FINANCIAL CONDUCT AUTHORITY

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FINAL NOTICE

To: **Barclays Bank UK PLC, Barclays Bank PLC, Clydesdale Financial Services Limited (together "Barclays")**

FRN: **759676, 122702 and 311753**

Address: **1 Churchill Place, London, E14 5HP; and**

Cadarn House, The Avenue Business Park, Cardiff CF23 8FF

Date: **15 December 2020**

1. ACTION

1.1. For the reasons given in this Notice, the Authority hereby imposes on Barclays a financial penalty of £26,056,400.

1.2. Barclays agreed to resolve this matter and qualified for a 30% (stage 1) discount under the Authority's executive settlement procedures. Were it not for this discount, the Authority would have imposed a financial penalty of £37,223,541 on Barclays.

2. SUMMARY OF REASONS

2.1. Between 1 April 2014 and 31 December 2018, Barclays breached Principles 6 and 3 of the Authority's Principles for Businesses and CONC 6.7.2R, 7.2.1R and 7.3.4R from its Consumer Credit sourcebook by failing to show forbearance and due consideration to business and retail customers when they fell into arrears or experienced financial difficulties. Barclays identified at least 1.5 million customers who suffered detriment, or were at risk of suffering detriment, as a result of these failings. It has paid over £273,000,000 in redress to these customers. Barclays knew about many of the shortcomings in its systems and controls as early as 2013, but did not adequately resolve these problems until late 2018.

2.2. Barclays offered unsecured lending products to customers of certain Product Areas throughout the Relevant Period: Personal Loan Accounts; Retail Current Accounts; Business Accounts; UKC; BPF and BPF Secured Motor (which offered secured loans); and BCP. Some customers in each of these Product Areas experienced poor outcomes when they fell into arrears on their lending products. The causes of the poor outcomes included Barclays's failure to adequately understand customers' circumstances, its failure to show appropriate forbearance to customers who fell into arrears, and its failure to make adequate contact with customers who missed payments on their loans.

2.3. Barclays failed to treat customers who fell into arrears fairly in a number of ways:

(1) **Customer contact**: Barclays failed to follow its customer contact policies. As a result, many customers whose accounts entered into Barclays Collections experienced delays in being contacted by telephone and could have incurred additional fees and charges as a result of the delay;

(2) **Customer circumstances**: Barclays's agents failed to have appropriate conversations with customers to help understand the reason for the arrears or the customer's long- or short-term financial situation. Barclays also missed indicators of financial difficulty or vulnerability in a significant number of cases; and

(3) **Forbearance**: Barclays's failure to properly understand customers' circumstances led to it offering customers forbearance solutions that were unaffordable or unsustainable. Barclays also made errors such as delaying setting up plans, setting up plans incorrectly, mistakes with payments, and charging interest or fees during a breathing space hold on payments.

2.4. The Authority's rules require firms to show forbearance and due consideration to customers who are in arrears or experiencing financial difficulties. In practice, this means that a firm must take adequate measures to properly understand a customer's short-and long-term financial position and, for example, whether the customer may be vulnerable in some way due to unemployment, relationship breakdown, bereavement, or illness. The firm can then offer affordable and sustainable forbearance solutions that are appropriately tailored to the customer's personal circumstances. This might include suspending or reducing interest or charges; allowing deferment of payment of arrears; or accepting token or reduced payments for a reasonable period of time.

2.5. A firm's failure to take steps to understand a customer's unique circumstances and offer appropriate solutions can have negative consequences for the affected customer. For example, a customer who is under pressure may choose to pay a consumer credit debt at the expense of priority expenses such as rent, mortgage, utilities, or food.

2.6. The Authority considers that Barclays's failings are serious for the following reasons:

(1) A large number of customer accounts were potentially affected by the failings;

(2) Many of these customers were vulnerable because of financial difficulties or other problems which Barclays failed to properly identify;

(3) In August 2015, Barclays committed to continuously improving Collections, but the failings continued until late 2018; and

(4) The failings were caused by serious systemic problems which Barclays failed to promptly identify and address.

2.7. Barclays has taken significant steps to mitigate the serious structural problems which led to customers being treated unfairly. This included commissioning the Consultancy Firm to undertake an expansive review of customer files and dedicating considerable internal resources to addressing the systemic problems. Barclays has also undertaken an extensive remediation exercise to provide compensation to customers who were, or may have been, affected by these failings. This resulted in financial remediation across a population of at least 1,530,000 customer accounts, and to date has made redress payments or balance adjustments totalling over £273,000,000.

2.8. Barclays has cooperated fully with the Authority's investigation into these matters.

2.9. The Authority hereby imposes a financial penalty on Barclays of £26,056,400 pursuant to section 206 of the Act.

2.10. This action supports the Authority's consumer protection objective.

2.11. In this Notice the Authority makes no criticism of any person other than Barclays. Further, any facts or findings in this Notice relating to any function, committee or group of persons should not be read as relating to all members of that function, committee or group, or even necessarily any particular individual.

3. DEFINITIONS

3.1. The definitions below are used in this Notice.

"the Act"	means the Financial Services and Markets Act 2000;
"the Authority"	means the body corporate known as the Financial Conduct Authority;
"Barclaycard"	means a trading name of Barclays Bank PLC until 1 April 2018 and Barclays Bank UK PLC thereafter which operated its credit card business;
"Barclays"	means Barclays Bank UK PLC, Barclays Bank PLC, and Clydesdale Financial Services Limited;

“the Barclays Group”	means the group of companies headed by Barclays PLC and including Barclays Bank PLC, Barclays Bank UK PLC and Clydesdale;
“BCP”	means Barclaycard Commercial Payments, the corporate card issuing business of Barclaycard;
“BFA”	means Barclays Financial Assistance, a single Global Operations team which provides collections and recoveries services to Barclays and is part of the Group Services Company;
“BIA”	means Barclays Internal Audit;
“BPF”	means Barclays Partner Finance, a trading name of Clydesdale;
“BPF Secured Motor”	means Barclays Partner Finance Secured Motor, part of BPF, which offers loans secured on motor vehicles;
“Business Accounts”	means loans and current accounts with exposure under £100,000 offered by Barclays to business customers;
“the CCA”	means the Consumer Credit Act 1974;
“Clydesdale”	means Clydesdale Financial Services Limited, part of the Barclays Group;
“Collections”	means the business areas within Barclays that administered collections and arrears handling for the Product Areas;
“CONC”	means the Consumer Credit sourcebook, part of the Handbook;
“the Consultancy Firm”	means the independent professional services firm engaged by Barclays to carry out the Phase 1 Review and the Remediation Review;
“DEPP”	means the Decision Procedure and Penalties Manual, part of the Handbook;
“Group Services Company”	means Barclays Execution Services Limited, a wholly owned subsidiary of Barclays PLC and an appointed representative of Barclays, which provides various services to Barclays;
“the Handbook”	means the Authority’s Handbook of rules and guidance;
“the OFT”	means the Office of Fair Trading;
“Personal Loan Accounts”	means personal loan accounts offered by Barclays to retail customers;

"the Phase 1 Review"	means the initial independent review carried out by the Consultancy Firm, commissioned by Barclays on 14 February 2017, to review 100 Personal Banking and Business Banking customer files in order to scope a wider remediation review and exercise;
"Principle"	means one of the Principles for Businesses, rules set out in the Handbook;
"Product Area(s)"	means the business areas within Barclays which were serviced by Collections: Retail Current Accounts; Personal Loan Accounts; Business Accounts; BPF and BPF Secured Motor; UKC; and BCP;
"the Relevant Period"	means the period from 1 April 2014 to 31 December 2018;
"the Remediation Review"	means an expansive review carried out by the Consultancy Firm, commissioned by Barclays in June 2017, to review a large number of customer files in the Product Areas in order to identify customer detriment and advise Barclays on its remediation activities;
"Retail Current Accounts"	means personal current accounts offered by Barclays to retail customers;
"the Tribunal"	means the Upper Tribunal (Tax and Chancery Chamber); and
"UKC"	means consumer credit card accounts offered by Barclays.

4. FACTS AND MATTERS

Firm background

4.1. The Barclays Group is a British multinational bank and financial services group headquartered in London. Historically, Barclays Bank PLC (which is part of the Barclays Group) offered products and services across personal, corporate, and investment banking, credit cards and wealth management. On 1 April 2018, Barclays Bank PLC restructured its operations to comply with the UK's ring-fencing legislation, which required each UK bank to separate its retail banking activities from the rest of its business. Barclays Bank UK PLC, the new ring-fenced bank, now owns and operates the retail parts of the business. It serves 24 million UK customers and is responsible for most of the consumer lending products issued by the Barclays Group. Barclays Bank PLC has been authorised to provide regulated products and services since 1 December 2001, and Barclays Bank UK PLC has been authorised since 6 April 2017. Upon ring-fencing the UK credit card business was split into two distinct businesses: UKC, the consumer card business, and

Barclaycard Business Solutions (of which BCP was a part), the corporate card issuing business.

4.2. BPF is a trading name of Clydesdale, which is also part of the Barclays Group. Clydesdale has been authorised by the Authority since 14 January 2005.

4.3. As part of the ring-fencing restructure, the majority of the liabilities for the matters arising in this Notice were transferred to the ring-fenced bank. On 1 April 2018, the liabilities for the Product Areas were transferred (or retained) as follows:

(1) Retail Current accounts: all liabilities transferred to Barclays Bank UK PLC;

(2) Personal Loan Accounts: all liabilities transferred to Barclays Bank UK PLC;

(3) Business Accounts: all liabilities transferred to Barclays Bank UK PLC;

(4) BPF and BPF Secured Motor: all liabilities retained with Clydesdale;

(5) UKC: all liabilities transferred to Barclays Bank UK PLC; and

(6) BCP: all liabilities retained by Barclays Bank PLC.

The Consumer Credit Regime

4.4. The Authority took over responsibility for regulating the consumer credit industry on 1 April 2014. Prior to that time, firms were required to obtain a licence to conduct consumer credit activities from the OFT. Broadly, regulated consumer credit products are those offered to individuals, unincorporated associations and small partnerships. Each of the Product Areas offered such products during the Relevant Period.

4.5. Firms that held licences with the OFT to carry out consumer credit activities were able to register with the Authority for an interim permission to continue such activities following the legal transition. Barclays did this. This interim permission would allow a firm to continue to carry on consumer credit activities lawfully until an application for full authorisation under the new regime and a decision on the application were made.

4.6. In addition to changing the authorisation process for firms which wished to offer consumer credit products, the Authority introduced rules in the Handbook known as CONC where there had previously been a mixture of legislation and guidance by the OFT. CONC consolidated and expanded upon the existing legislation and guidance which had been set out in the CCA and OFT Guidance. Consumer credit firms were required to, inter alia, adhere to the Authority's Principles for Business from the start of their interim permissions (i.e. 1 April 2014).

4.7. Principle 6 of the Principles for Business states that a firm must pay due regard to the interests of its customers and treat them fairly. Firms that provide consumer credit are required under CONC 7.3.4R to treat customers in default or in arrears difficulties with forbearance and due consideration.

4.8. Where a customer is in default or in arrears difficulties, a firm should allow the customer reasonable time and opportunity to repay the debt. CONC 7.3.5G provides specific examples of ways that a firm can show forbearance depending on a customer's unique circumstances and financial position. For example:

(1) A firm might consider suspending, reducing, waiving or cancelling further interest or charges, particularly where a customer is in financial difficulty (often called a 'breathing space hold');

(2) Another potential forbearance solution is to allow customers to defer payment of arrears where immediate payment would not be sustainable, so long as this does not make the term of the repayments unreasonably excessive; and

(3) A firm might accept token payments for a reasonable period of time to allow a customer to recover from unforeseen circumstances which affect the customer's ability to pay priority debts or other essential living expenses (for example, mortgage, rent, council tax, county court judgments, food bills and utility bills) .

The Product Areas

4.9. During the Relevant Period, Barclays offered a number of consumer credit products across 6 Product Areas:

(1) **Retail Current Accounts**

Retail Current Account customers could access overdraft and emergency borrowing facilities under some circumstances. These act as lines of short term credit when a customer does not have enough funds available in their account, and generally are only intended for occasional or emergency borrowing;

(2) **Personal Loan Accounts**

Personal Loan Account customers hold unsecured loans. Unsecured loans allowed a customer to borrow money without offering up security based on a major asset, such as their home. Most Personal Loan Account customers took out a Barclays loan to consolidate debts, to carry out DIY projects, or for the purchase of a car;

(3) **Business Accounts**

This category includes business loans and business current accounts. Barclays offered business customers unsecured business loans as well as current accounts;

(4) **Barclays Partner Finance and BPF Secured Motor ("BPF")**

BPF provided unsecured loans for consumer goods as a third party service provider through an approved network of retailers. For example, many customers may not have cash on hand for consumer purchases such as a sofa or television. A home furnishings shop may make an arrangement to offer financing on site via BPF. Loans issued by BPF Secured Motor were arranged in a similar way, but Clydesdale remained the legal owner until the loan was repaid in full;

(5) **UK Cards ("UKC")**

UK Cards customers held a number of revolving credit card products. These products can act as spend facilities or as a facility to consolidate debt. These products were aimed at a range of customers, from those with good history of managing credit to those looking to re-build their credit profile; and

(6) **Barclaycard Commercial Payments ("BCP")**

BCP offered credit and charge card products to small business customers; this could include sole traders, partnerships or limited companies.

4.10. After a customer's account fell into arrears, Barclays's Collections function was responsible for making contact with the customer, ascertaining whether the customer needed to be provided with forbearance options due to their personal financial circumstances, and then identifying and arranging appropriate forbearance.

4.11. Collections was operated out of two offices, located in Manchester and Kirkby. The Manchester office handled arrears arising from Barclays's Business Accounts, Retail Current Accounts, and Personal Loan Accounts. The Kirkby office handled arrears arising from BPF and BPF Secured Motor, UKC, and BCP.

4.12. Responsibility for Collections was transferred between different functions within Barclays at various points during the Relevant Period. From April 2014 to April 2015, Collections was part of a global shared service, with UK Collections and some other international collections functions reporting to one executive based in London. Collections began to transition out of the global shared service model in early 2015. The Manchester and Kirkby offices were then operated by separate functions within Barclays Bank PLC until January 2018, when BFA took over responsibility for the whole of Collections.

Customer experience

4.13. Barclays's approach to arrears handling was broadly similar across Product Areas. An outline of the customer experience and differences, where noteworthy, between Product Areas are described in further detail below.

Proactive customer contact

4.14. If a customer of any of the Product Areas were to call or write and explain to a Barclays representative that they expected to fall behind in their payments, the call or letter would automatically be transferred to Collections. Subject to some exclusions, such as vulnerable customers, the customer would enter the applicable core collections strategy. Generally, the customer would be invited to call Collections and to complete an affordability assessment so that a solution could be agreed.

Exclusions

4.15. Customer accounts which fell into arrears and which met certain minimum thresholds would be sent to Collections for handling. Different thresholds applied depending on the Product Area. For example, a UK Cards customer would not be referred to Collections if the total outstanding balance were less than £50 or the arrears were less than £5. For a Personal Loan customer, the threshold was arrears less than £50 or arrears equalling less than 50% of the minimum payment on the loan. There was no minimum threshold for BCP.

4.16. Other categories of customers or accounts in each of the Product Areas bypassed the normal Collections process. Some examples are premier retail current accounts and BPF and UKC customer accounts designated as 'Vulnerable'.

Grace periods

4.17. Customers of some Product Areas (UKC, Personal Loans, BCP) were provided with a grace period before Collections sent a payment reminder. Grace periods ranged from 1-8 days depending on Product Area. Customers of other Product Areas (Current Accounts, Business Banking) did not enjoy a grace period.

4.18. Following a payment reminder letter, customers from most of the Product Areas entered into another grace period known as the 'dialler holdout period.' After the dialler holdout period, customers would enter a core collections strategy in which the customer would begin to receive outbound calls. The length of the dialler holdout period was, for most Product Areas from 2016 onwards, determined by risk segmentation. This meant that those customers classified as 'high risk' would have a shorter grace period than those classified as 'low risk'. Grace periods generally ranged from 1-26 days although Business Banking customers classified as 'low risk' were allowed a grace period of up to 40 working days.

Accounts entering Collections

4.19. Once any grace periods had expired, customers were allocated to a collections strategy. These were prescribed contact strategies which dictated how frequently and by which channels a customer was contacted. During most of the Relevant Period and for most Product Areas, the contact strategy was dictated by the risk segmentation to which a customer was allocated. A customer segmented into the 'high risk' category would generally be contacted by telephone at an earlier stage and at a higher frequency than those segmented as 'low risk'. Customers classified as higher risk generally had more frequent contact attempts.

4.20. Collections contacted customers using the following primary channels:

(1) SMS message;

(2) Emails;

(3) Letters; and

(4) Outbound interactive voice messaging. This involved an automated telephone call to the customer who then heard a message. A customer was able to select "1" from the menu and they then would be connected to an agent to discuss their financial position.

4.21. Collections would use a combination of these channels to contact customers. For example, UKC customers would receive one contact per channel per day, the contents of which would depend on how long the customer had been in arrears. During the Relevant Period, Collections agents did not have the discretion to deviate from the contact strategy timeframes or template language for 'mainstream' customers (those who were not vulnerable), with limited exceptions. An example of such an exception is that agents in UKC could move customers to a strategy not formally available if there had been a complaint where Barclays was at fault.

4.22. Collections would attempt to contact the customer over a defined period, not indefinitely. The defined periods consisted of 30 day payment cycles. For example, Retail Current Account and Personal Loan customers would generally be contacted over 6 cycles. At the end of the 6th cycle, or approximately 180 days after the arrears began, the account would be 'charged off' if no solution or earlier event leading to charge off occurred first. This meant that Collections would shift from collecting the arrears accrued to collecting the full amount owed including the balance, arrears, interest and fees.

Known issues in Collections

4.23. In January 2015 Barclays applied for full authorisation to carry out consumer credit activities. At the time it submitted this application, Barclays was aware of a number of audit and internal assurance reports which had identified ongoing deficiencies in Collections dating from as early as 2013.

4.24. In June 2013, a BIA audit identified serious failings that affected BPF and BPF Secured Motor customers: customers on certain forbearance plans were systematically charged a default sum fee after missing 3 payment cycles, and this was not adequately disclosed. Barclays's IT systems also had deficiencies which caused, or had the potential to cause, detriment to customers in BPF and UKC. BIA found that management did not have adequate controls in place to identify or prevent some of these errors from occurring.

4.25. In October 2013, a Compliance Monitoring & Testing Review of Financial Difficulties, Unsecured Arrears, and Collections in respect of Retail Current Account, Personal Loan Account, and Business Account customers identified customer detriment as a result of failings in the quality assurance framework, and agents failing to follow correct procedures. A customer call could still 'pass' even where a customer suffered an unfair outcome. Additionally, even where failings were identified via the quality assurance procedure, Barclays did not always remediate the affected customers. Earlier in 2013, Barclays had become aware of a systems issue which caused payment plans made in respect of these customers to fail.

4.26. A March 2015 Compliance Monitoring & Testing Review of arrears management in respect of UKC customers found in a review of 30 customer files that 83% (25 out of 30) of vulnerable or potentially vulnerable customers experienced poor outcomes. The poor outcomes were caused by a variety of factors, including a failure to take the customer's circumstances into consideration, poor quality communications with customers, and inappropriate forbearance solutions being applied.

4.27. Despite receiving these internal assurance reports identifying serious problems in the Collections functions serving individual Product Areas, Barclays does not appear to have taken measures to determine whether the failures might be systemic across Collections prior to 2017.

Barclays's 2015 commitment to improve its collections practices

4.28. When considering Barclays's application to carry out consumer credit activities, the Authority raised concerns that its collections policies were focussed on commercial returns rather than customer outcomes. In a letter setting out these concerns, the Authority highlighted that Barclays did not seem to adequately assess customer circumstances, and that Barclays did not appear to offer customers a wide range of forbearance options. The Authority requested that Barclays provide further information to demonstrate that it was in the process of addressing these issues, among others, in order to satisfy the Authority that Barclays met the threshold conditions to continue providing consumer credit products.

4.29. Barclays responded in August 2015 stating, among other things:

> ***Continuous assessment and improvement***
>
> *As part of our standard approach we continue to assess and develop our processes and practices on an on-going basis. . . . Where we identify areas for improvement or enhancement, we establish clear delivery plans and track progress with visibility at a senior management level. . . . Throughout our response to your specific questions below we have referenced examples of where we deliver good customer outcomes, but also areas we recognise need improvement.*

4.30. Barclays stated:

We acknowledge that there are areas of Collections and Recoveries that need improvement and we remain committed to continuously improving in this area.

4.31. Barclays stated that it was already in the process of creating a control framework to monitor compliance with its regulatory obligations; rewriting a number of policies; improving related processes, procedures, and supporting tools; and implementing a formal action plan for Barclaycard. In addition, Barclays pledged that the Product Areas would work closely with Collections "*to improve customer support and the collections experience, and the three lines of defence model.*"

4.32. The Authority consented to the granting of Barclays's application for variation of permission in November 2015, after receiving and considering Barclays's assurances that it was committed to improving the outcomes of customers in Collections.

Ongoing issues in Collections

4.33. Notwithstanding Barclays's assurances to the Authority in August 2015, internal audits and compliance reviews continued to identify serious control failings across the Product Areas. These failings resulted in poor customer outcomes, including some customers suffering financial detriment.

Autumn 2015 awareness of issues

4.34. In September 2015, senior management informed key control committees of conduct and control issues in the Manchester office. The problems identified included a lack of resourcing, inadequate training of staff, cultural issues which did not support good customer outcomes and a lack of controls to enable management to identify and rectify these issues. The committees provided challenge and monitored efforts to remediate the issues for several months but without appreciable improvement.

4.35. An October 2015 Compliance Monitoring & Testing Review of Collections in respect of customers served by the Manchester office also identified a number of issues that were leading to unfair customer outcomes. Among other things, the problem with failures in payment plans which had been identified in 2013 still had not been resolved. The issues were known within Barclays but due to deficiencies in governance, the issues had not been progressed or resolved. The report stated that "*governance around these issues needs to be improved.*"

Ongoing issues leading to poor customer outcomes

4.36. Poor customer outcomes were also observed in the Kirkby office. A Compliance Monitoring & Testing Review of Collections in respect of BPF customers, issued in May 2016, found that for 16 of the 30 customers sampled, Collections agents had made errors that had the potential to cause poor customer outcomes. The errors resulted in actual detriment in 7 of the 16 cases. This issue was rated as 'High'.

4.37. The review highlighted weaknesses by Collections in identifying customer vulnerability and in providing support in a timely manner. The review identified instances of agents failing to identify vulnerability through customer communications (including in relation to customers who had been made redundant) and in the design and operation of the 'Vulnerable' word scrub control, an automated process which had been introduced to identify vulnerability missed by front line agents.

4.38. The review highlighted several cases where poor customer outcomes resulted from poor quality customer service. From the review of 30 cases, it was found that 'Agent Enhancement' was needed due to agents failing to provide clear information to customers or providing misinformation in 4 cases, generally providing poor service in 5 cases, not completing customer account notes in 3 cases, and not completing an income and expenditure form in 3 cases.

Ongoing systems and control issues

4.39. A number of internal assurance reports identified continuing systemic deficiencies in Collections's processes, policies, and procedures following Barclays's August 2015 assurances to the Authority.

4.40. A Retail Credit Risk Conformance Review of UKC conducted from February through April 2016 established that there were "*some material deficiencies in the control framework to provide full assurance that policies and standards have been fully implemented*," particularly with respect to Collections. Approximately 30,000 UKC accounts on informal arrangements were not proceeding to charge-off in line with Barclays's Group Financial Difficulties Policy. A delay in charging off accounts meant a delay in the customer's true financial position being reflected with credit reference agencies; this could have resulted in customer detriment. Accounts not charged off in a timely manner could also have resulted in additional interest being applied to the arrears balance. This issue was the main driver resulting in a finding that the Control Environment was 'Unsatisfactory' in a BIA audit of Collections in UKC and BPF, issued in June 2016.

4.41. The Retail Credit Risk Conformance Review also identified that there was not sufficient evidence that the risk function supporting a segment of UKC had performed a CONC gap analysis to identify whether there were any missing processes or practices within the business relating to the requirements of CONC. This was rated as a 'Low' issue.

4.42. A Compliance Monitoring & Testing Review of Collections in respect of BPF customers, issued in May 2016, found that there were weaknesses in oversight and gaps in management information being considered by senior management. This included no information on the volume of vulnerable customers or quality assurance scores being included in the 'BPF Collections dashboard' and metrics primarily focused on operations rather than on customer outcomes (rated 'Medium').

4.43. Despite the assurances provided in 2015, Barclays did not fully remedy these issues or inform the Authority in 2016 that compliance testing had shown that issues remained.

January 2017 BIA audit of Personal and Business Banking Collections

4.44. In January 2017, BIA completed a review of Personal Banking (comprising of the Personal Loans and Retail Current Accounts Product Areas) and Business Banking Unsecured Collections. This review identified serious and wide-ranging failings including 1 'Critical' issue, 8 'Major' issues, and 4 'Limited' issues.

4.45. Barclays informed the Authority of the audit on 13 January 2017 and shared the finalised audit report with the Authority on 1 February 2017.

4.46. The audit found that a significant number of customers were experiencing poor outcomes. This was rated as a 'Critical' issue. The report stated that management "*do not have effective oversight and supervision over conduct risks arising from customer contact within collections. As a result, the level of customer detriment occurring in* [Collections] *has remained outside appetite for over a year.*"

4.47. BIA carried out a review of 35 accounts as part of the audit and found that 31 of these cases resulted in poor customer outcomes. Some of the themes observed in the failed cases included:

(1) Insufficient customer contact before instigating default;

(2) Poor quality affordability conversations;

(3) Inappropriate forbearance solutions being offered to customers; and

(4) Vulnerable customers not being identified and supported.

4.48. The audit also concluded that the Customer Outcome Testing control was not fit for purpose. Barclays used this control to ensure that Collections was delivering good customer outcomes, and the results of Customer Outcome Testing were reported to the Authority. Outcome Testing Agents did not have the appropriate skill set to challenge collections strategies. The sampling methodology did not consider customers at different stages of collections or within higher risk categories, which led to a failure to identify issues and to provide accurate insight into customer outcomes.

4.49. Many of the other issues identified in the audit could be characterised as potential root causes of poor customer outcomes. These included:

(1) The activities of Personal Banking Collections did not comply with the Group Financial Difficulties Policy. While no significant breaches were found, the volume of breaches indicated *"…a fundamental breakdown between the business and Group Retail Credit Risk expectations."*;

(2) Business Banking Credit Risk had not completed a gap analysis against the Group Financial Difficulties Policy. The audit concluded that potential breaches may not have been identified, resulting in an insufficient range

of forbearance solutions being offered. Additionally, the function had failed to identify the breakdown described above;

(3) Management had not completed an adequate assessment of CONC requirements and this resulted in customer detriment. An example identified was the failure to provide the correct notice period prior to terminating current accounts;

(4) Insufficient oversight by the Business Banking Credit Risk Team, in part due to poor quality management information;

(5) Personal Banking Credit Risk Management Information was low quality and lacked monitoring and Key Performance Indicators; and

(6) Barclays had failed to properly manage a number of discrete customer populations, often due to systems failures.

Phase 1 Remediation Review (the "Phase 1 Review")

4.50. Following the January 2017 BIA audit, Barclays commissioned the Consultancy Firm to independently review 100 additional Personal Banking and Business Banking case files. The Phase 1 Review began in February 2017 and its purpose was to scope a further review of customer files and next steps for a remediation exercise.

4.51. The 100 cases reviewed were drawn on a proportionate basis from Personal Accounts and Business Accounts: 31 from Personal Loan Accounts; 56 from Retail Current Accounts; and 13 from Business Accounts. The date range for Personal Accounts was October 2015 to January 2017. The date range for Business Accounts was November 2014 to January 2017. The cases were randomly selected from within the chosen population. The review was carried out using an assessment framework designed by the Consultancy Firm which aligned to regulatory requirements, Barclays's policies, and industry good practice.

4.52. The Phase 1 Final Report was issued in April 2017. The report identified significant issues and recommended further review with an increased, statistically representative sample size "*so the results of the case review can be extrapolated across the back book as a whole.*"

4.53. Failures were found in all of the files reviewed, and were similar to those identified in the January 2017 BIA audit. Some of the most significant issues identified in the Phase 1 Review included customer vulnerability not being identified; lack of or poor affordability conversations; errors relating to the administration of forbearance plans; ineffective contact strategy; and failures to provide customers with clear information in written communications.

4.54. In addition, the review found there were insufficient levels of internal checking, both in terms of ongoing quality assurance and of customer outcomes.

4.55. The review considered the impact of the failures:

(1) In 20% of the files reviewed, Barclays's failures appeared to have led to financial detriment to the customer;

(2) In 41% of the files reviewed, Barclays's failures appeared to have led to unnecessary distress to the customer;

(3) In 11% of the files reviewed, Barclays may not have identified customer vulnerability, leading either to financial detriment or unnecessary distress; and

(4) In 28% of the files reviewed, Barclays's failures appeared to have resulted in a poor customer journey though no specific financial detriment or distress was identified.

Phase 2 Remediation Review (the "Remediation Review")

4.56. Following on from the Phase 1 Review, Barclays commissioned the Consultancy Firm on 26 June 2017 to undertake a more expansive review. The primary purpose of the review was to enable the Consultancy Firm to provide recommendations to Barclays in its "*undertaking of remediation activity where detriment has been identified*".

4.57. The expanded Remediation Review extended the cases reviewed to a larger customer population and focussed on the identification of customer detriment. The review covered cases from Personal Accounts between October 2015 and January 2017; Business Accounts between November 2014 and January 2017; and UKC, BPF, and BPF Secured Motor between January 2016 and April 2017. BCP was added to the scope of the review on 18 January 2018, to cover cases between January 2014 and May 2017.

4.58. In total, 2,148 customer journeys were reviewed. A full breakdown across the Product Areas is provided below. A customer account may have entered Collections on more than one occasion; therefore, one customer account may have had multiple journeys; accordingly, the review focused on *unique customer journeys* rather than customer accounts.

4.59. The review defined failings as "*issues identified which are not deemed to be compliant with either FCA regulations, Barclays'* [sic] *internal policy/procedures or our understanding of industry good practice.*" For the purpose of the review, an 'unfair outcome' was defined as a customer journey requiring financial or non-financial remediation. Detriment was classified as either financial (eg refund of fees and charges, and distress and inconvenience payments) or non-financial (eg corrections to credit file, contacting the customer). Though there might have been more than one failing in relation to any given customer journey, the 'key failing' which most clearly contributed to customer detriment was identified for simplicity.

4.60. The Authority has reviewed the Consultancy Firm's work with the assistance of a financial services consultancy and determined that the Remediation Review was carried out with reasonable accuracy in accordance with its stated objectives.

Failure to treat customers fairly

4.61. The Remediation Review found that 25% of the customer journeys reviewed resulted in unfair outcomes requiring some form of remediation. While some customers across all of the Product Areas experienced unfair treatment, the failings were most pronounced in Business Accounts, BPF and BPF Secured Motor, and UK Cards. The table below provides a high-level overview and shows the distribution of the failings.

Product Area	**Total journeys reviewed**	**Journeys requiring financial remediation**	**Journeys requiring non-financial remediation**
Retail Current Accounts	134	10%	2%
Personal Loan Accounts	403	4%	0%
Business Accounts	219	23%	5%
BPF & BPF Secured Motor	584	38%	6%
UKC	499	29%	5%
BCP	309	10%	1%
Total	**2148**	**22%**	**3%**

4.62. Additional failings which did not result in measurable customer detriment were observed in a much higher percentage of customer journeys: 37% of Retail Current Accounts; 24% of Personal Loan Accounts; 36% of Business Accounts; 42% of BPF and BPF Secured Motor; 32% of UKC; and 40% of BCP. The Authority considers that these failings are also serious because they created a risk of harm to customers.

4.63. The Remediation Review identified a number of serious ways in which Barclays had been treating customers in arrears unfairly. The failures fall into three broad categories: failing to properly understand customers' financial circumstances; not showing due forbearance to customers in financial distress; and deficiencies in making contact with customers who had fallen behind on their payments.

Customer contact

4.64. The Authority requires firms to monitor the repayment history of their customers and to take appropriate action where there are signs of actual or possible repayment difficulties. This should generally include notifying the customer of the risk of escalating debt and providing contact details for not-for-profit debt advice bodies.

4.65. Barclays's Collections policy required Collections to attempt to make contact with all customers within 28 days. However, the Remediation Review found that, on numerous occasions, no contact was attempted within 28 days or Barclays failed to make use of all available contact numbers. In other cases, having made initial contact, Barclays failed to re-engage with customers. Customer contact failures were the primary cause of poor customer outcomes in Business Accounts (14% of business current accounts and 17% of business loans) and in Retail Current Accounts. Deficiencies in customer contact were also identified in the other Product Areas, but it was not the stated primary cause of the customer detriment.

4.66. The two key causes of financial detriment due to customer contact were failing to engage with the customer by telephone after entering Collections (with Barclays often failing to attempt to call a customer within 28 days of the account falling into arrears as required by its policies) ; and failing to re-engage with a customer following initial contact.

Customer circumstances

4.67. Even if contact is made with a customer, a firm cannot show appropriate forbearance without having an adequate understanding of a customer's circumstances, including whether they are in financial difficulties or are vulnerable. If a firm fails to understand the reasons why a customer has gone into arrears, or their long term financial situation, then it cannot formulate appropriate forbearance solutions or payment arrangements that are affordable and sustainable for the customer. If the customer cannot adhere to the terms of the alternative payment solutions that have been agreed, their financial and emotional distress arising from the arrears may be unnecessarily prolonged.

4.68. It is therefore essential to ensure that firms properly explore and record the reasons why a customer has fallen into arrears, and assess the customer's other current and future financial obligations before accepting or proposing any particular forbearance solutions or alternative payment plans.

4.69. The Remediation Review found serious deficiencies in this area. The primary cause for the need for remediation was a failure to adequately understand customer circumstances in:

(1) 30% of customer journeys in BPF and 26% of customer journeys in BPF Secured Motor;

(2) 8% of customer journeys in BCP;

(3) 6% of customer journeys in UK Cards;

(4) 3% of business current accounts and 4% of business loans;

(5) 3% of customer journeys in Retail Current Accounts; and

(6) 0.5 % of customer journeys in Personal Loan Accounts.

4.70. The most frequently identified issue in relation to customer circumstances was a failure to understand the reason for the arrears and the customer's long or short term financial situation. In many cases, Barclays also missed indicators of financial difficulty or vulnerability, failed to conduct an updated income and expenditure assessment when given the opportunity, or failed to set a plan and charged the account off without sufficiently probing the customer's circumstances.

4.71. Barclays's failure to have appropriate affordability conversations with customers and to understand the reason for missed payments directly impacted upon its ability to show due forbearance and to help develop effective alternative payment plans. This in turn led to additional charges and fees accruing on customer accounts, or to accounts being charged off without sufficient due diligence, impacting on customers' abilities to obtain credit in the future. There is a risk in these circumstances that customers may prioritise their debts at the expense of priority debts (for example, mortgage or rent, council tax, county court judgments, and gas and electricity) and essential living expenses.

Forbearance

4.72. Firms that provide consumer credit are required under CONC 7.3.4R to treat customers in default or in arrears difficulties with forbearance and due consideration. As described above, a variety of potential forbearance solutions are available, including breathing space holds, allowing deferred payments, and accepting token payments as appropriate in line with a customer's individual circumstances.

4.73. The Remediation Review found that Barclays frequently failed to correctly set plans or forbearance arrangements, or unnecessarily delayed setting up a plan. This resulted in in additional interest or charges being applied to accounts for customers who were already experiencing financial difficulties.

4.74. The Remediation Review identified issues with Barclays's approach to forbearance across almost every Product Area. Forbearance was the primary cause for findings of financial detriment in Personal Loan Accounts (3% of customer journeys reviewed). Financial detriment arising from failures related to forbearance was also the key failing in:

(1) 22% of customer journeys in UK Cards;

(2) 10% of customer journeys in BPF and 8% of customer journeys in BPF Secured Motor;

(3) 4% of customer journeys in Retail Current Accounts;

(4) 3% of business current accounts and 4% of business loans; and

(5) 2% of customer journeys in BCP.

4.75. The review identified a variety of ways in which Barclays failed to show appropriate forbearance, starting from the time an account entered into Collections and continuing until after Barclays had determined the customer was in default.

4.76. In some cases, accounts had been put into Collections in error or there was a delay in sending an account to Collections. In other cases, Barclays failed to properly implement forbearance solutions. For example, in 9% of customer journeys in UKC as well as certain current accounts and loans, charges or interest were incorrectly applied during breathing space or when there was a hold on the account. Other similar issues included delays in setting up a plan; errors with payments, such as not applying a payment correctly, failing to take a payment, or delaying taking a payment; setting payment plans incorrectly; delays in charging off accounts; and excessive charges which increased customer debt or were applied after the default date.

4.77. Other forbearance issues arose as a result of Barclays's failure to properly understand or consider customer circumstances. For example, in 5% of customer journeys in UK Cards and 3% of customer journeys in BPF and BPF Secured Motor, agents demonstrated a lack of flexibility or set up unaffordable or unsustainable plans based on the information available. Some customers were given inappropriate or excessive breathing space, which could result in a payment term being unreasonably excessive. Still others were given incorrect information about their accounts and/or options. In at least one of the files reviewed, the recommended forbearance plan was not appropriate for the customer, and as a result the customer was unable even to make the first repayment.

Case studies

4.78. The following case studies are drawn from the customer files reviewed by the Authority. They illustrate some of the most serious ways in which Barclays's failings caused detriment to customers. Annex A contains a more detailed synopsis of the case studies.

Customer A: an Essex man in his 30s with a car loan through BPF

4.79. Customer A was an Essex man who worked in manufacturing and supported a wife and child. Customer A took out a secured motor loan in August 2016 for approximately £14,000 with monthly payments of around £300.

4.80. Customer A's account entered Collections in January 2017, and he went on to agree multiple alternative payment arrangements with Barclays. However, Barclays failed to obtain sufficient information about Customer A's change in financial circumstances, including costs associated with funeral costs following his mother-in-law's death, and his wife's unemployment.

4.81. Barclays missed several opportunities to establish the reason for the arrears or to complete a sufficient financial assessment. As a result, every payment plan that Barclays agreed with Customer A failed, and a Notice of Default was issued. Had Barclays established Customer A's financial situation, this would have reduced the risk of an unaffordable and unsustainable forbearance arrangement being agreed.

4.82. Further detail regarding Customer A's journey through Collections can be found in Annex A.

Customer B: a Lancashire woman in her 40s with a Barclaycard/UKC account

4.83. Customer B opened a Barclaycard account with a credit limit of £400 in November 2016. Customer B contacted Barclays in January 2017 to say that her payment would be late due to a family bereavement. The account remained in arrears. Barclays spoke with the customer several times between January and May 2017, but at no time during this period did it carry out an adequate assessment of her financial position. In May 2017, an agent identified that the customer was vulnerable.

4.84. Barclays agreed multiple payment solutions with Customer B which were neither sustainable nor affordable, and eventually issued her with a Notice of Default in September 2017 after months with little or no contact. Had Barclays identified the customer as vulnerable early in the journey, or carried out a financial assessment at any point, this would have reduced the risk of the customer being offered unsuitable forbearance solutions.

4.85. Further detail regarding Customer B's journey through Collections can be found in Annex A.

Customer C: an Oxfordshire man in his 20s with an unsecured loan through BPF

4.86. Customer C worked in education and lived in Oxfordshire. In April 2014, he took out an unsecured loan of approximately £4,000 for a home heating product, with monthly payments of around £75.

4.87. The loan went into Collections in June 2016, and Customer C subsequently agreed multiple payment arrangements with Barclays. Despite Customer C telling a Barclays agent in August 2016 that he did not receive a regular salary, Barclays did not complete an income and expenditure assessment with him until March 2017. In the interim Barclays issued several Notices of Default to Customer C.

4.88. Barclays had spoken with Customer C multiple times and agreed 5 payment plans which failed. Had Barclays taken appropriate steps to understand Customer C's past, present, and future financial situation, this would have reduced the risk of an unaffordable and unsustainable forbearance solution being agreed.

4.89. Further detail regarding Customer C's journey through Collections can be found in Annex A.

Operational reasons for failures

4.90. Barclays has identified a number of root causes for the failings in Collections, which are set out in the table below. These were wide-ranging and systemic throughout Collections.

Root Cause	Details
Operating Model	- The Collections teams in Kirkby and Manchester operated independently of each other, which led to inconsistencies of approach and inadequate read-across. - Frontline business units had insufficient control and oversight of Collections, which reported into the Operations function. - Lack of clarity over which functions within the Firm (among the business units, Operations, and Risk) had ultimate responsibility for ensuring good customer outcomes and how responsibility was communicated between them and understood.
Management, Leadership & Human Resources	- Collections teams did not have leaders with appropriate seniority and experience. There was also insufficient breadth, depth and continuity of leadership. - Insufficient resource to manage workload. Staff did not have appropriate capability and competence, and there was high staff turnover.
IT Systems, Control Environment and Management Information	- Complex and/or unreliable IT systems. - Inadequate IT-based 'capture and analysis' tools made available to Collections teams. - Weaknesses in the control environment. - Weaknesses and gaps in Management Information.
Culture	- Lack of emphasis on good customer outcomes and escalation. - Inadequate focus on necessary procedural and cultural changes.

4.91. The Authority agrees with Barclays that the above factors all played a part in contributing to the unfair treatment of customers. The Authority has identified the following operational reasons as being the most causative in producing poor customer outcomes during the Relevant Period , these are:

(1) Lack of and quality of human resource;
(2) Lack of adequate processes and IT systems; and
(3) Lack of cultural emphasis on good customer outcomes.

Human Resource

4.92. A lack of Collections agents appears to be the main driver of inadequate contact with customers until at least early 2017. There was simply an insufficient number of agents to make contact in accordance with Barclays's own contact strategies.

4.93. Barclays identified the number of staff that Collections needed to competently carry out its basic functions, and tracked this against the actual number of staff members. The resource gap rose steadily from the end of 2015 through 2016. In November 2016, the resource gap was reported to be representative of 68 full time equivalent (FTE) staff which represented a significant gap of over 25% to the forecast requirements in the Manchester office. Additional pressures were placed on resource due to high rates of sickness and staff turnover. Frontline Collections staff were also diverted from their customer-facing duties to work on transformation projects and process changes which exacerbated the issue.

4.94. A key reason why Collections agents were having poor quality affordability conversations with customers stemmed from a lack of training. For instance, there was no technical training for Collections agents working from the Manchester office to understand reasons for financial difficulties as at September 2015. Further Collections agent training was implemented in Manchester during 2016. However, the January 2017 BIA Audit still recommended a root and branch redesign of the training and competency framework and a skills gap analysis on existing staff to be undertaken to ensure staff were adequately trained. Though work was underway to improve training by July 2017, Barclays acknowledged in a meeting with the Authority that a number of training initiatives had not yet been rolled out.

4.95. The resource gap was acknowledged by senior management and risk committees in 2015. A hiring freeze, impacting all of Collections, in late 2015 exacerbated the situation and, while limited exceptions were obtained to recruit, there was no appreciable improvement to the resource gap throughout 2016. Capacity planning for the Collections function had not adequately accounted for known risks and dependencies, resulting in an under-reporting of the resource gap. In September 2016, management realised that forecasts for staffing needs had been inaccurately calculated because key risks were overlooked, including Barclays's outbound collections strategy and Brexit. As a result, the actual shortfall increased from 16 to 83 full time employees. BIA expressed concern that contact strategies may not be properly executed when the Collections function was understaffed, and that this in turn would lead to poor customer outcomes.

Processes and IT systems

4.96. Collections agents worked within existing systems and processes set up in Collections and used the IT systems to capture information provided by customers.

4.97. A presentation to the Personal Banking Governance & Risk Committee in September 2015 identified the following issues within Collections:

"Inadequate systems and processes to support assessment of affordability;…

Gaps from process-to-standards document resulting in poor execution of the policy";…

No operational procedures resulting in poor QA results and inconsistent decisions for customers."

4.98. The Remediation Review also identified inconsistencies between policy and procedure documents. For example, the Group Financial Difficulties Standard stated that there were limits on the number of forbearance plans that could be agreed in set periods; however, the One Tallyman Training Procedures (one of the IT systems used) stated that there was no limit on this. This inconsistency between policy and procedural documents created ambiguity which may have led to inconsistent customer outcomes.

4.99. A key driver of poor customer outcomes was that Collections offered customers insufficient or inappropriate forbearance options. Collections agents operated using the forbearance options specified by the unsecured lending credit risk function. Neither senior management in Collections nor in the credit risk function appeared to have identified that the forbearance options were inadequate until late 2016. The lack of effective customer outcome testing or management information focusing on customer outcomes, which is discussed in more detail below, could account for this issue subsisting for so long without identification or remedy.

4.100. The IT systems used in Collections were subject to known technical issues and underinvestment, with replacement systems being rolled out over the Relevant Period. At a senior compliance meeting in January 2017, Collection's systems were identified as a concern.

Culture

4.101. Barclays acknowledged the need to change its Collections culture in August 2015 towards a more customer focused approach. However, Barclays's approach to collecting management information and monitoring the effectiveness of its systems and controls was deficient until at least mid-2017. This made it difficult for management to identify and address ongoing issues that were leading to poor customer outcomes.

4.102. The lack of robust Customer Outcome Testing prior to December 2015, and the questionable effectiveness of this tool for much of the Relevant Period meant that Collections management were unable to identify areas of concern effectively and agents were not receiving feedback that customer outcomes were a central priority.

4.103. The May 2016 Compliance Review of BPF found that metrics collected and presented at senior committees were operationally focused and did not provide insight into customer outcomes. The January 2017 BIA Audit also found that "*Key metrics on forbearance plan effectiveness, numbers of customers in hold queues, and volumes of charge off/write offs are not reported*."

4.104. Another control, the quality assurance framework, designed to ensure consistent standards were met, had been process driven prior to December 2015. Frontline agents' effectiveness was therefore judged against their adherence to the process rather than by customer outcomes. When the quality assurance framework was amended to be geared towards customer outcomes, scores were low. The 2016 scores ranged between 50-60% against a target of 90%.

4.105. Robust competency standards did not appear to be embedded in the Collections culture. For example, the Training and Competency Framework, applicable to all business areas from 2017, set a pass rate for exiting a performance improvement plan of 50%.

4.106. The resource shortages discussed above and high levels of sickness would have presented pressures for existing front-line staff who were not meeting customer contact strategy targets. A practice of 'call dumping' was known to be happening in parts of Collections which involved agents dialling customers and immediately terminating the call to meet their daily customer call targets.

4.107. Barclays did not incentivise Collections staff to treat customers fairly. The Remediation Review found that Barclays's Performance Management Policy provided that staff objectives were based on both financial and non-financial measures but that there was a lack of clarity around how these were applied. Due to this lack of detail, there was concern about the possibility that agents could be inappropriately incentivised and this could result in consumer detriment. Incentives driving wrong behaviours was recognised at the Transactional Banking Conduct and Control Forum, a key committee which oversaw the control environment in the Manchester office, as a key risk area in October 2015.

Remediation programme and improvements in customer outcomes

Remediation programme

4.108. A number of internal audit and assurance reports had revealed that there were systemic problems throughout Collections following Barclays's July 2015 assurances to the Authority. However, Barclays appears not to have recognised the extent to which customers may have been suffering detriment until the January 2017 BIA audit of Personal and Business Banking Collections was issued. After the audit identified these serious issues, Barclays rapidly began scoping a potential customer redress exercise.

4.109. The Authority monitored Barclays's investigation into, and remediation of, the failings in Collections from the time it was notified of the January 2017 BIA audit findings. The Authority sought reassurance that Barclays was considering whether Product Areas other than Business Banking, Retail Current Accounts, and Personal Loan Accounts might also be suffering unfair outcomes. Following a conference call with Barclays in April 2017, the Authority provided Barclays with a document which set out the Authority's expectations regarding Barclays's engagement with the Authority in respect of the review and remediation work, and which requested information regarding the file review methodology.

4.110. In consultation with the Authority, Barclays has carried out an extensive remediation exercise across the Product Areas. Barclays first carried out the Remediation Review to identify cohorts of customers where there was evidence of systemic problems and where any customers in the cohort had suffered unfair outcomes. Barclays then undertook a remediation programme to provide redress to all eligible customers in those cohorts. Barclays refunded all relevant fees and interest incurred while the customer account was in arrears, and made some payments for distress and inconvenience and other additional losses that customers may have suffered.

4.111. The table below summarises the total redress that Barclays has provided to date in cash payments or balance adjustments to customers who received redress (the "redress population") Barclays took the decision to exclude BCP from the redress programme as the failings in BCP were not considered to be systemic.

Product Area	Redress population	Gross Redress (£)
Business Banking	61,000	10,200,000
Retail Current Accounts	307,000	41,500,000
Personal Loan Accounts	60,000	19,000,000
UKC	934,000	190,200,000
BPF	168,000	12,300,000
Total	1,530,000	£273,200,000

Improvements in systems and controls and customer outcomes

4.112. As described in the section of this Notice entitled *Operational reasons for failures*, there were a number of serious systemic problems which contributed to the poor customer outcomes in Collections. Since January 2017, Barclays has made extensive changes in an effort to address the operational reasons for the failures.

4.113. Barclays has invested in human resource. Collections was previously seriously under-resourced. As part of its remediation efforts, Barclays has brought on additional people, both through the appointment of a new senior team of directors and the recruitment of additional staff. It has also made changes to help Collections to make better use of the resource it has available, including improved capacity planning modelling, and enhanced training.

4.114. Outdated IT systems contributed to many of the failings in Collections. Barclays has made improvements to the IT systems that led to poor customer outcomes. Some of the outdated legacy IT systems have been phased out and replaced. Barclays has also developed a new technology framework.

4.115. Deficiencies in Collection's control environment and governance were another major contributing factor in poor customer outcomes. Barclays has taken some measures to improve the culture in Collections. It improved governance and controls to ensure consistency of approach and oversight across all Product Areas with clearer reporting lines. There is now a single Managing Director of Collections, and monthly business review meetings are attended by global directors for each Product Area.

4.116. The control environment has been strengthened and improved, with milestones set and met. Management has taken a more rigorous approach to logging, tracking and challenge of risk events. The Customer Outcome Testing framework has been improved and produces more accurate results. Additionally, Barclays has established clear standards and expectations for Collections staff.

4.117. The changes that Barclays has made appear to have addressed many of the operational reasons for the poor customer outcomes. A December 2018 BIA audit found significant improvements since the 2016 audit. Specifically, there has been an improvement in the quality of customer conversations, application of forbearance solutions, and levels of contact with customers.

4.118. Furthermore, customer outcomes have improved significantly since January 2017. The Customer Outcome Testing framework set an initial benchmark of 80% fair customer outcomes before setting an aspirational benchmark of 90%. Customer outcomes consistently improved on an upward trajectory during the period from January 2018 through to January 2019. By January 2019, fair customer outcomes in all Product Areas exceeded 90%, and had met the 80% benchmark for a minimum of 3 consecutive months. The table below illustrates the improvement over time:

Business Area	**Jan 2019** **% fair outcome**	**Jan 2018** **% fair outcome**
Business Banking	94%	42%
Retail Current Accounts	90%	75%
Personal Loan Accounts	96%	80%
UKC	94%	73%
BPF & BPF Secured Motor	94%	67%
BCP	98%	42%

5. FAILINGS

5.1. The regulatory provisions relevant to this Notice are referred to in Annex B.

5.2. By reason of the facts and matters set out above, the Authority considers that Barclays breached Principle 6 and Principle 3, as well as CONC 6.7.2R, 7.2.1R and 7.3.4R.

Principle 6

5.3. Principle 6 provides that a firm must pay due regard to the interests of its customers and treat them fairly.

5.4. Barclays breached these requirements in that:

Customer contact

(1) Barclays failed to engage with customers after entering Collections, and failed to re-engage with customers following the initial contact;

Customer circumstances

(2) By failing to have appropriate affordability conversations with customers and sufficiently probe their financial circumstances, Barclays failed to understand the reason why customers went into arrears and customers' long or short term financial situation;

(3) Barclays failed to identify indicators of financial difficulty or vulnerability;

Forbearance

(4) As a result, Barclays demonstrated a lack of flexibility or set up unaffordable plans based on the insufficient information which it had collected;

(5) Barclays put accounts into Collections in error or delayed sending accounts to Collections in a timely manner; and

(6) Once forbearance plans or payment agreements were arranged with a customer, Barclays made errors such as not setting up the plan in a timely manner, failing to apply or take payments correctly, and applying charges when there was meant to be a hold on the account.

Principle 3

5.5. Principle 3 provides that a firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems. Additionally, CONC 7.2.1R provides that a firm must establish and implement clear, effective and appropriate policies and procedures for dealing with customers whose accounts fall into arrears and the fair and appropriate treatment of customers who the firm understands or reasonably suspects to be particularly vulnerable.

5.6. Barclays failed to establish and implement such appropriate policies and procedures, and failed to take reasonable care to organise and control its affairs responsibly and effectively in that:

(1) It failed to ensure appropriate resource capacity forecasting was in place to maintain sufficient numbers of Collection agents to adhere to its own

contact strategies and that those agents were sufficiently trained to carry out their role;

(2) It failed to place sufficient focus on customer outcomes when gathering management information and in its quality assurance testing framework;

(3) It failed to ensure Collections's IT systems were reliable and suitable to assist Collections agents in treating customers fairly;

(4) It failed to establish and implement policies that would ensure agents identified customers who were vulnerable or were experiencing financial difficulties; and

(5) It failed to establish and implement oversight and governance systems which were effective in identifying poor customer outcomes and undertaking the necessary remedial action.

5.7. As a result of these failings, Barclays failed to show due forbearance and to develop effective and affordable payment solutions. This led to additional charges and fees accruing on customer accounts or to accounts being charged off without sufficient due diligence. It also created a risk that customers prioritised their debts to Barclays at the expense of more vital priority obligations.

6. SANCTION

6.1. The Authority's policy on the imposition of financial penalties is set out in DEPP. In determining the financial penalty, the Authority has had regard to this policy.

6.2. The principal purpose of imposing a financial penalty is to promote high standards of regulatory conduct by deterring firms which have breached regulatory requirements from committing further contraventions, helping to deter other firms from committing contraventions and demonstrating generally to firms the benefits of compliant behaviour.

6.3. For the reasons set out above, the Authority considers that Barclays failed to comply with Principles 6 and 3. In determining that a financial penalty is appropriate and proportionate in this case, the Authority has considered all the relevant circumstances.

6.4. The Authority applies a five-step framework to determine the appropriate level of financial penalty. DEPP 6.5A sets out the details of the five-step framework that applies in respect of financial penalties imposed on firms.

Step 1: disgorgement

6.5. Pursuant to DEPP 6.5A.1G, at Step 1, the Authority seeks to deprive a firm of the financial benefit derived directly from the breach where it is practicable to quantify this.

6.6. Barclays has undertaken a significant remediation exercise to compensate customers who have suffered quantifiable harm as a result of its actions during the

Relevant Period. The Authority is satisfied that this negates any direct financial benefit that may have accrued to it from its arrears handling activities.

6.7. DEPP 6.5A.1G(2) states that, where a firm agrees to carry out a redress programme to compensate those who have suffered loss as a result of the breach, or where the Authority decides to impose a redress programme, the Authority will take this into consideration. In such cases, the final penalty might not include a disgorgement element or the disgorgement element might be reduced.

6.8. Barclays has provided financial remediation across a population of at least 1,530,000 accounts, and to date has made redress payments or balance adjustments totalling over £273,000,000 to customer accounts impacted or potentially impacted by the failings that are the subject of this Notice. The Authority considers that, in the circumstances, it is not appropriate for there to be a disgorgement element within the penalty.

6.9. Step 1 is therefore £0.

Step 2: the seriousness of the breach

6.10. Pursuant to DEPP 6.5A.2G, at Step 2, the Authority determines the figure that reflects the seriousness of the breach. Where the amount of revenue generated by a firm from a particular product line or business area is indicative of the harm or potential harm that its breach may cause, the figure will be based on a percentage of the firm’s revenue from the relevant product or business area.

6.11. The Authority considers that the total level of fees and interest payments received from customers while their accounts were in arrears during the Relevant Period is indicative of the harm or potential harm which may have been caused by the breaches. This excludes customers in arrears where there was a negligible risk of potential harm.

6.12. Over the course of the Relevant Period, this figure amounted to £413,594,899.

6.13. In deciding on the percentage of the relevant revenue that forms the basis of the Step 2 figure, the Authority considers the seriousness of the breach and chooses a percentage between 0% and 20%. The range is divided into five fixed levels which represent, on a sliding scale, the seriousness of the breach; the more serious the breach, the higher the level. For penalties imposed on firms, there are the following five levels:

Level 1 – 0%

Level 2 – 5%

Level 3 – 10%

Level 4 – 15%

Level 5 – 20%

6.14. In assessing the seriousness level, the Authority takes into account various factors which reflect the impact and nature of the breach, and whether it was committed deliberately or recklessly. The factors that the Authority considers to be relevant to Barclays's breaches are set out below:

Impact of the breach

(1) The loss or risk of loss caused to individual consumers (DEPP 6.5A.2G(6)(c));

(2) Whether the breach had an effect on particularly vulnerable people, whether intentionally or otherwise (DEPP 6.5A.2G(6)(d)); and

(3) The inconvenience or distress caused to consumers (DEPP 6.5A.2G(6)(e));

Nature of the breach

(4) The nature of the rules, requirements or provisions breached (DEPP 6.5A.2G(7)(a));

(5) The frequency of the breach (DEPP 6.5A.2G(7)(b));

(6) Whether the breach revealed serious or systemic weaknesses in the firm's procedures or internal controls relating to all or part of the firm's business (DEPP 6.5A.2G(7)(c)); and

(7) Whether the firm, in committing the breach, took any steps to comply with the Authority's rules, and the adequacy of those steps (DEPP 6.5A.2G(7)(h)).

6.15. DEPP 6.5A.2G(11) lists factors likely to be considered 'level 4 factors' or 'level 5 factors'. The Authority considers the following factors to be relevant:

(1) The breach revealed serious or systemic weaknesses in the firm's procedures or internal controls relating to all or part of the firm's business (DEPP 6.5A.2G(11)(b)); and

(2) The breach was committed deliberately or recklessly (DEPP 6.5A.2G(11)(f).

6.16. DEPP 6.5A.2G(12) lists factors likely to be considered 'level 1 factors', 'level 2 factors' or 'level 3 factors'. Of these, the Authority considers the following factors to be relevant:

(1) Little, or no, profits were made or losses avoided as a result of the breach, either directly or indirectly (DEPP 6.5A.2G(12)(a)); and

(2) The breach was committed negligently or inadvertently (DEPP 6.5A.2G(12)(e)).

6.17. The Authority has not found that Barclays acted deliberately or recklessly.

6.18. Taking all these factors into account, the Authority considers the seriousness of the breach to be level 3 and so the Step 2 figure is 10% of £413,594,899.

6.19. The figure at Step 2 is therefore £41,359,490.

Step 3: mitigating and aggravating factors

6.20. Pursuant to DEPP 6.5A.3G, at Step 3 the Authority may increase or decrease the amount of the financial penalty arrived at after Step 2, but not including the amount to be disgorged as set out in Step 1, to take into account factors which aggravate or mitigate the breach.

6.21. The Authority considers that the following factors aggravate the breach:

(1) In July 2015, the Authority expressed concern that Barclays's approach to collections and arrears handling was not sufficiently focused on consumer outcomes. The Authority specifically pointed to issues related to Barclays's assessment of customer circumstances and the forbearance options that it offered to customers in arrears. Barclays said to the Authority that it remained committed to "*continuously improving*" Collections and suggested that an improvement plan was well underway. The Authority granted Barclays's application for a variation of its Part 4A permission based in part on these assurances. Given the nature of the statements it made, Barclays should have ensured that its Collections function was consistently delivering good customer outcomes in compliance with CONC and Principle 6 during the Relevant Period; and

(2) The Authority has imposed significant financial penalties on Barclays on previous occasions in relation to misconduct:

a. In August 2009, the Authority fined Barclays £2,450,000 for failing to submit accurate transaction reports in respect of an estimated 57.5 million transactions;

b. In January 2011, the Authority fined Barclays £7,700,000 for failing to take reasonable care to ensure the suitability of its advice regarding certain funds for customers entitled to rely on its judgement. The customers were typically in or near retirement and included inexperienced investors, and a number of unsuitable sales were made;

c. In June 2012, the Authority fined Barclays £59,500,000 for misconduct relating to its submissions of rates which formed part of LIBOR;

d. In May 2014, the Authority fined Barclays £26,033,500 for failing to manage conflicts of interest, as well as systems and controls failings, in relation to the Gold Fixing;

e. In September 2014, the Authority fined Barclays £37,745,000 for failing to protect approximately £16.5 billion of customers' safe custody assets between 1 November 2007 and 24 January 2012;

f. In May 2015, the Authority fined Barclays £284,432,000 for failing to take reasonable care to organise and manage its FX business effectively; and

g. In November 2015, the Authority fined Barclays £72,069,400 for failing to minimise the risk of financial crime in connection with a multi-billion pound transaction.

6.22. The Authority considers that the following factors mitigate the breach:

(1) Barclays has undertaken a significant remediation programme providing financial and non-financial redress to specific cohorts of customers who were likely to have been impacted by its failings. This is described in more detail above;

(2) Barclays has made significant enhancements to its Collections function in an effort to improve its regulatory compliance, as described above; and

(3) Barclays has fully cooperated with this investigation and has dedicated significant time and resources in doing so including making itself and the Consultancy Firm available to the Authority when requested.

6.23. Having considered these factors in aggregate, the Authority considers that the Step 2 figure should be subject to a 10% discount at Step 3. This decreases the figure to £37,223,541.

Step 4: adjustment for deterrence

6.24. Pursuant to DEPP 6.5A.4G, if the Authority considers the figure arrived at after Step 3 is insufficient to deter the firm who committed the breach, or others, from committing further or similar breaches, then the Authority may increase the penalty.

6.25. The Authority considers that the Step 3 figure represents a sufficient deterrent to Barclays and others, and so has not increased the penalty at Step 4.

6.26. The figure at Step 4 therefore remains £37,223,541.

Step 5: settlement discount

6.27. Pursuant to DEPP 6.5A.5G, if the Authority and the firm on whom a penalty is to be imposed agree the amount of the financial penalty and other terms, DEPP 6.7 provides that the amount of the financial penalty which might otherwise have been payable will be reduced to reflect the stage at which the Authority and the firm reached an agreement. The settlement discount does not apply to the disgorgement of any benefit calculated at Step 1.

6.28. The Authority and Barclays reached agreement at Stage 1 and so a 30% discount applies to the Step 4 figure.

6.29. The figure at Step 5 is therefore £26,056,478 which has been rounded down to £26,056,400.

Penalty

6.30. The Authority therefore imposes a total financial penalty of £26,056,400 on Barclays for breaching Principles 6 and 3.

7. PROCEDURAL MATTERS

7.1. This Notice is given to Barclays under and in accordance with section 390 of the Act.

Decision maker

7.2. The decision which gave rise to the obligation to give this Notice was made by the Settlement Decision Makers.

Manner and time for payment

7.3. The financial penalty must be paid in full by Barclays to the Authority no later than 7 January 2021.

If the financial penalty is not paid

7.4. If all or any of the financial penalty is outstanding on 8 January 2021, the Authority may recover the outstanding amount as a debt owed by Barclays and due to the Authority.

Publicity

7.5. Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this notice relates. Under those provisions, the Authority must publish such information about the matter to which this notice relates as the Authority considers appropriate. The information may be published in such manner as the Authority considers appropriate. However, the Authority may not publish information if such publication would, in the opinion of the Authority, be unfair to Barclays or prejudicial to the interests of consumers or detrimental to the stability of the UK financial system.

Authority contacts

7.6. For more information concerning this matter generally, contact Andrew Baum or Talia Wenzel at the Authority: Andrew Baum, direct line: 020 7066 8898/email: andrew.baum@fca.org.uk; Talia Wenzel, direct line: 020 7066 6918/email: talia.wenzel@fca.org.uk.

Nicholas Hills

Head of Department

Financial Conduct Authority, Enforcement and Market Oversight Division

Annex A

CUSTOMER CASE STUDIES

Customer A: an Essex man in his 30s with a car loan through BPF

1.1. Customer A was an Essex man who worked in manufacturing and supported a wife and child. In August 2016, Customer A took out a secured motor loan for approximately £14,000 with monthly payments of around £300. The account entered Collections in January 2017 after a direct debit was returned.

1.2. Barclays contacted Customer A in March and agreed a 'promise to pay' without enquiring further into his circumstances. The 'promise to pay' failed and the customer called in early May to reset the direct debit. The agent did not question Customer A about the arrears or make an attempt to complete an income and expenditure assessment.

1.3. In June, Barclays spoke with Customer A again. He stated that his mother in law had passed away, resulting in funeral costs, and that his wife had been off work for several months. The agent did not probe further into when Customer A's wife would return to work, or into the family's ongoing financial situation. No income and expenditure assessment was completed. Nevertheless, a plan was set for payment of the normal monthly instalment plus £50. This plan failed.

1.4. Barclays spoke with Customer A and his wife in early July. The agent completed an income and expenditure assessment which showed that the family had £112.00 monthly disposable income. This income and expenditure assessment failed to take into account essential areas of expenditure such as clothing and car MOT/servicing, and no provision was made for emergencies. A plan was agreed on the basis of the incomplete income and expenditure assessment. The plan extended over 10 months, and left Customer A with £2 disposable income each month.

1.5. This customer journey was found to have resulted in an unfair outcome requiring non-financial remediation on account of customer circumstances. At the time of the review, no financial detriment had been identified because the interest on the loan was front-loaded and no fees or charges were incurred during the review period.

1.6. Throughout this customer journey, Barclays missed several opportunities to establish the reason for the arrears or to complete a sufficient financial assessment. Barclays then agreed inappropriate and unaffordable forbearance solutions due to its failure to properly understand the customer's financial position. Every plan agreed failed as a result, and a Notice of Default was issued prior to the file review's completion. Had Barclays established the customer's financial situation or completed a financial assessment that allowed a reasonable buffer for emergencies, this would have reduced the risk of an unaffordable and unsustainable forbearance arrangement being agreed.

Customer B: a Lancashire woman in her 40s with a Barclaycard/UKC account

1.7. Customer B opened a Barclaycard account in November 2016. The card had a credit limit of £400 and a monthly standard rate of 2.2025%.

1.8. Customer B contacted Barclays in January 2017 to notify it of a family bereavement. She explained that her monthly payment would be late but that she would call again in a week to make the payment. The account subsequently fell into and remained in arrears.

1.9. Over the next several months, Barclays spoke with the customer on a number of occasions: once more in January, 4 times in February; once in March; 3 times in April; and 3 times in May. Agents agreed multiple 'promises to pay' and breathing space holds during this period. The customer was only able to keep one of these promises, when she paid £6 into her account in mid-February. In March, the customer explained that she was only able to work part time due to her family bereavement. In early May, she explained that her employer had made a mistake with her pay and that she would not receive the difference until the end of the month.

1.10. At no time during this 4 month period did Barclays carry out an assessment of the customer's past, present, and future financial position. An agent finally put a vulnerability marker on the account in May, 4 months after the customer first contacted Barclays regarding her bereavement.

1.11. This customer journey resulted in an unfair outcome requiring financial remediation on account of a failure to consider the customer's circumstances. At nearly every step of the customer journey, Barclays failed to make an assessment of the customer's financial circumstances despite the many signs that the customer was experiencing financial difficulty. Additionally, though Barclays was aware that the customer was vulnerable, it allowed interest to accrue on the account in February and March.

1.12. Barclays also failed to show appropriate forbearance and to make sufficient contact with the customer. Agents agreed multiple incorrect solutions which were neither sustainable nor affordable as a result of its failure to properly assess the customer's circumstances. Barclays also failed to contact the customer for several months after the Specialist Support Team (which assists vulnerable customers) tried to call her in May. Barclays eventually issued her a default notice in September 2017 after months with little or no contact.

1.13. Had Barclays identified the customer as vulnerable early in the journey, or to carry out a financial assessment at any point, this would have reduced the risk of the customer being offered unsuitable forbearance solutions.

Customer C: an Oxfordshire man in his 20s with an unsecured loan through BPF

1.14. Customer C worked in education and lived in Oxfordshire. He took out an unsecured loan of approximately £4,000 in April 2014 on a 10 year term for a home heating product with a contractual monthly payment of approximately £75.

1.15. The loan went into Collections in June 2016, when Customer C missed the normal monthly instalment payment. Customer C spoke with an agent within a week of the missed payment and agreed a 'promise to pay'. The agent did not question Customer C about his financial circumstances and the plan failed. Customer C missed his normal monthly instalment payments in July and August 2016.

1.16. Customer C spoke with Barclays's agents three times in August. He explained that he was a contractor and therefore did not receive a regular, predictable salary. Barclays did not undertake an assessment of the customer's financial situation in any of these calls. An agent agreed a plan whereby the customer would clear the full arrears by mid-September 2016. While the arrears payments were made, Customer C missed the normal monthly instalment payment at the end of September 2016. This suggests that the payments agreed were unsustainable.

1.17. Barclays set 2 more 'promises to pay' with Customer C, in October and November. Again, the agents who set each of the plans neglected to discuss Customer C's financial situation or the previous failed plans. Each of the new 'promises to pay' failed and Customer C also missed his normal monthly instalment payments and the plan failed.

1.18. Barclays sent a Notice of Default to Customer C in December. The Bank made contact with Customer C 3 more times in December and early January, but never once attempted to complete an income and expenditure assessment. Customer C's arrears balance continued to fluctuate through January and early February, and Barclays sent 3 further Notices of Default. Each of these notices informed the customer that Barclays may pass the account to a debt collection agency; that Barclays may notify credit reference agencies of the default, which could make it harder to get credit in the future; that Barclays may sell the debt to a third party who would seek to recover the monies owed; and that if Barclays took the customer to court and received a judgment against him, this could result in a greater financial obligation.

1.19. It was not until late March 2017 that Barclays attempted to complete an income and expenditure assessment with Customer C. He cleared the arrears in April 2017. The account fell back into arrears 2 months later, suggesting that the regular payments were not sustainable for Customer C.

1.20. This customer journey resulted in an unfair outcome requiring financial remediation. Months passed during this customer journey; Barclays spoke with Customer C multiple times and agreed 5 payment plans which failed. Had Barclays taken appropriate steps to understand Customer C's past, present, and future financial situation, this would have reduced the risk of an unaffordable and unsustainable forbearance solution being agreed.

Annex B

RELEVANT STATUTORY PROVISIONS, REGULATORY REQUIREMENTS AND GUIDANCE

1. Relevant Statutory Provisions

1.1. The Authority's operational objectives, set out in section 1B(3) of the Act, include securing an appropriate degree of protection for consumers.

1.2. Section 206(1) of the Act states:

"*If the appropriate regulator considers that an authorised person has contravened a relevant requirement imposed on the person, it may impose on him a penalty, in respect of the contravention, of such amount as it considers appropriate.*"

2. Relevant Regulatory Provisions

Principles for Businesses ("Principles")

2.1. The Principles are a general statement of the fundamental obligations of firms under the regulatory system and are set out in the Handbook. They derive their authority from the Authority's rule-making powers set out in the Act. The relevant Principles are as follows.

2.2. Principle 6 (Customers' interests) which states

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

2.3. Principle 3 (Management and control) which states

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

Consumer Credit sourcebook ("CONC")

2.4. CONC is the specialist sourcebook for credit-related regulated activities and it forms part of the Handbook. The relevant provisions of CONC are as follows.

2.5. CONC 6.7.2R (amended to 6.7.2(1)R on 1 March 2018) states:

"*A firm must monitor a customer's repayment record and take appropriate action where there are signs of actual or possible repayment difficulties.*"

2.6. CONC 7.2.1R which states:

"*A firm must establish and implement clear, effective and appropriate policies and procedures for:*

(1) *Dealing with customers whose accounts fall into arrears;*

(2) *The fair and appropriate treatment of customers, who the firm understands or reasonably suspects to be particularly vulnerable*."

2.7. CONC 7.3.2G which states:

"*When dealing with customers in default or in arrears difficulties a firm should pay due regard to its obligations under Principle 6 (Customers' interests) to treat its customers fairly*."

2.8. CONC 7.3.4R which states:

"*A firm must treat customers in default or in arrears difficulties with forbearance and due consideration*."

2.9. CONC 7.3.5G which states:

"*Examples of treating a customer with forbearance would include the firm doing one or more of the following, as may be relevant in the circumstances:*

(1) considering suspending, reducing, waiving or cancelling any further interest or charges (for example, when a customer provides evidence of financial difficulties and is unable to meet repayments as they fall due or is only able to make token repayments, where in either case the level of debt would continue to rise if interest and charges continue to be applied);

(2) allowing deferment of payment of arrears:

(a) where immediate payment of arrears may increase the customer's repayments to an unsustainable level; or

(b) provided that doing so does not make the term for the repayments unreasonably excessive;

(3) accepting token payments for a reasonable period of time in order to allow a customer to recover from an unexpected income shock, from a customer who demonstrates that meeting the customer's existing debts would mean not being able to meet the customer's priority debts or other essential living expenses (such as in relation to a mortgage, rent, council tax, food bills and utility bills)."

2.10. CONC 7.3.6G which states:

"*Where a customer is in default or in arrears difficulties, a firm should allow the customer reasonable time and opportunity to repay the debt*."

Decision Procedure and Penalties Manual ("DEPP")

2.11. Chapter 6 of DEPP, which forms part of the Authority's Handbook, sets out the Authority's statement of policy with respect to the imposition and amount of financial penalties under the Act. In particular, DEPP 6.5A sets out the five steps for penalties imposed on firms.

The Enforcement Guide

2.12. The Enforcement Guide sets out the Authority's approach to exercising its main enforcement powers under the Act.

2.13. Chapter 7 of the Enforcement Guide sets out the Authority's approach to exercising its power to impose a financial penalty.