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Dear Richard

Voluntary industry agreement on UCLIs

In response to concerns raised during the FCA's Credit Card Market Study, we very much welcome the credit card industry, represented by the UK Cards Association, developing a voluntary industry agreement to give credit card customers greater control over credit limit increases.

This agreement consists of two components:

- an agreement to give greater control to customers; and
- an agreement to further restrict when customers would be offered credit limit increases.

Details of this agreement were set out in Chapter 4 of our consultation paper, CP17/10, on persistent debt and earlier intervention.

Since publishing CP17/10, the UK Cards Association, now UK Finance, has suggested aligning the proposed restrictions on when customers are offered credit limit increases with our proposals on persistent debt. This relates to the second component of the agreement only.

The industry has, via UK Finance, made a proposal to exclude customers who meet our proposed definition of persistent debt for 12 months from offers of credit limit increases. This would be instead of the previously published restriction in relation to making minimum repayments.

Having considered the proposal, we agree this would be a more sensible approach as it would be easier to implement, easier to explain to consumers and would increase the number of accounts that were subject to restrictions on offers of credit limit increases. The revised approach, therefore, is at least as effective as the original, while being simpler for firms to implement, and this remains in line with the outcomes we are seeking.

We note that until we make our final rules, the precise definition of 'persistent debt' is not finalised. We agree it would be unreasonable to expect firms to build systems on the basis of a definition that could, in principle, change. As such we propose to work with the industry to finalise the restrictions element of the voluntary industry agreement when we make final rules later this year.

In the meantime, we note there will be no change to the first component of the agreement - that on giving customers greater control over their credit limits published in the consultation paper. Implementation of this element can begin now.

Yours sincerely

Mary Starks
Director
Competition and Economics