

Being regulated by the  
**Financial Conduct Authority**



# Guide for consumer credit firms

[www.fca.org.uk/consumer-credit](http://www.fca.org.uk/consumer-credit)

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## Introduction



*This guide is for consumer credit firms<sup>1</sup>, in particular those that are new to being regulated by us. It provides an overview of how we will work with you and your obligations as an FCA regulated firm.*

We have an overarching strategic objective to ensure that the relevant markets function well. This is embodied in our three operational objectives:

- to secure an appropriate degree of protection for consumers
- to protect and enhance the integrity of the UK financial system
- to promote effective competition in the interests of consumers

These objectives are the foundation for our approach to regulating firms. In our relationship with you we want to ensure that fair treatment of consumers is at the heart of your business, and that you do not adversely affect market integrity and competition.

<sup>1</sup> This guide is relevant both to firms active in consumer lending, as well as those involved in debt activities.

Our engagement with firms takes place through four main activities:

- creating rules that firms must follow (through our Policy work)
- considering whether firms should be authorised by us for particular activities (led by our Authorisations Division)
- ongoing supervision of regulated firms' activities (Supervision Division)
- the use of our enforcement powers in instances where we identify egregious misconduct (Enforcement Division)

This guide is intended to include a summary of the regulatory requirements and is not a substitute for reading the applicable rules and guidance. In the event that there are differences between this guide and the applicable rules and guidance, the rules and guidance take precedence.

We want to ensure that fair treatment of consumers is at the heart of your business, and that you do not adversely affect market integrity and competition.

# FCA rules and guidance



## The framework

Firms carrying on credit-related regulated activities, as outlined in the Perimeter Guidance Manual (PERG)<sup>2</sup>, must follow certain rules about how they manage their businesses and treat their customers.

We have the power to make rules that are legally binding on firms. Where we find problems, we will generally seek to work with firms to resolve issues voluntarily in the first instance. However, if we can't agree a voluntary solution, we may rely on our formal powers in order to limit ongoing risks to consumers.

We can also issue guidance on our rules and high-level Principles. Guidance indicates possible ways for a firm to comply with a rule, or gives information about how we will interpret a rule in certain circumstances. Guidance is not binding and failing to follow it does not necessarily mean that a rule has been breached.

We set out our rules and guidance in the FCA Handbook.<sup>3</sup> In the Handbook text, words in italics are defined in a glossary of terms.<sup>4</sup> More information about how to use the Handbook is in a reader's guide.<sup>5</sup>

The rules and guidance applicable to consumer credit firms are primarily in the Consumer Credit Sourcebook (CONC)<sup>6</sup>, but other Handbook provisions are also relevant as set out below.

2 Our Perimeter Guidance Manual (PERG) gives guidance on which activities require FCA authorisation: <https://www.handbook.fca.org.uk/handbook/PERG/>

3 FCA Handbook: <https://www.handbook.fca.org.uk/handbook/>

4 FCA Handbook glossary: <https://www.handbook.fca.org.uk/handbook/glossary/>

5 FCA Handbook Reader's Guide: <http://www.fca.org.uk/your-fca/documents/handbook/handbook-readers-guide>

6 Consumer Credit Sourcebook (CONC): <https://www.handbook.fca.org.uk/handbook/CONC/>

Most of the new rules which we made for consumer credit firms when we took over regulating these firms in April 2014 were based on existing standards. Many of the obligations were contained in the Consumer Credit Act (CCA), in secondary legislation which flowed from the CCA, and in Office of Fair Trading (OFT) Guidance, so should be familiar to firms. We have also added some new rules, in particular in relation to high-cost short-term credit (HCSTC), debt management and credit broking, and have amended others.

A summary of the rules made in the lead-up to the transfer of consumer credit regulation in April 2014 can be found in our policy statement PS14/3<sup>7</sup>, available on the FCA website.

Additional rules on HCSTC and credit broking were made in PS14/16<sup>8</sup> and PS14/18<sup>9</sup> respectively, and further changes to CONC rules and guidance, following consultation in February 2015 (CP15/6<sup>10</sup>), were made in PS15/23.<sup>11</sup>

Chapter 1 of CONC sets out the application of the rules, and CONC 1.2.2R requires firms to ensure that their employees and agents comply with CONC, and to take reasonable steps to ensure that other persons acting on their behalf also comply.

Lenders and credit brokers should also be aware of the provisions of the CCA and secondary legislation that have remained in force, pending our report on our review of these provisions to be provided to HM Treasury before 1 April 2019. These include rules on pre-contract credit information, credit agreements, copy documents, statements and notices, and termination and early settlement.

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- 7 Policy Statement (PS14/3) Final rules for consumer credit firms: <https://www.fca.org.uk/news/ps14-3-final-rules-for-consumer-credit-firms>
- 8 Policy Statement (PS14/16) Detailed rules for the price-cap on high-cost short-term credit – including feedback on CP14/10 and final rules: <http://www.fca.org.uk/news/ps14-16-detailed-rules-on-the-price-cap-on-high-cost-short-term-credit>
- 9 Policy Statement (PS14/18) Credit broking and fees: <http://www.fca.org.uk/news/ps14-18-credit-broking-and-fees>
- 10 Consultation Paper (CP15/6) Consumer credit – proposed changes to our rules and guidance: <http://www.fca.org.uk/news/cp15-06-consumer-credit-consultation-paper>
- 11 Policy Statement (PS15/23) Consumer credit – feedback on CP15/6 and final rules and guidance: <http://www.fca.org.uk/news/ps15-23-consumer-credit-feedback-on-cp15-6-and-final-rules-and-guidance>

Firms will also be subject to other general consumer protection legislation, including the Consumer Protection from Unfair Trading Regulations and the Unfair Terms in Consumer Contracts Regulations (which was replaced by the Consumer Rights Act on 1 October 2015).

### How we make rules

As noted above, since taking over consumer credit regulation from the OFT, we have made a number of changes to our rules and guidance. In most cases we have done so following consultation and cost benefit analysis. In the case of credit broking, however, we introduced new rules in December 2014 without prior consultation, on the grounds that the delay involved in consulting would be prejudicial to the interests of consumers.

When consulting, we typically allow around three months for responses. We then publish a policy statement setting out the feedback we received, and our response to this, at the same time as publishing final rules and guidance

We keep the CONC rules under review in the light of experience of supervising the consumer credit market, and may make further changes to address areas of harm to consumers, or to clarify or amend the rules to ensure they clearly reflect the policy intention or respond to issues raised by firms or other stakeholders.

Firms are encouraged to sign up to consumer credit email updates<sup>12</sup> on our website so they can keep up to date with the proposed changes to our rules and guidance.

### How the Handbook is structured

The FCA Handbook<sup>13</sup> is broken down into blocks. Each block contains a number of modules (which are called sourcebooks and

<sup>12</sup> Sign up for consumer credit update emails: <https://www.the-fca.org.uk/sign-email-updates-consumer-credit>

<sup>13</sup> FCA Handbook website: <https://www.handbook.fca.org.uk/>

manuals). Each module contains chapters and sections, which provide our rules.

Each module has an abbreviated title, such as 'PRIN' or 'CONC'.

Our high-level standards apply (with some exceptions) to all firms. Other modules contain specific rules for particular types of firm – these are known as specialist sourcebooks. There are also modules which set out how our regulatory processes work, and regulatory guides which provide guidance on matters such as financial crime, unfair contract terms and what permissions firms may need.

The high level standards which apply to consumer credit firms are:

**Principles for Businesses (PRIN).**<sup>14</sup> This sets out the fundamentals which we expect all regulated firms to meet. The eleven principles are listed and more detail is given below.

**Threshold Conditions (COND).**<sup>15</sup> This sets out minimum conditions which all firms must meet if they wish to be authorised. Once authorised, firms must continue to meet these standards on an ongoing basis.

**General Provisions (GEN).**<sup>16</sup> This sets out some of the standards that apply to all firms in terms of their interaction with us, including statutory disclosure statements and use of the FCA name or logo.

**Senior Management Arrangements, Systems and Controls (SYSC).**<sup>17</sup> This sets out how we expect senior management in firms to take responsibility for the running and oversight of their firm, as well as the systems, controls and compliance arrangements that should be in place.

14 Principles for Businesses (PRIN): <https://www.handbook.fca.org.uk/handbook/PRIN/>

15 Threshold Conditions (COND): <https://www.handbook.fca.org.uk/handbook/COND/>

16 General Provisions (GEN): <https://www.handbook.fca.org.uk/handbook/GEN/>

17 Senior Management Arrangements, Systems and Controls: <https://www.handbook.fca.org.uk/handbook/SYSC/>

**Statements of Principle and Code of Practice for Approved Persons (APER).**<sup>18</sup> This sets out the standards that we require of individuals who hold ‘controlled functions’ in a firm. It also outlines a code of practice for how to comply.

**The Fit and Proper Test for Approved Persons (FIT).**<sup>19</sup> This sets out the criteria that we consider when assessing the fitness and propriety of a candidate for a controlled function (see also the ‘Getting Authorised’ section below).

**Fees Manual (FEES).**<sup>20</sup> This provides details around firms’ liability to pay fees.

### Principles for Businesses

The Principles for Businesses (PRIN) are the fundamental obligations that firms must comply with at all times. They apply to all authorised firms and those with interim permission. We can take enforcement action if they are breached.

**The Principles for Businesses are the fundamental obligations that firms must comply with at all times.**

18 Statements of Principle for Approved Persons: <https://www.handbook.fca.org.uk/handbook/APER/>

19 The Fit and Proper test for Approved Persons: <https://www.handbook.fca.org.uk/handbook/FIT/1/1>

20 Fees Manual (FEES): <https://www.handbook.fca.org.uk/handbook/FEES/>

1. **Integrity** – A firm must conduct its business with integrity.
2. **Skill, care and diligence** – A firm must conduct its business with due skill, care and diligence.
3. **Management and control** – A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
4. **Financial prudence** – A firm must maintain adequate financial resources.
5. **Market conduct** – A firm must observe proper standards of market conduct.
6. **Customers' interests** – A firm must pay due regard to the interests of its customers and treat them fairly.
7. **Communications with clients** – A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.
8. **Conflicts of interest** – A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.
9. **Customers: relationships of trust** – A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment.
10. **Clients' assets** – A firm must arrange adequate protection for clients' assets when it is responsible for them.
11. **Relations with regulators** – A firm must deal with its regulators in an open and cooperative way, and must disclose to the appropriate regulator appropriately anything relating to the firm of which that regulator would reasonably expect notice.

## Treating Customers Fairly

Of key relevance to all regulated firms is Principle 6 – ‘A firm must pay due regard to the interests of its customers and treat them fairly’. We often refer to this as our ‘treating customers fairly’ principle.

This principle sits behind many of our detailed rules (including those in CONC). There are six consumer outcomes that firms should strive to achieve to ensure fair treatment of customers. These remain core to what we expect from firms.

- **Outcome 1:** Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture.
- **Outcome 2:** Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.
- **Outcome 3:** Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale.
- **Outcome 4:** Where consumers receive advice, the advice is suitable and takes account of their circumstances.
- **Outcome 5:** Consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect.
- **Outcome 6:** Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

A firm must pay due regard to the interests of its customers and treat them fairly.

### **Senior management arrangements and systems and controls**

Principle 3 states 'A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems'.

The systems and controls rules in SYSC describe what we will expect, in practice, from firms when complying with Principle 3.

Broadly, the rules cover:

- robust governance arrangements
- skills, knowledge and expertise of staff
- outsourcing responsibilities
- record-keeping
- conflicts of interest

The types of systems and controls a firm must have in place reflect the nature, scale and complexity of the firm's business and the risk the activity may pose to consumers.

For example, we would not expect a small lender dealing with a small number of customers to have the same scale of systems and controls as a major lender or a large debt collection business.

You should refer to SYSC 1 to check how the requirements apply to your firm. A core set of rules apply to all firms, with further rules applying depending on the activity undertaken.

**We would not expect a small lender dealing with a small number of customers to have the same scale of systems and controls as a major lender or a large debt collection business.**

### General provisions

The general provisions (in GEN) contain a number of rules relating to mainly administrative duties. They include:

- a ban on firms claiming or implying that their business is endorsed by the FCA
- situations when a firm cannot comply with our rules in an emergency
- how to interpret our Handbook of rules and guidance (including noting that every provision in the Handbook must be interpreted in light of its purpose)
- how firms authorised by us must describe their regulatory status
- restrictions on using our name or logo
- a ban on insurance against financial penalties imposed on a firm's employees, directors or partners

## Complaints

The Disputes Resolution: Complaints module (DISP)<sup>21</sup> sets out the detailed requirements for handling consumer complaints against firms and the Financial Ombudsman Service arrangements (including for complaints before the transfer of regulation to the FCA).

Firms also have to comply with our rules to record, report and, where appropriate, publish certain complaints information.

## Prudential and client money rules

For debt management firms, we have rules requiring firms to hold certain levels of capital (prudential rules) and rules on holding their customer's money (client money rules). These are set out in CONC 10 and CASS 11 (CASS is the Client assets module of our Handbook).

## Other sections of the Handbook

In addition to the high-level standards listed above, consumer credit firms should have regard to other sections of the Handbook, which provide guidance on our regulatory procedures and on matters such as dispute resolution, financial crime and fairness in contractual terms. Some of the sections which may be of greatest interest to firms are:

**Supervision (SUP)**<sup>22</sup> – sets out our supervisory powers. Firms will be particularly interested in SUP15 and SUP16 which set out firms' obligations to report key information, events and changes to the FCA.

**Decision Procedure and Penalties Manual (DEPP)**<sup>23</sup> – sets how our decision-making processes operate.

21 The Dispute Resolution: Complaints (DISP): <https://www.handbook.fca.org.uk/handbook/DISP/>

22 Supervision (SUP): <https://www.handbook.fca.org.uk/handbook/SUP/>

23 Decision Procedures and Penalties Manual (DEPP): <https://www.handbook.fca.org.uk/handbook/DEPP/>

**The Enforcement Guide (EG)**<sup>24</sup> – sets out how our formal enforcement procedures operate.

**Financial Crime: a guide for firms (FC)**<sup>25</sup> – outlines how firms can prevent financial crime.

**Perimeter Guidance Manual (PERG)** – provides guidance on which permissions firms need to hold.

**The Unfair Contract Terms Regulatory Guide (UNFCOG)**<sup>26</sup> – outlines the regulation of unfair contract terms.

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24 The Enforcement Guide (EG): <https://www.handbook.fca.org.uk/handbook/EG/>

25 Financial Crime: a guide for firms (FC): <https://www.handbook.fca.org.uk/handbook/FC/>

26 The Unfair Contract Terms Regulatory Guide (UNFCOG): <https://www.handbook.fca.org.uk/handbook/UNFCOG/>

## Getting authorised



*This section looks at the FCA authorisation process and how it will work in practice for your firm.*

On 1 April 2014 we started accepting applications for authorisation from new consumer credit firms.

Firms that were previously regulated by the OFT were given interim permission to carry on consumer credit activities and allocated set application periods to send in their application. We did this in stages to manage the thousands of applications that we anticipated. We wrote to firms to tell them when they should apply.

Authorisation is our equivalent of the OFT consumer credit licensing regime. Firms that want to carry on regulated activities must apply for authorisation (unless they are exempt or an appointed representative).

Our approach is largely based on whether you need to apply for full permission or can benefit from limited permission.

Broadly, firms that need to apply for full permission will be subject to more checks and have more conditions to meet at authorisation and when carrying out consumer credit-related activities.

The broad categories are<sup>27</sup>:

<p>Limited permission activities</p>	<p><b>Consumer hire</b> (such as tool and car hire firm)</p> <p><b>Credit broking</b> (other than by a domestic premises supplier) where the sale of goods or non-financial services is the main business, and broking is a secondary activity to help finance the purchase of those goods or services (such as certain motor dealerships and high-street retailers that introduce customers to a finance provider)</p> <p><b>Credit broking</b> in relation to the <b>Green Deal</b></p> <p><b>Credit broking</b> in relation to hire or hire purchase agreement</p> <p><b>Lending</b> where the sale of goods or non-financial services is the main business, and there is no interest or charges and the agreements are not hire-purchase or conditional sale agreements (such as certain golf clubs or gyms allowing deferred payment for membership)</p> <p><b>Local authorities</b> lending within the scope of the Consumer Credit Directive</p> <p><b>Not-for-profit bodies</b> providing <b>debt counselling</b> and <b>debt adjusting</b> and/or <b>credit information</b> services (such as Citizens Advice)</p> <p><b>Limited permission activities</b> (other than not-for-profit bodies and for credit information services) do not cover activities that relate to agreements secured by legal mortgages on land</p> <p>A firm that carries on the lending, secondary broking and/or consumer hire activities under a limited permission can also apply to carry on limited permission debt counselling, debt adjusting and credit information services.</p>
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<sup>27</sup> The contents of this table is not a comprehensive list of the regulated activities. To analyse whether activities are lower or higher risk, firms should review the legislation or seek legal advice.

<p>Full permission activities</p>	<p><b>Credit broking</b> where introducing customers to lenders is a main business activity</p> <p><b>Credit broking</b> where the sale of goods or services takes place in the customer's home (what is known as 'domestic premises supplier')</p> <p><b>Debt administration</b> and <b>debt collection</b></p> <p><b>Debt counselling</b> and <b>debt adjusting</b> on a commercial basis</p> <p><b>Consumer credit lending</b> which is not limited permission (such as personal loans, credit cards, overdrafts, pawnbroking, hire-purchase or conditional sale agreements)</p> <p><b>Providing credit information services</b></p> <p><b>Providing credit reference agency services</b></p> <p><b>Peer-to-peer lending</b></p>
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**Consumer credit firms go through a similar route to getting authorised as other financial services firms.**

Our aim is to ensure that firms wanting to offer consumer credit products and services are well run by fit and proper persons and have appropriate business models.

All firms have to demonstrate that they meet and will continue to meet our minimum standards to become authorised – known as our threshold conditions. Our approach to assessing some of the threshold conditions is modified for limited permission firms.

The threshold conditions are:

### Threshold Condition

#### Legal status

Firms must have a certain legal status to carry out certain regulated activities. (Does not apply to FCA-only regulated firms, i.e. those that are not also regulated by the Prudential Regulation Authority).

#### Location of offices

If the firm is a body corporate constituted under UK law, the firm's 'mind and management', e.g. directors, compliance function, audit function, should be in the UK.

#### Effective supervision

A firm must be capable of being effectively supervised by us. Matters which may affect this include the complexity of its regulated activities, the products it offers and how the business is organised. In most cases, firms should have a UK establishment. This will be considered on a case-by-case basis.

#### Appropriate resources

The firm must demonstrate appropriate resources relative to the nature and scale of the business. This requirement applies not just to financial resources but also to other resources which are essential to effectively running the firm, such as the knowledge and competence of staff and the assets of the business, such as premises and technology.

**Suitability**

The firm must demonstrate the competence and ability of management, and that the firm's affairs are conducted in an appropriate manner regarding the interests of consumers and the integrity of the UK financial system.

**Business model**

The firm's strategy for doing business must be suitable for its regulated activities and have regard to the FCA's operational objectives.

Once your firm is authorised, you will also have to meet requirements on:

- approved persons
- controllers
- regulatory reporting
- complaints reporting and publication

For debt management firms, there are additional requirements relating to prudential standards and client assets.

Prudential standards also apply to peer-to-peer lending platforms, as set out in our policy statement on crowd funding.

Our authorisation team will assess your application in a way that is proportionate to the size and nature of your business and the risks to consumers.

## Getting ready for FCA authorisation

Consumer credit firms go through a similar route to getting authorised as other financial services firms.

You need to complete a set of application forms that are relevant to your business type. This includes details of who works at the firm, your approved persons, your controllers, your business model and key financial information.

We will ask you to demonstrate how your firm is set up to meet our requirements.

This includes your business plan, setting out your business aims and objectives and how you organise your resources to achieve them. If you don't have a business plan, or haven't revised your current one for some time, now is the time to start working on this.

## Once you are ready to apply, what do you need to do?

You will need to complete your application on our online system, Connect.<sup>28</sup> We will assess your application to see if you meet the standards we require and will make a decision within:

- six months of receiving your complete application
- 12 months of receiving an incomplete application (or six months from when an incomplete application becomes complete)

If your application is incomplete or needs further explanation, we will ask you to clarify it or to provide further information or documentation, as appropriate. For example, where there are inconsistent or missing answers.

If you need to apply for full permission you will need to give us more details about your business than if you apply for limited permission.

<sup>28</sup> Our online application system, Connect: <http://www.fca.org.uk/firms/systems-reporting/connect>

We recommend that you watch our video guides<sup>29</sup> to completing authorisation applications on Connect.

Our authorisation team will assess your application in a way that is proportionate to the size and nature of your business, and the potential risks to consumers. We may have more contact with you if you are applying for full permission and less if you are applying for limited permission.

### What happens next?

The consumer credit authorisation section<sup>30</sup> of our website gives more information about becoming authorised.

If you have registered for interim permission, and you make an application for authorisation within your allocated application period, you can continue to trade under your interim permission until your application for authorisation has either been granted or rejected. If you do not apply within your allocated application period then your interim permission will lapse at the end of that period.

Our website also includes sample application forms<sup>31</sup> so you can see what we will ask you to include when you apply.

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29 Connect application system video guides: <https://www.the-fca.org.uk/authorisation-applications-video-guides-consumer-credit>

30 Consumer credit authorisation website pages: [www.fca.org.uk/cc-authorisation](http://www.fca.org.uk/cc-authorisation)

31 Consumer credit sample application forms: <https://www.the-fca.org.uk/authorisation-consumer-credit/apply>

If you did not have a consumer credit licence on 31 March 2014, or you did not notify us that you wished to receive interim permission, you can apply for authorisation at any point but you cannot carry on any credit-related regulated activities, for which you require authorisation, until we approve your application.

## Fees

We are funded by the firms we regulate through fees. We aim to cover our costs in a way that is as fair and efficient as possible and we consult on our fees each year.

Firms have to pay a fee when they apply for authorisation and then annual fees for every year they are authorised.

The fee that a firm has to pay will be proportionate to the size of the firm's business and the type of authorisation.

Firms that can benefit from limited permission will have lower fees than those of higher-risk firms that need full permission.

More information about application and annual fees<sup>32</sup> is available on our website.

<sup>32</sup> Consumer credit fees and levies: <https://www.the-fca.org.uk/fees-and-levies-consumer-credit>

### Approved persons

An approved person is an individual we approve to perform one or more activities on behalf of an authorised firm. These are activities that we refer to as ‘controlled functions’.

At least one individual in all consumer credit firms (except most not-for-profit debt advice bodies and some sole traders) must be approved by us. This individual will be the ‘approved person’ for your firm.

### What we look for

We can approve an individual only where we are satisfied that they are fit and proper to perform the controlled function(s) they apply for.

Considering a candidate’s fitness and propriety, we look at:

- honesty (including pro-actively contacting the regulator and disclosing to us any instance in which things have gone wrong or changes are being made to your business)
- integrity and reputation
- competence and capability
- financial soundness

### What approved persons need to do

Being an approved person brings with it several important responsibilities. These include a duty to be aware of, and comply with, our regulatory requirements and understand how they apply to each controlled function. Specifically, approved persons must:

- meet and comply on an ongoing basis with our Fit and Proper test for Approved Persons

**Being an approved person brings with it several important responsibilities. These include a duty to be aware of, and comply with, our regulatory requirements and understand how they apply to each controlled function.**

- comply with the Statements of Principle and the Code of Practice for Approved Persons. These describe the conduct that we require and expect of the individuals we approve
- report to the firm and to us any matter that may affect the firm's ongoing fitness and propriety

### Controlled functions

Twelve controlled functions potentially apply to consumer credit firms, depending on their business and legal status. The number of roles your staff will need to be approved for will depend on the type of credit activities you intend to carry on, the legal status of your business and the permissions you require.

Firms with limited permission will normally only require one approved person. (See table 1 on page 46 for the list of controlled functions.)

You can appoint one individual to be an approved person for more than one controlled function in your firm, provided you can demonstrate that individual has the ability to manage multiple roles. We will consider the application in the context of the scale of your firm and the activities you plan to undertake.

An individual can be an approved person for more than one firm, provided that each takes appropriate responsibility for ensuring the individual manages the risks involved.

Controlled functions need to be carried out by approved persons who are closely involved in the running of the firm. It is unlikely you will be able to outsource these roles and still meet the standards we expect, although we will assess this on a case-by-case basis. However, you can outsource resources for guidance and support for approved persons.

There is more information about approved persons<sup>33</sup> on our website.

33 Consumer credit approved persons: <https://www.the-fca.org.uk/approved-persons>

## Principals and appointed representatives

An appointed representative is a firm that carries on regulated activities under the supervision of another firm that we authorise.

Under this arrangement, if you are the authorised firm (known as the 'principal') you will be responsible for ensuring your appointed representative meets our requirements. We will not have a direct relationship with the appointed representative. You will not be able to have appointed representatives for consumer credit while you have interim permission – you must wait until you become authorised.

There must be a written contract between you as the principal and your appointed representative that documents the arrangement between you.

As principal, you will take full responsibility for ensuring your appointed representatives comply with our rules. Before entering an agreement with an appointed representative, you will need to carry out sufficient checks on the firm or individual. These are to ensure that the appointed representative is financially stable and that they have achieved, and are maintaining, a satisfactory level of competence.

As a principal you must notify us of any firm you appoint as an appointed representative. Where applicable, you must also approve individuals carrying out a controlled function within an appointed representative firm, before it carries out regulated activities.

Once you agree to be a principal, you are accountable for a range of activities that your appointed representatives carry out, including:

- the products they sell and broker
- any advice they give to customers, and
- ensuring they deliver the six 'treating customers fairly' outcomes in the same way as an authorised firm would

More information about appointed representatives and principals<sup>34</sup> is available on our website.

### Appointed representatives' responsibilities

If you are an appointed representative you will need to understand and comply with the regulatory requirements for the business you conduct. A business cannot be an appointed representative for a regulated activity if:

- it does not have a contract with a principal firm covering its regulated business
- its principal firm has not accepted responsibility in writing for the regulated activity the business undertakes
- the firm that the business wants to act as its principal holds only an interim permission for the relevant credit activity
- it operates a credit reference agency
- it provides credit (unless the credit is free of interest and any other charges)
- it is authorised for another activity

<sup>34</sup> Appointed representatives and principals: <https://www.the-fca.org.uk/appointed-representatives-and-principals-consumer-credit>

The exceptions to this are:

- a firm with interim permission for a credit activity may also be an appointed representative for an activity regulated under the Financial Services Markets Act that is not covered by its interim permission
- a firm with limited permission for certain credit activities will be able to be an appointed representative for other regulated activities, eg a motor dealer with limited permission to carry on credit broking can also be an appointed representative insurance intermediary

As an appointed representative you must allow the principal access to your staff, premises and records so the principal can carry out the necessary oversight and monitoring of your business.

A firm that intends to operate as an appointed representative in the longer term has to make arrangements with an authorised firm.

An appointed representative is a firm that carries on regulated activities under the supervision of another firm that we authorise.

## Unauthorised firms

We actively police firms that are not authorised by us but offer regulated financial services in the UK. We have a dedicated department tackling unauthorised business activity and we take steps to actively warn consumers<sup>35</sup> about these firms.

Unauthorised businesses pose a significant risk to consumers and distort the market for firms that are working hard to do the right thing and remain compliant with regulatory requirements.

We take action against firms and individuals that carry on regulated activities in the UK without our authorisation. We use a wide range of enforcement powers including criminal prosecutions, action through the civil courts (injunctions, asset freezes, winding-up and bankruptcy) and publishing warnings against specific firms and individuals.

Firms or individuals that carry out unauthorised business do so in breach of section 19 of the Financial Services and Markets Act 2000 (FSMA). This is a criminal offence carrying a maximum prison sentence of two years, a fine, or both.

Even if authorised, firms must ensure that their authorisation includes permission for all regulated activities they carry out.

Agreements made by unauthorised lenders, or made as a result of introductions by unauthorised brokers, may also be unenforceable against the consumer under sections 26A and 27 of FSMA.

You can report an unauthorised consumer credit firm to us by calling our Contact Centre on 0300 500 0597 or using our online reporting form.<sup>36</sup> We have a register<sup>37</sup> of the firms we regulate on our website.

35 Protect yourself from unauthorised firms: <http://www.fca.org.uk/consumers/protect-yourself/unauthorised-firms>

36 Unauthorised consumer credit reporting form: <http://www.fca.org.uk/consumers/protect-yourself/report-an-unauthorised-firm/consumer-credit-reporting-form>

37 Financial Services Register: <http://www.fca.org.uk/firms/systems-reporting/register>



## Being supervised by the FCA

*We take an active approach to monitoring and engaging with the firms we regulate. We call the way we monitor the market and work with individual firms ‘supervision’.*

This section looks at the FCA supervision model, and how it will work in practice with your firm. Our approach is proportionate, and we concentrate our resources on the greatest potential risks to our objectives. Firms with full permission can expect a more intensive supervisory approach than firms with limited permission.

We aim to protect consumers and ensure market integrity. We want to know how your business is really run, to find where problems flow from and address them at the source. We are interested in your financial health and how you aim to make money, both now and in the future, and how your culture and strategies support fairness for consumers and markets. We will examine the risks your business poses in these areas, and how you respond to these risks.

Our model supports the promotion of effective competition in the interests of consumers. If we find firms, groups, products or behaviours that could have an adverse effect on competition, we will consider the most appropriate action to take.

### **Our general approach to supervision**

Firms are expected to meet our standards at all times. The extent of your engagement with our supervision division will partly depend on your firm's classification. Firms which are designated as 'fixed portfolio' firms will be allocated a named individual supervisor, and proactively supervised using a firm-specific continuous assessment approach. The majority of credit firms will be 'flexible portfolio' firms, which are supervised through a combination of market-based and thematic work, programmes of communication and engagement and education activity aligned with the key risks identified for the sector in which the firms operate. These firms use our Customer Contact Centre as their first point of contact with us.

Firms will be informed following authorisation and subsequently on an ongoing basis, when relevant, what supervisory relationship and approach they will be subject to.

Regardless of your classification, we can contact you at any point to gather information and address risks we find in your firm. We use a range of tools to ensure compliance but we'll aim to resolve problems cooperatively without our powers if possible.

Supervision tends to take one of the following forms. All of these are applicable to both fixed and flexible portfolio firms.

**The extent of your engagement with our supervision division will partly depend on whether your firm is classified as a 'fixed portfolio' firm or a 'flexible portfolio' firm.**

### Proactive supervision

This is where we proactively assess a particular firm or firms to understand, mitigate and prevent risks. The basis of our assessment will generally be whether firms have the interests of customers and the integrity of the market at the heart of their business. We decide which firms we will proactively assess on the basis of risk; however, that doesn't necessarily mean that we are acting on specific intelligence about the firms in question. We can proactively supervise firms on an individual basis, or we may assess a number of firms across an issue, product or market at once.

### Reactive supervision

When we become aware of significant risks to consumers, or when damage has already been done, we will respond swiftly and proportionately.

We can identify risks or problems through a number of sources, including information from your firm, data analysis, whistle-blowers and consumer complaints. We will also work closely with external stakeholders such as local authority trading standards services (LATSS), the Department for Enterprise, Trade and Investment Northern Ireland (DETINI) and consumer bodies as sources of information.

You have a duty to tell us about any risks or problems that emerge in relation to your firm that may have an impact on our objectives. You can find out more about this duty in SUP15.

If we find a problem, we'll seek to work with you to resolve it voluntarily. If we can't agree a voluntary solution, we may rely on our formal powers in order to limit ongoing risks to consumers. Where we are aware the same risk is evident in more than one firm, we can engage with several firms at once to ensure that all firms deal with the risk, consumers are protected and poor behaviour

is rectified, with compensation being paid to consumers if necessary.

### Whistleblowing

One of the ways we receive information about wrongdoing in firms is from employees or former employees. We take each case seriously and will collect and act upon the intelligence received from whistleblowers wherever appropriate. We place significant value on whistleblowing alerts and seek to provide as much useful feedback to the whistleblower as possible, within the restrictions we are bound by. More information about whistleblowing<sup>38</sup> is available on our website.

**We place significant value on whistleblowing alerts. We take each case seriously and will act upon the intelligence received wherever appropriate.**

### Thematic Reviews

We look across the market to analyse current events and investigate potential causes of poor outcomes for consumers and market participants. Where we find issues which exist or may exist in a number of firms, we will consider carrying out a thematic review to examine the relevant issue in a number of firms at once.

We will be transparent about the areas we are interested in and why. When we decide that action is needed to reduce a risk to consumers or the integrity of financial markets, we will address our response to all firms in the relevant market, not just those that have been involved in the assessment work, and expect you to consider and act as necessary on our findings.

Follow-up action could include changing our rules or guidance or publishing consumer communications. We will generally publish the results of our thematic work and use it to highlight good practices as well as areas of concern.

<sup>38</sup> Learn more about whistleblowing: <https://www.the-fca.org.uk/whistleblowing>

### Specialist supervision teams

We have a number of specialist teams in our supervision division who support our front-line supervisors.

### Prudential supervision

Our approach aims to minimise the harm to consumers and market stability when firms experience financial stress or fail.

Our main focus is on debt management firms, as they are subject to specific prudential and client money requirements. These are set out in CONC 10 and CASS 11. Peer-to-peer lenders are also subject to specific prudential and client money requirements.

### Financial promotions

The principle that communications should be clear, fair and not misleading is the backbone of our approach to financial promotions, such as advertising and other marketing.

We have a dedicated team that will proactively monitor promotions across all media, as well as consider referrals and intelligence from others. If we consider that a financial promotion does not meet our requirements, we will have a number of tools available:

- where we see a non-compliant financial promotion, we will contact the firm, asking them to amend or withdraw it
- for repeat breaches, we may also ask them to provide us with a formal attestation (a signed statement) that they have effective governance in place for the approval of compliant financial promotions
- in cases where the firm does not co-operate, we can issue a supervisory notice banning the promotion
- in the worst cases, enforcement action may also be appropriate

You can report misleading promotions<sup>39</sup> to us using the steps outlined on our website.

### Unfair terms in consumer contracts

We are responsible for monitoring firms' compliance with the Unfair Terms in Consumer Contracts Regulations. If we decide to take action in relation to the fairness of terms in standard consumer contracts, we can apply for an injunction under the regulations to prevent a firm relying on unfair terms. We also have the power to accept an undertaking from a firm that it will no longer use terms that we consider unfair. We publish undertakings from firms on our website.

We may also consider carrying out thematic work, looking at contract terms generally, for example reviewing a range of firms' contracts for a particular product. This would consider the fairness and clarity of firms' contract terms under the regulations, alongside firms' practices under wider regulatory requirements.

Our approach to the assessment of terms under the regulations is set out in the UNFCOG module in our Handbook.

### Financial crime and intelligence

All consumer credit firms are required to put in place systems and controls to mitigate the risk that they may be used to further financial crime. We look at the measures firms take to monitor, detect and prevent financial crime risk effectively. We also collect and act upon the intelligence we receive about financial crime risks, for example from whistle-blowers, and take each individual case seriously.

Since 1 April 2014 we have been responsible for supervising how consumer credit firms that are subject to the Money Laundering Regulations comply with them.

**Our approach to the assessment of terms under the regulations is set out in the UNFCOG module in our Handbook.**

<sup>39</sup> Financial promotions and adverts: <https://www.the-fca.org.uk/financial-promotions-and-adverts>

We have published a guide for firms<sup>40</sup> which sets out what firms can do to reduce their financial crime risk. The Joint Money Laundering Steering Group<sup>41</sup> is also a useful resource for firms.

### How we carry out supervision

We have a number of powers which we can use to supervise firms, for example powers to require firms to provide us with information. In the first instance, we prefer to work with firms on a voluntary basis.

Whatever our reason for interacting with your firm, there are a wide range of ways in which we may engage with you. For example, we might send you a request for information and documents about your firm; we may meet you or interview particular individuals within your firm; or we may also review customer case files to understand your customers' experiences when dealing with you. In some cases we may wish to visit your premises and observe your operations in practice.

If we find failings in your firm, we will engage with you to resolve them and we may ask you to take immediate action to prevent any further harm occurring in the meantime. If the issue is serious we may seek formal commitments from you that you will do this in a timely and effective way. For example, we might seek an attestation from senior decision-makers within your firm, or we may discuss the voluntary imposition of requirements on your permissions or a voluntary amendment of your permissions.

In some cases we may require a Skilled Persons Review (also known as a Section 166 review as the power to require these reviews is set out in s166 of FSMA). We use these powers to obtain an independent expert view of aspects of a firm's activities that cause us concern or where we require further analysis. Further detail on when we may use these powers can be found in SUP 5.

Supervisors will generally aim to resolve issues in firms without the use of our formal powers. However, where appropriate, supervisors will refer firms to enforcement for severe and/or repeated breaches of our standards and expectations.

40 Handbook: FC Financial Crime: A guide for firms: <https://www.handbook.fca.org.uk/handbook/FC/>

41 Money Laundering Regulations Steering Group: <http://www.jmlsg.org.uk/>

## Market studies

Market studies are a tool we use to examine structural issues in markets. These are led by our Competition Department. Market studies analyse the effectiveness of competition in different markets, and identify areas where we can intervene to promote more effective competition.

The purpose of a market study is to understand whether competition is working effectively in the interests of consumers. As part of a market study we may ask firms for information and data about their activities. The purpose of this is to build a picture of what is happening in the market as a whole, rather than to supervise whether your firm is meeting our regulatory standards. However, if the information you provide does reveal a concern about standards within your firm we may follow up with supervisory action.

## Regulatory Reporting

We collect data from all regulated firms on a regular basis. This is a key part of our approach to supervision. The information we collect is an important aid to our work: it identifies trends and emerging risks and helps us to monitor compliance.

All regulated firms are required to report information to us. This needs to be provided online on a regular basis – typically six monthly or annually depending on the nature and size of your business.

The data we ask for is mostly financial information and information about your transaction volumes. The reporting forms which apply to consumer credit firms are set out in the table below. Which forms apply to you will depend on what regulated activities you carry out. Firms with limited permission (other than large not-for-profit debt advice bodies) will only be required to submit form CCR007.

There are some specific and more frequent reporting requirements for firms carrying out particular activities. Home collected credit firms and HCSTC lenders are required to send us product sales

data on the loans that they make on a quarterly basis. Credit broking firms that charge fees must notify us every three months of their domain (website address) names. This is via reporting form CCR008.

## Complaints

Firms with full permission need to report details of complaints either six monthly or annually. Six monthly reporting applies unless the firm only holds permission to carry on credit-related regulated activities and revenue arising from such activities is £5 million or less a year.

These requirements do not apply to firms with limited permission unless the firm is a large not-for-profit debt advice body. A firm with limited permission (except large not-for-profit debt advice bodies) is required to submit information to us about the number of complaints it has received in relation to credit-related regulated activities under the reporting requirements in SUP 16.12.

## Submitting your reports

GABRIEL<sup>42</sup> (GATHERING Better Regulatory Information ELECTRONICALLY) is our online regulatory reporting system for the collection, validation and storage of firms' regulatory data. One you are authorised you will need to register on GABRIEL. The system will select for you the reports that your firm needs to complete, based on the information you have provided to us. You will receive an email reminder when your report is due. More information and guidance about reporting is available on our website.<sup>43</sup>

Regulatory reporting is essential and firms not completing their reporting requirements by the due date are subject to an administrative fee of £250. If a firm still does not complete and submit its return, we may also take enforcement action. Ultimately, this could result in a firm losing its authorisation.

<sup>42</sup> GABRIEL Reporting: <http://www.fca.org.uk/firms/systems-reporting/gabriel>

<sup>43</sup> Systems and reporting: <http://www.fca.org.uk/firms/systems-reporting>

Reporting form	Which firms does this form apply to?	Content overview
<b>Financial data (CCR001)</b>	All firms that are not already submitting financial data and do not have limited permission (but applies to large not-for-profit debt advice bodies subject to the prudential requirements that apply to debt management firms) or permission only to carry on peer-to-peer lending platform activity.	Key financial figures including capital, assets, liabilities, exposures, income and profit.
<b>Volumes (CCR002)</b>	All firms that do not have limited permission (but applies to large not-for-profit debt advice bodies subject to the prudential requirements that apply to debt management firms).	For each activity a firm undertakes, revenue, customer and transaction volume, and an indication of the main method used to generate income
<b>Lenders (CCR003)</b>	All firms with permission to enter into a regulated credit agreement as a lender or to exercise the lender's rights and duties under a regulated credit agreement.	Breakdown of value and amount of loans, arrears and interest rates.
<b>Debt management (CCR004)</b>	Debt management firms and large not-for-profit debt advice bodies subject to the prudential requirements that apply to debt management companies.	Capital requirement and capital resources. Number of debt management plans ending early.
<b>Client money and assets (CCR005)</b>	Debt management firms and not-for-profit debt advice bodies.	Highest balance and number of clients. Amount of client money held for longer than 5 days.
<b>Debt collection (CCR006)</b>	Firms undertaking debt collecting including peer-to-peer lending platforms that collect debts due under loans they facilitate.	Breakdown of number and value of debts by stage of placement.
<b>Key data (CCR007)</b>	Firms with limited permission, other than an authorised professional firm, or a not-for-profit debt advice body, that is subject to full reporting requirements.	Credit-related income, total revenue, number of transactions and complaints, main credit-related regulated activity.

## Making changes to your business

Once your firm is authorised, if you wish to make changes which affect the basis on which your original application for authorisation was approved, you will need to apply to us for prior approval. These changes include:

- a change in the regulated activities you wish to carry out such that you require different permission
- a change in the ownership of your firm
- a change in the legal status of your firm
- changes to your approved persons
- cancelling your permissions because you no longer intend to carry out regulated activities

You are required to simply notify us in the case of less significant changes, for example:

- changes to your contact details
- changes to your appointed representatives (including the appointment and removal of appointed representatives)

More information is available on our website.<sup>44</sup>

## Notifying us when serious events occur

You are required to notify us of any matter that has, or potentially has, a serious regulatory impact, that we would reasonably expect to be made aware of, for example:

- significant breaches of our standards
- civil, criminal or disciplinary proceedings against your firm

<sup>44</sup> Change of legal status: <https://www.the-fca.org.uk/change-legal-status>

- fraud, errors or other irregularities
- insolvency, bankruptcy and “winding up” of the business
- material changes to your business model

Notifications should be made either by email or post and should include a SUP 15 Notification Form<sup>45</sup> which can be downloaded from the Handbook website.

Notification forms can be emailed as attachments to firm. queries@fca.org.uk or posted to our Head Office address marked for the attention of the Customer Contact Centre.

## Fees

Other than credit unions and community finance organisations with an annual income under £250,000, and all not-for-profit debt advice bodies, all firms have to pay an annual fee (known as a periodic fee). A firm with interim permission does not have to pay an annual fee for consumer credit until it becomes authorised.

Your annual fee invoice will include fees and levies on behalf of other regulatory bodies, such as the Financial Ombudsman Service and Money Advice Service. We set the fees payable at the end of June and issue invoices from July each year. You should pay your annual fee within 30 days of the invoice date; otherwise you may incur a late payment charge.

**A firm with interim permission does not have to pay an annual fee for consumer credit until it becomes authorised.**

<sup>45</sup> SUP 15 Notification Form: <https://www.handbook.fca.org.uk/handbook/SUP/15/Ann4.html>



## Enforcement

*Enforcement works alongside our other regulatory tools, such as setting new policy standards, market studies into competition, controlling the gateway through authorisations and monitoring on-going conduct through supervision.*

We have wide ranging powers to tackle breaches of our rules and other legal requirements, including the CCA and FSMA. The tools we have at our disposal include:

- withdrawing a firm's authorisation
- banning individuals from carrying on regulated activities
- suspending firms or individuals from undertaking regulated activities
- fining firms or individuals who breach our rules or commit market abuse

- applying to the Court for injunctions and restitution orders
- bringing criminal prosecutions to tackle financial crime, such as insider dealing or unauthorised business

Our strategy is to use these powers to achieve 'credible deterrence'. Credible deterrence means that we try to improve standards across the market by showing there are meaningful consequences to breaking our rules.

The factors we consider when determining which cases to pursue are set out in our referral criteria.

We follow a set enforcement procedure and have published a flowchart<sup>46</sup> on our website that explains how a typical enforcement case works where the case is dealt with through our administrative powers under FSMA.

This includes several procedures in contrast to those followed by the OFT. For example, our standard practice is to send a Notice of Appointment of Investigators to the firm or individual concerned in most circumstances, and to use statutory powers to require individuals to answer questions in interview. You can read about these in Chapter 4 of our Enforcement Guide in our Handbook.

We will publish information about an enforcement case in a Final Notice or Decision Notice where we consider it appropriate. Publishing outcomes and notices is important to ensure our decision making is transparent. It informs the public and helps maximise the deterrent effect of enforcement action.

All of our enforcement decisions must be confirmed by a Regulatory Decisions Committee (RDC), which is made up of industry practitioners to represent the public interest.

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46 FCA Enforcement Information Guide: <https://www.fca.org.uk/static/documents/enforcement-information-guide.pdf>

Our staff will submit their proposal and the supporting evidence to the RDC. The RDC will review the evidence and, in most cases, seek the views of the relevant firm or individual, before coming to a decision.

The RDC is independent from the FCA team that has conducted an investigation or considered an application for authorisation. This is required by law and helps to ensure that decisions are fair.

More information about how the RDC works<sup>47</sup> is on our website.

### Trading standards services

We will work closely with the LATSS and DETINI and have signed a Memorandum of Understanding with them to set out formally how we will work together. We aim to cooperate by sharing information where appropriate and where we legally can.

This exchange of information will help us regulate consumer credit firms generally and ensure that we take a consistent and coordinated approach in relation to issues such as unfair contract terms. It will also help identify potential poor conduct in relation to consumer credit, which we can take forward in our supervision work.

We will also work together to ensure that we take a consistent and coordinated approach in relation to potential regulatory breaches.

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<sup>47</sup> FAQ: How the RDC works: <http://www.fca.org.uk/about/structure/committees/rdc-faqs>

## Annex: Controlled functions for consumer credit

**Table 1: Controlled functions**

Significant influence functions	Responsibilities	Who does this function apply to?
<p><b>Governing functions (known as CF1 to CF6)</b></p>	<p>Direct the firm's affairs, for example a CEO or non-executive director.</p>	<p>Applies to individuals performing these functions in all authorised firms except:</p> <ul style="list-style-type: none"> <li>• firms with limited permission</li> <li>• some authorised professional firms in respect of their non-mainstream regulated credit activity (this may include, for example, law firms that on an incidental basis recover consumer credit related debts on behalf of their clients)</li> <li>• sole traders</li> </ul> <p>Also apply to appointed representatives (except introducer appointed representatives and sole traders which do not have to have any approved persons). If the appointed representative is carrying on the regulated activity as a secondary activity rather than as a principal activity (for example, an appointed representative motor dealer that is carrying on credit broking as a secondary activity) it only has to have one individual approved for a governing function for that activity.</p>

Significant influence functions	Responsibilities	Who does this function apply to?
<p><b>Apportionment and oversight function (known as CF8)</b></p>	<p>Ensure that the significant business responsibilities are clearly and appropriately divided among the directors and senior managers of the firm and that they oversee the implementation and maintenance of appropriate systems and controls</p>	<p>Applies to individuals performing this function in the following firms:</p> <ul style="list-style-type: none"> <li>• firms with limited permission (except for not-for profit debt advice bodies)</li> <li>• some authorised professional firms in respect of their non-mainstream regulated credit activity.</li> </ul> <p>It does not apply to sole traders unless they employ people who have to be approved persons.</p> <p>Most limited permission firms are required to have one individual approved for the apportionment and oversight function but will not be required to have any other individuals approved in respect of their credit-related activities.</p>
<p><b>Compliance oversight function (known as CF10)</b></p>	<p>Oversight of the firm's regulatory compliance and reporting to the governing body about that.</p>	<p>Applies to individuals performing this function in the following authorised firms (including sole traders that employ staff involved in the carrying on of the regulated business activities):</p> <ul style="list-style-type: none"> <li>• debt management businesses</li> <li>• credit repair businesses.</li> </ul>
<p><b>Money laundering reporting function (known as CF11)</b></p>	<p>The firm's money laundering reporting.</p>	<p>Applies to individuals performing this function in authorised firms (including sole traders that employ staff involved in the carrying on of the regulated business activities) that are covered by the Money Laundering Regulations. It does not apply to 'limited permission lenders'.</p>

Significant influence functions	Responsibilities	Who does this function apply to?
<p><b>Systems and controls function (known as CF28)</b></p>	<p>Reporting to the governing body of a firm on how it complies with its internal systems and controls requirements and the firm's risk exposure.</p>	<p>Applies to individuals performing these functions in all authorised firms except:</p> <ul style="list-style-type: none"> <li>• firms with limited permission</li> <li>• some authorised professional firms in respect of their non-mainstream regulated credit activity</li> </ul> <p>Although this function may apply to sole traders, it is unlikely to do so other than in circumstances in which the sole trader has a substantial number of employees involved in the carrying on of regulated business activities.</p> <p>Responsibility for this function can be assumed by a person already approved to undertake a governing function other than the non-executives. Individuals in firms regulated by both the FCA and the PRA would need to apply to the PRA for approval for the systems and controls function.</p>
<p><b>Significant management function (known as CF29)</b></p>	<p>Only applies to firms where significant responsibility is given to a senior manager of a relatively substantial business.</p>	<p>Applies to individuals performing these functions in all authorised firms except:</p> <ul style="list-style-type: none"> <li>• firms with limited permission</li> <li>• some authorised professional firms in respect of their non-mainstream regulated credit activity</li> </ul> <p>Although this function may apply to sole traders, it is unlikely to do so other than in circumstances in which the sole trader has a substantial number of employees involved in the carrying on of regulated business activities.</p> <p>We anticipate that relatively few consumer credit firms will need approval for an individual to perform this function, as in most firms, the individuals approved for the above functions are likely to exercise significant influence over the firms' business.</p>

Significant influence functions	Responsibilities	Who does this function apply to?
<p><b>CASS operational oversight function (known as CF10a)</b></p>	<p>Person responsible for the firm's client asset oversight.</p>	<p>Applies to a director or senior manager in a large debt management firm (including a sole trader) and a large not-for-profit debt advice bodies. In each case 'large' means the firm holds a minimum of £1 million of client money at some point during the last calendar year or projects that it will hold during this time.</p> <p>Smaller profit-seeking debt management firms and not-for-profit debt advice bodies (holding less than £1 million) need a director or senior manager to be responsible for overseeing the firm's client assets.</p> <p>For profit-seeking debt management firms, this person must be someone who has been approved for a 'significant influence function' (most likely a governing function).</p>







*This guide is for consumer credit firms in particular those that are new to being regulated by us. It provides a high-level summary of how we will regulate you.*

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