

CCTA SUMMIT

13 OCT 2021

**ADDLESHAW
GODDARD**

ccta
CONSUMER CREDIT
TRADE ASSOCIATION

- WELCOME & INTRODUCTION
- REGULATORY UPDATE
- CCTA UPDATE
- REFRESHMENT BREAK
- PANEL: LOOKING TO THE FUTURE
- DRINKS RECEPTION





WELCOME & INTRODUCTION

Greg Stevens, Chairman
CCTA

CONSUMER CREDIT TRADE ASSOCIATION

Regulatory update



AGENDA

- 1. Recent FCA speech on consumer credit market**
- 2. A new consumer duty**
- 3. Review of FOS complaints data**
- 4. FCA Consumer Information Market Study**

REGULATING FOR BETTER OUTCOMES - NEXT STEPS IN CONSUMER CREDIT

“Between February and October last year, 20 million adults in the UK saw their financial situation worsen, and nearly 10 million saw their unsecured debts increase.”

Nisha Arora, Director of Consumer and Retail Policy

Consumer credit remains a key priority for the FCA as the consequences of the pandemic for consumers continue to develop

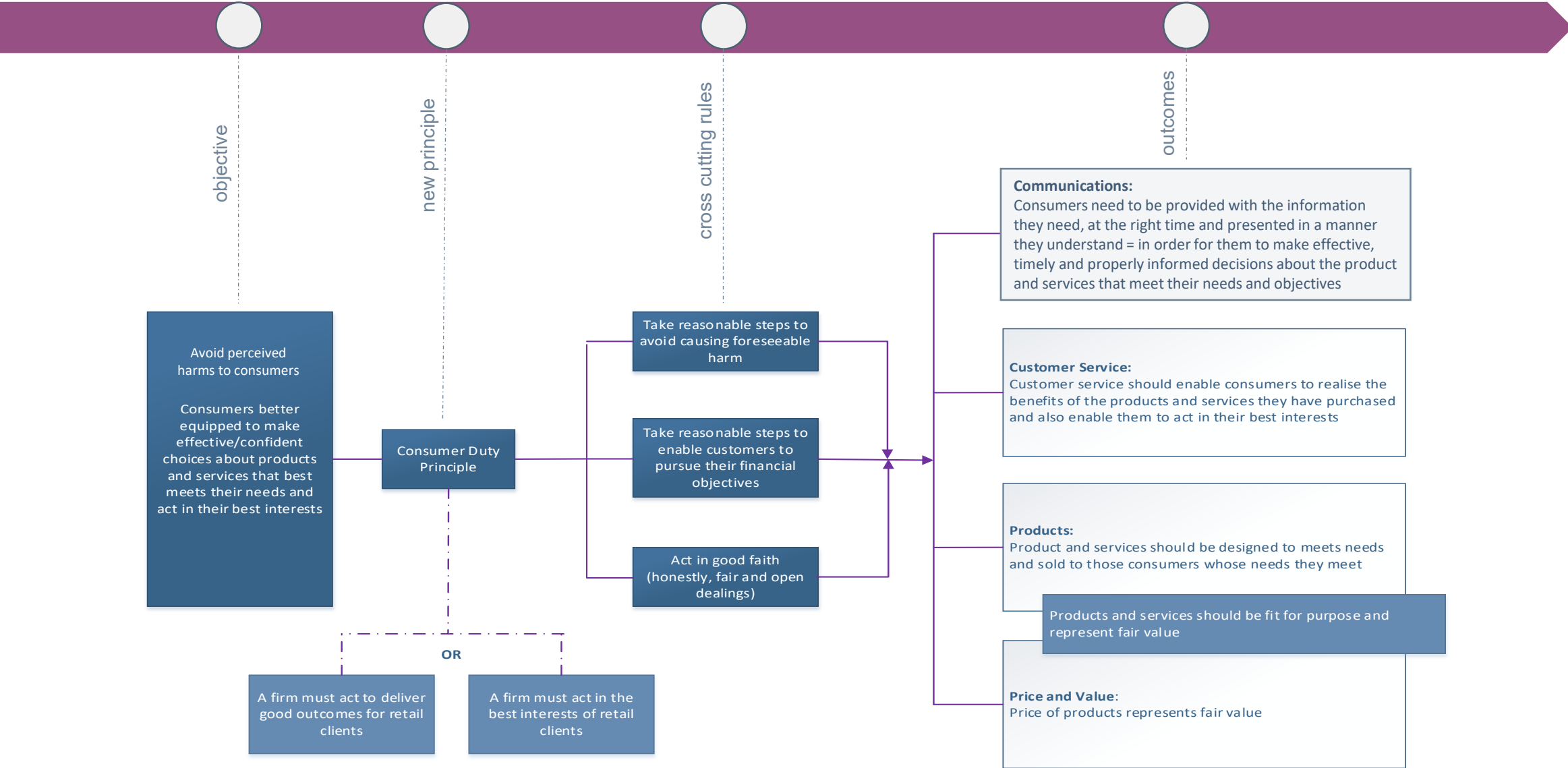
Increased focus on consumer outcomes and needs, particularly for those in vulnerable circumstances; and move forward with the FCA's new, more assertive and adaptive approach

FCA are focusing on several areas:

- New Consumer Duty;
- Regulation for buy-now-pay-later products;
- Support for borrowers in financial difficulty and people who use high-cost credit products

Credit is a huge and rapidly changing market – all parties need to continue to work together so that it delivers the right outcomes for consumers

NEW CONSUMER DUTY - OVERVIEW OF THE FCA'S PROPOSAL

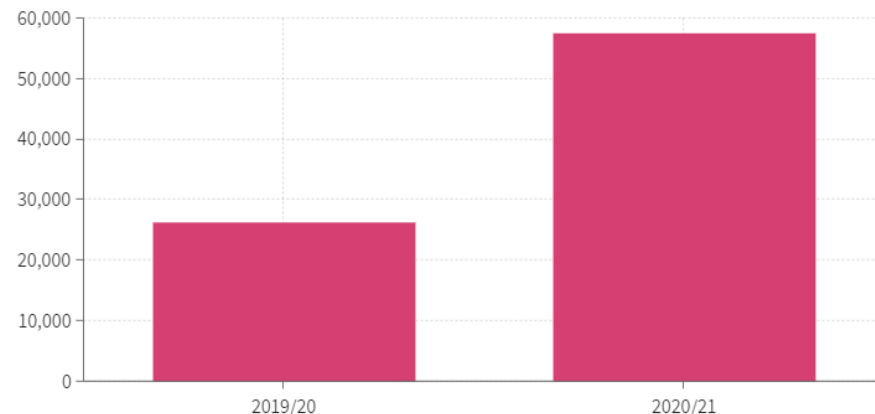


FOS COMPLAINTS DATA

The Financial Ombudsman Service (FOS) published their complaints data covering 1 April 2020 – 31 March 2021:

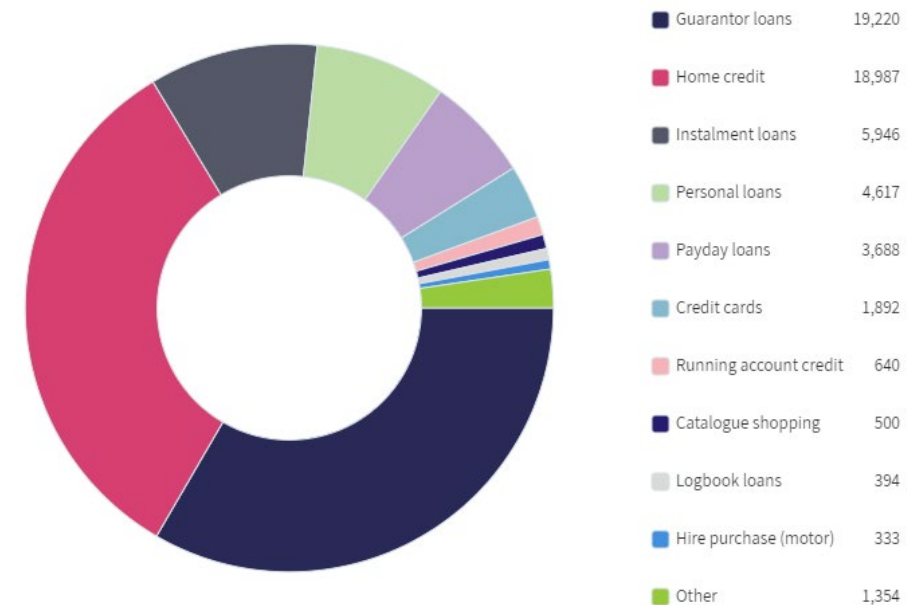
- Many complaints could have been avoided with better communication from firms;
- Attention to individual circumstances is essential - Complaints were often upheld because the business hasn't addressed what's gone wrong, or suggested a way forward that's right, for that particular customer;
- Beyond the adjustments for the direct repercussions of the pandemic, firms have developed innovative ways of handling complaints which FOS expect to continue.

New complaints about unaffordable lending in banking and credit
2019/20 and 2020/21



Source – FOS complaints data published 05/2021

Top 10 products for new complaints about unaffordable lending
2020/21



“Throughout the lending relationship, it’s important firms stay alert to signs their customers may be struggling. In the high-cost lending sector, if signs of existing financial difficulties are overlooked at the outset, borrowers can end up being given access to expensive credit that they can’t afford. In more mainstream lending, problems more often arise where customers are left to ‘service’ interest costs over a long period of time without ever demonstrating that they are able to reduce the amount they owe.”

John Wightman, ombudsman

CREDIT INFORMATION MARKET STUDY

- FCA commissioned RAND Europe to conduct research to understand how the credit information market might evolve in the future as part of their Credit Information Market Study (CIMS);
- The credit information market involves a diverse range of stakeholder groups, beyond the core relationship between financial institutions and customers, including credit reference agencies (CRAs), regulators and FinTech companies, among others;
- Consumers' attitudes to sharing data may be shaped by experiences in other sectors, along with changes in regulation, such as GDPR.

Widening Credit Gap	Consumer centric credit	Big data driven	Lenders lead
Innovation slows due to ethical, transparency and data security concerns, therefore benefits of innovation don't materialise. The credit gap widens and more consumers have little/no information held about them at CRAs and are struggling to access credit on terms that reflect their risk.	Consumers feel empowered to choose what data they share and with whom. Consumer consented data is often used in decision-making with brands maintaining trust and explaining the benefits of data sharing. Some consumers pay a "privacy premium" for not sharing data or entrusting all their data to a "one-stop" shop for financial decisions.	"Big data" is prevalent across credit markets and the wider economy. Effectiveness of decision making has improved, but as credit is offered on highly personalised terms, some individuals face significantly higher costs and fewer options. Consumer understanding of how data is used remains low.	Lenders increasingly use data from small CRAs, consumer consented data and other sources to supplement data from large CRAs. Greater competition forms in both credit information and lending markets due to this, however there is increased consumer confusion on what data is used and why. Increased focus on developing a code for data collection and use.

CREDIT INFORMATION MARKET STUDY – CONT.

The FCA's study initially intended to focus on:

- The purpose, quality and accessibility of credit information;
- Market structure, business models and competition; and
- Consumers' understanding of credit information and how it impacts their behaviour.

Now the FCA have restarted the study with the same scope, taking into consideration:

- CRA and lenders' response to the pandemic;
- The impact that the growth in new forms of credit could have on credit information;
- Technological/behavioural changes that may alter the way people interact with their credit.



CCTA UPDATE

Jason Wassell, CEO
CCTA



REFRESHMENT BREAK



PANEL: LOOKING TO THE FUTURE



DRINKS RECEPTION



PANEL SESSION LOOKING TO THE FUTURE



DRINKS RECEPTION