.It's your responsibility to make rigorous checks to ensure personal data has been obtained fairly and lawfully. It's not enough to rely on the word of a third party."

BARNET FIRM FINED BY INFORMATION COMMISSIONER'S OFFICE

A company which sent thousands of spam texts about loans has been fined £20,000 by the Information Commissioner's Office (ICO).

Rainbow (UK) Ltd, based in Barnet, broke the law about how people's personal information can be used for marketing.

Steve Eckersley, ICO Head of Enforcement, said: "The people who reported spam texts from Rainbow have helped us to investigate this company and take action. I would urge anyone disrupted by spam texts from other firms to report them so we can continue to clamp down on businesses like Rainbow."

An ICO investigation found Rainbow sent 21,000 spam texts over four months last year containing the following message: Get a CASH loan of up to 1000 pounds today! Apply now at www.payday-loansfor.me.uk/m and get your money in 10 mins. To opt out reply STOP. The scale of the contravention could have been much larger as Rainbow had attempted to send more than half a million text messages, but due to a technical error only 21,045 were successfully transmitted.

REORGANISING FOR THE AGE OF COLLABORATION

EQUINITI PANCREDIT

Graham Donald
Managing Director, Equiniti Pancredit

Over the past two years an unprecedented $25bn has been pumped into the global fintech market and it looks like this is just the beginning. According to a recent Accenture report, Q1 2016 saw a 67% year-on-year increase in global fintech investment. That's a $5.3bn injection of funds over just three short months.

Such vast sums are creating an environment where start-ups can launch, fail, rethink and re-engage, all in a matter of months. For long established financial institutions, most of which are used to a conservative and slow moving services market, this sort of behaviour isn't just unusual, it's borderline bizarre. For the new breed of start-ups, however, every stone is ripe for turning from the way customers consume financial services to the back-end systems that move money around the world.

Two years ago, the market had an adversarial feel. 'Disruption' was the industry watchword and the start-ups were on the offensive. How much business could be taken from the traditional banks and lenders? Could the new groundswell of start-ups signal the end of traditional banks entirely?

Since then, things have settled a little, resulting in a new dynamic. The number of start-ups adopting a collaborative model is increasing. While a high proportion of fintech companies continue to compete directly with traditional lenders, Accenture reckons that 44% of global fintech investment is now going to start-ups that position themselves as partners, not competitors, of established players.

This is good news, both for the industry and the customer. Enabling larger players to deploy digital services to their customers will guard against service fragmentation which, if left unchecked, could result in consumers' financial data strewn across different providers making it difficult to manage coherently.

Through collaboration, traditional lenders also get the opportunity to benefit from the agility and innovation that has, to date, been a defining characteristic of the fintech industry. The start-ups gain a steady and reliable revenue stream from the bigger players, together with a viable exit strategy (via trade sale). Moreover, the raft of new digital services will be subject to close quality control and governed by the closely regulated environment under which the big banks and lenders operate.

To take full advantage, however, the traditional players need to reorganise internally since partnerships bring their own sets of challenges. The market is crowded and start-ups come and go. How can a bank be sure to pick a winner? What's more, most fintech companies have a very specific product or service focus.

How many partners will a bank need to establish before it can offer a comprehensive suite of cutting-edge digital services?

Herein lies a big opportunity for next generation financial outsourcers, particularly those who, through acquisition, are able to offer a suite of digital services that can be wrapped up and delivered to a bank through a single managed services contract. Such a proposition requires some clout, however. A bank will be seeking to offload as large a part of their business as possible through such a partnership, meaning that the outsourcer must have the technologies and services 'ready to go', together with the regulatory compliance, the specialist processes needed to administer the services and enough skilled staff to support the service rollout as they scale up.

Those capable of serving this need should be making themselves known to banks, now. The fintech market is developing at a ferocious pace and it is unclear how long this current air of collaboration will last. What we can be sure of, however, is that things will change again. The digital market is upon us and it is now down to us all to keep pace.

BORDERLINE BIZARRE?

CREDIT WEEK
Supported by
creditweek.co.uk
CICM Chartered Institute of Credit Management

THE LARGEST CREDIT GATHERING IN EUROPE!

PARLIAMENTARY RECEPTION
Tuesday 28 March 2017

CDSP EUROPEAN NPL
Wednesday 29 March 2017

C-SUITE DINNER EUROPEAN RISK
Wednesday 29 March 2017

CREDIT SUMMIT
Thursday 30 March 2017

CREDIT 100 GALA DINNER
Thursday 30 March 2017

An unparalleled week of conferences, meetings, industry networking and events where the UK and European credit industry descends on London, the global home of financial services.

Join high street and alternative non-traditional lenders to understand the regulatory requirements, operational best practice and future areas of growth for consumer and commercial lending.

TO BOOK
Call +44 (0)20 7940 4835
Visit creditweek.co.uk
Email events@creditstrategy.co.uk

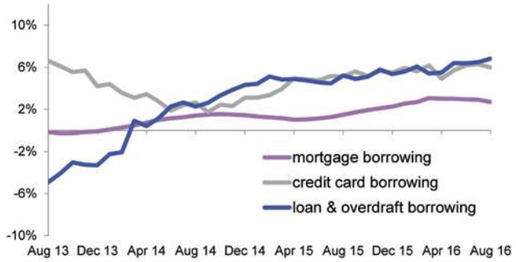
Hosted by
CREDIT STRATEGY

HPI Receipts Summary
October 2016

CATEGORY		TOTAL MARKET OCTOBER NEW	USED	TOTAL	YEAR TO DATE NEW	USED	TOTAL
PASSENGER CAR	2016	288107	290938	579045	2953240	2837669	5790909
	2015	289775	268895	558670	2816157	2486271	5302428
	% Change	0.58-	8.20	3.65	4.87	14.13	9.21
LIGHT COMMERCIAL VEHICLE	2016	18454	14909	33363	160898	147596	308494
	2015	17948	15394	33342	164069	132073	296142
	% Change	2.82	3.15-	0.06	1.93-	11.75	4.17
HEAVY COMMERCIAL VEHICLE +3500	2016	2970	1700	4670	28981	17658	46639
	2015	3780	2108	5888	27833	17322	45155
	% Change	21.43-	19.35-	20.69-	4.12	1.94	3.29
COACH	2016	179	245	424	2121	3674	5795
	2015	173	360	533	1715	3364	5079
	% Change	3.47	31.94-	20.45-	23.67	9.22	14.10
MOTORCYCLE	2016	5722	3518	9240	61080	32947	94027
	2015	5355	2967	8322	54856	30096	84952
	% Change	6.85	18.57	11.03	11.35	9.47	10.68
MOTOR CARAVAN	2016	74	412	486	1638	4335	5973
	2015	133	480	613	1725	4186	5911
	% Change	44.36-	14.17-	20.72-	5.04-	3.56	1.05
TOURING CARAVAN	2016	1077	2032	3109	12560	21132	33692
	2015	955	1974	2929	9903	20279	30182
	% Change	12.77	2.94	6.15	26.83	4.21	11.63
STATIC CARAVAN	2016	62	114	176	814	857	1671
	2015	171	122	293	1477	904	2381
	% Change	63.74-	6.56-	39.93-	44.89-	5.20-	29.82-
AGRICULTURAL TRACTOR	2016	684	493	1177	5763	5110	10873
	2015	471	443	914	5417	4866	10283
	% Change	45.22	11.29	28.77	6.39	5.01	5.74
MISCELLANEOUS	2016	19641	10231	29872	249530	101704	351234
	2015	28586	8958	37544	188359	81561	269920
	% Change	31.29-	14.21	20.43-	32.48	24.70	30.13
GRAND TOTAL	2016	336970	324592	661562	3476625	3172682	6649307
	2015	347347	301701	649048	3271511	2780922	6052433
	% Change	2.99-	7.59	1.93	6.27	14.09	9.86

HIGH STREET BANKING
AUGUST 2016

Annual borrowing growth rates
Household borrowing

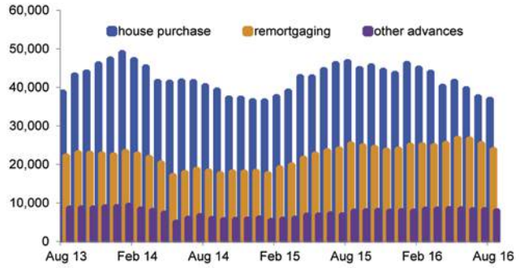


Gross mortgage borrowing of £12.4bn in the month was 1% higher than in August 2015.

Net mortgage borrowing is just under 3% higher than a year ago.

Consumer credit continues to show annual growth of over 6% reflecting fairly strong retail sales and in the case of personal loans and overdrafts favourable interest rates.

Mortgage approvals
Number of approvals



House purchase approval numbers are 21% lower than in August 2015 but in the first eight months of 2016 they are 2% lower than in the same period of 2015.

Remortgaging approvals were 6% lower than in August 2015 but in the first eight months of 2016 were 16% higher than in the equivalent period of 2015.

Other advances were 1% higher than a year ago.

UK CARD EXPENDITURE STATISTICS – OCTOBER 2016

The latest figures from the Office for National Statistics show the national retail sales volumes in October have grown at their highest rate since April 2002. This was evident by payment card use; the number of card purchases rose to a record 1.3 billion transactions, up by 0.9% on September.

Card spending also increased, up by 0.8% during October, and reached a milestone of £55 billion spent within a single month. This highlights the important role payment cards continue to play for the consumer, providing convenience, safety and familiarity in their payment choices. Card spending online grew by 0.8% to £12.9 billion; representing 23% of total card spending, while the number of online purchases rose by 1.2% to reach a record of 160 million, accounting for 13% of total card payments.

Annual growth rates

Growth in card spending continued to slow down in October with an annual rate of 3.9% – more than twice lower than a year ago (8.3%). This underlying slowdown could, in part, be explained by continuously falling retail prices[1] alongside weaker consumer confidence[2]. Debit card spending grew by 4.6% – double the growth of credit card spending (2.3%).

Annual growth in the services sector (4.8%) continued to exceed that in retail sales (2.9%). Year-on-year growth within services has been particularly strong in financial services (10%) and hotels (9.1%). In contrast, spending on automotive fuels has been in decline for over two years, decreasing by 0.6% in October.

Meanwhile, the annual growth rate of the number of purchases (10%) continued to outstrip that of spending, evident since March 2014, highlighting a consumer preference to buy less but more often. This trend was also evident in e-commerce where the number of purchases grew by 18% compared to a year ago, while spending increased by 11%.

Average transaction values

The average transaction value (ATV) on all payment cards fell slightly by 7p between September and October to £43.44, and compares to £45.47 a year ago. The ATV for debit cards fell by 5p to £39.96, and the ATV for credit cards decreased by 4p to £55.36. This consistent trend of continuously declining ATVs since 2011 is likely a reflection of changing consumer spending habits, increasing use of contactless cards and continuing price competition between major British supermarkets[3].

The retail sales ATV declined by 5p to £30.80, while the ATV for services fell by 26p to £66.68. Within the merchant sectors, the largest decrease came from the vehicle sales & services sub-sector, which recorded an ATV fall of £1.37, while other services registered the largest increase of 99p during the month. Within individual merchant categories, the largest ATV decline of £175 was recorded at educational establishments, while tax preparation services registered the largest increase of £334.

The ATV for online spending on all payment cards stood at a record low of £80.78, down from £81.09 in September, likely driven by the preference to purchase lower value items via online retailers on the go, using smartphones and tablets.

At a glance key figures for October 2016

	Total spending (£ billions)		Annual growth rates for spending		Number of purchases (Millions)	
	2016	2015	**2016**	2015	**2016**	2015
All payment cards	**55.3**	52.5	**3.9%**	8.3%	**1,274**	1,155
Of which online *	**12.9**	11.5	**11%**	13%	**160**	137
Debit cards	**39.4**	37.2	**4.7%**	8.8%	**986**	886
Credit cards	**15.9**	15.3	**2.3%**	7.1%	**288**	269

Unless otherwise stated all data referred to are seasonally adjusted and depict the underlying trend. The X12 ARIMA monthly seasonal adjustments include trading days and leap years. Unadjusted data are located in tables 3A to 3D. Annual growth rates are based on twelve-month rolling periods.

*As there are insufficient online data series collected to apply X12 ARIMA seasonal adjustment, the underlying trend is determined using linear regression. This allows an estimation of the likely scale of seasonal impacts to be made until there are sufficient data to use a recognised method of seasonal adjustment.

1 ONS, Retail sales in Great Britain: Oct 2016: https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/oct2016
2 GfK, Consumer Confidence Index: http://www.gfk.com/insights/press-release/consumer-confidence-index-drops-two-points/
3 The Telegraph, Shop prices drop again: http://www.telegraph.co.uk/business/2016/12/05/shop-prices-drop-era-deflation-may-coming-end/

THE MONEY CHARITY STATS

NOVEMBER 2016

the MONEY Charity

9 Million cash machine transactions were made every day in September with a value of **£365m**.

People in the uk owed **£1.503** trillion at the end of September 2016. this is up from **£1.451** trillion at the end of September 2015, an extra **£1036.58** per uk adult.

The average total debt per household, including mortgages, was **£55,683** in september. the revised figure for August was **£55,523**.

On average, a uk household spends **£3.44 a day** on water, electricity and gas.

The government debt grew by **£108m** a day during September 2016 (**£4,090 per second**).

48 Mortgage possession claims and **34** mortgage possession orders are made every day.

£3,252 The average amount households with mortgages pay in interest over a year.

Total credit card debt in september 2016 was **£65.7bn**. Per household this is **£2,434**. For a credit card bearing the average interest, it would take 25 years and 6 months to repay if you made only the minimum repayment each month.

2,102 Consumer County Court Judgments (CCJS) are issued every day, with an average value of **£2,030**.

17 properties are repossessed every day, or **one every 1 hour and 26 minutes**.

The number of mortgages with arrears of over **2.5%** of the remaining balance fell by **39 a day**.

Net lending to individuals in the uk increased by **£157 million a day**.

Citizens Advice Bureaux in England and Wales dealt with **4,077** new debt problems every day during the quarter ending June 2016.

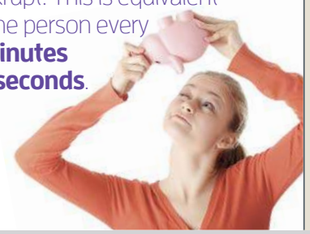
1.656 million. The number of people classed as unemployed between June and August.

Outstanding consumer credit lending was **£188.7 billion** at the end of september 2016.

This is up from **£176.3 billion** at the end of september 2015, and is an increase of **£247.10** for every adult in the uk.

Per household, that's an average consumer credit debt of **£6,991** in september, up from a revised **£6,963** in august, and **£462.19** extra per household over the year.

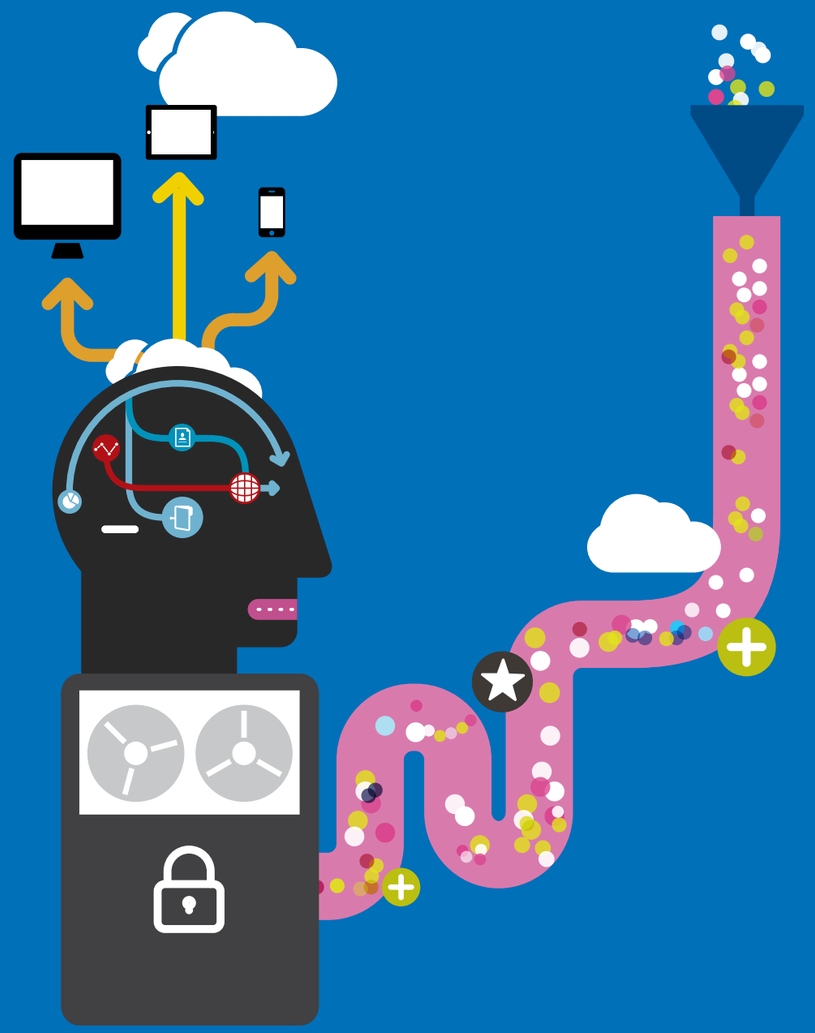
Every day in the UK **264 people** a day are declared insolvent or bankrupt. This is equivalent to one person every **5 minutes 28 seconds**.



According to the office for budget responsibility's July 2015 forecast, household debt is predicted to reach **£2.551 trillion** in Q1 2021. This makes the average household debt **£94,481** (assuming that the number of households in the uk remained the same between now and Q1 2021).

NOSTRUM GROUP

FINOVATE EUROPE 2016 ALUMNI



Technology – making lending cheaper, faster and safer.

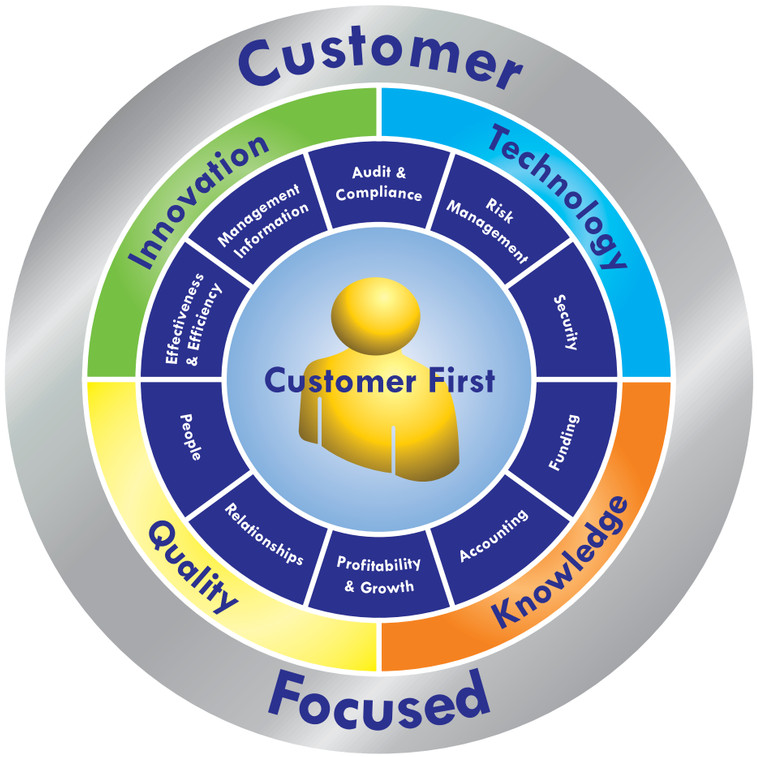
Our disruptive loan management software allows some of the UK's largest banks, lenders and retail brands to provide a fully digital and automated experience, enabling their customers to manage their finances any place, any time, and on any device.

To find out more, speak to one of our experts on 0844 8118 039 or visit www.nostrumgroup.com

@NostrumGroup NostrumGroup

We put the customer at the heart of everything we do...

OYSTER BAY SYSTEMS



- Consumer Finance ✓
- Commercial Finance ✓
- Asset Finance ✓
- Motor Finance ✓
- Broker Finance ✓
- Finance Systems ✓
- Consultancy ✓
- Hosting ✓
- Bureau ✓
- Business Process Modelling ✓

Tel no: +44 (0) 1792 797222
www.OysterBaySystems.com