

Telephone: 020 7066 9346  
Email: [enquiries@fs-cp.org.uk](mailto:enquiries@fs-cp.org.uk)

Credit Information Market Study Team  
Competition Division  
Financial Conduct Authority  
12 Endeavour Square London  
E20 1JN

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By email: [CreditInformationMarketStudy@fca.org.uk](mailto:CreditInformationMarketStudy@fca.org.uk)

Dear FCA,

**Financial Services Consumer Panel response to MS 19/1.2 Credit Information Market Study Interim Report and Discussion Paper**

We welcome the publication of the interim findings of the Credit Information Market Study. The credit information market has evolved rapidly in recent years and the Market Study is a much-needed assessment of how well it is working for consumers.

Unfortunately, the FCA's report shows the current state of the market is unacceptable and consumers are suffering harm as a result. We agree with the FCA's assessment of harm and call for it to be addressed urgently – certainly sooner than the timeframes proposed in the FCA's paper. The implementation of the new Consumer Duty in July 2023 will go some way to improving consumer outcomes in this market, however, the remedies proposed in the FCA's report will also be important in addressing specific behaviours.

In particular, significant and urgent improvements to the corrections and disputes process are required – for both consumers and data contributors. Currently the process is cumbersome and acts as a barrier to gathering the timely, high-quality data that data contributors and CRAs need to deliver good outcomes for consumers. Consumers should be able to raise a dispute in a single, easy-to-access place and firms should be held to set timeframes for resolving the dispute and, if necessary, making the correction. Consumers and data contributors should be informed of all corrections.

We also think the FCA's proposals in relation to a new governance model are in need of further development. We would like to see the consumer voice firmly embedded in any new model and for regulators to keep a firm grip on its operation. The FCA's current proposals are over-reliant on industry to lead a new governance model and we have seen this approach be unsuccessful in the past (e.g. with SCOR and Open Banking). We are disappointed the FCA appears not to have explored alternatives and would encourage it to do so.

We support the remainder of the FCA's proposals, particularly around mandatory reporting and establishing a portal for consumers to access (and, if necessary, dispute) their credit information. Mandatory reporting will set a minimum standard in the market and drive out the unacceptable inconsistency in data held between different CRAs. An official portal will simplify the consumer journey and improve engagement and understanding in this market – which ultimately has a significant impact on consumers' access to and experience of other financial services products. The portal must be free from financial promotions and should, we believe, be hosted by MaPS or another organisation with a consumer education remit.

Yours sincerely,

Helen Charlton  
Chair, Financial Services Consumer Panel

## **Annex A – Response to consultation questions**

### **Interim findings**

#### **Q1. Do you have any views on our interim findings on the market overview?**

We agree with the key findings of the interim report and the analysis in the FCA’s letter to CRAs and CISPs about implementing the Consumer Duty<sup>1</sup>.

It is unacceptable that the 3 main CRAs have such large discrepancies in information held about consumers. This information is heavily relied upon by lenders to make credit and other decisions about consumers. If this information is inaccurate, particularly because of errors in information transferred from firms to CRAs, then firms could potentially fail on some of the basic tenets of the Consumer Duty - e.g. to deliver good outcomes in terms of Products and Services. In such cases there is the potential for consumer harm by the sale of the wrong product because of inaccurate information and the cost of the product could also be inappropriate because of incorrect information. For these reasons we also strongly support the FCA’s findings around data correction and disputes – improvements must be made to this process to ensure credit files are corrected quickly which will minimise harm to consumers (see our responses to Q5 below (consumer engagement)).

Given the issues with data quality identified in this market study and the significant impact on consumer lending outcomes, we would like to see the FCA conduct a further review of credit scoring methods used by lenders as they appear to be biased towards outdated and adverse information.

#### **Q2. Do you have any views on our interim findings on the quality of credit information?**

Quality of credit information is likely the single largest issue with the reporting of credit information. The lack of a unique identifier used for financial services products places an even stronger responsibility on the CRAs to ensure accurate and high-quality information is reported and saved with the CRAs.

Issues exist with the accuracy of information largely as a result of poor practice within lenders and those reporting information. CRAs make the correction of information cumbersome by each maintaining different correction processes and charging lenders for corrections. This creates a

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<sup>1</sup> <https://www.fca.org.uk/publication/correspondence/consumer-duty-portfolio-letter-cra-cisp.pdf>

disincentive for reporting parties to correct information. The correction of information should not be a revenue generating service. While there is a need to promote the sharing of correct information, firms should be charged for corrections only if they repeatedly report poor information.

CRAs accept that some inaccurate information will be received and assist reporting parties with identifying incorrect or inaccurate information by providing reports. Many reporting parties do not prioritise the review of these reports and the correction of information. There is minimal follow up or consequence for those who report inaccurate information or fail to update incorrect information. We believe there should be penalties for reporting parties who consistently report inaccurate information or do not update incorrect information. This will help incentivise better conduct and help counter adverse commercial incentives.

CRAs could also improve the reporting of unmatched actives and other exceptions by offering API-based reporting or making reports available via secure transfer services.

There are also structural barriers to consistent reporting. Given the costs and complexity of CRA reporting, firms generally seek to minimise the number of CRAs they report information to. This is likely to be especially true for smaller start-up firms who have less resources than larger incumbents. As many of these firms often are trying to help increase accessibility to financial services, those most vulnerable risk being disproportionately impacted by the inaccurate or inconsistent reporting of credit information. Consumers would therefore be better served by a single reporting format used by all CRAs and common processes at each CRA to enable wider reporting and reduce inconsistent information.

### **Q3. Do you have any views on our interim findings on competition in the provision of credit information to firms?**

Competition in the provision of credit information, as in all areas of financial services, must work in the interests of consumers. We support competition to the extent it delivers consumer benefit, as long as certain minimum standards are met. In answer to Q14-15 in this document, we call for the FCA to set a minimum reporting standard which would ensure consistency in the quality and accuracy of credit information provided across the market. This means CRAs would not be able to compete on the basis of information accuracy, which we believe is right given the risk of harm to consumers caused by poor quality data identified throughout the FCA's report. Firms may wish to compete through the provision of additional data sources, better predictive scoring tools and more agile infrastructure but they must ensure their conduct meets the standards set by the new Consumer Duty when doing so. Regulators should monitor firms' business strategies to ensure alternative areas of competition are not driving poor outcomes or leading to unintended consequences (such

as the sale of consumer data to third parties that could cause consumer harm).

**Q4. Do you have any views on our interim findings on competition in credit information services to consumers?**

As stated above, competition in this market should be permitted to the extent that it delivers good outcomes for consumers and meets the requirements of the new Consumer Duty. One example where this may be the case is firms using a wider set of data for those consumers who are relatively new to credit e.g. those just out of university or those who have not recently taken out credit and therefore have a 'thin' credit history. Although the interim findings found no particular inaccuracy in the data of younger consumers, it is well known that many in this age group are regularly told to take out credit cards to build their credit history and in young hands these can become problem debts in the medium to long term. We would hope that competition in the market would lead to a wider set of data being used to drive better overall pictures of consumers without weakening the incentive to borrow to develop a history. This would also help real consumer understanding and reduce potential consumer harms.

**Q5. Do you have any views on our interim findings on consumer engagement?**

We agree that awareness is high, but understanding is low. The FCA notes that as awareness has grown, so has the development and availability of commercial services such as subscription accounts. We question whether consumers get fair value from fee paying CRA subscription services. Two of the three major CRAs provide information for free, while the other provides a small amount of information for free and seeks to convert consumers to a fee-paying account to access the rest. However, the paid-for report appears not to have significantly more information and therefore it is conceivable that the product offered will not meet the new price and value rules set out in the Consumer Duty. The FCA draws attention to this risk in its letter to this portfolio.

A key aspect of consumer engagement in this market is disputes and the consumer journey here needs to improve significantly and urgently. Consumers should be able to dispute the incorrect data in one place and not have to raise individual cases with each CRA. Reporting parties should clearly communicate to consumers that they can do this by freephone, online and via email. There should be clear timescales for both the data providers and the CRAs to deal with disputes and data amendments timescales should be enshrined in the rules of the new governance body. CRAs should confirm corrections to both consumers and lenders. There

should also be penalties if amendments (and confirmation of amendments) are not made within these timescales.

The FCA suggests several measures to support consumers in the dispute process:

- Prominent signposting of Statutory Credit Reports (SCRs). We support the more prominent sign posting of the Statutory Credit Reports (SCRs). We believe there should be a single portal where consumers could obtain this information, rather than the status quo of numerous competing services. We discuss the single portal in more detail in answer to Qs 34-40 below.
- A consumer portal that allows consumers to record:
  - (i) Notices of Correction (NoCs). We note consumers already have the option to mark NoCs on their files to highlight facts pertinent to their credit history and so what is proposed is nothing new. What needs to happen is that firms and lenders must not treat such notices as if it is a sign that they should not lend without reading the notices. In fact, some lenders advise consumers not to place a NoC on their file as it holds up the lending process. Lenders need to have ways of reading these quickly and building these into their lending criteria models. NoCs should not slow down the credit decision making process and consumers with them should be treated fairly.
  - (ii) Vulnerability markers. We support the addition of Vulnerability markers but with consumer consent. Serious consideration has to be given as to how this consent will be obtained and what the process would be for switching markers on and off as consumers could be temporarily vulnerable due to a life situation.

Another quick win – as called for by Registry Trust – is that it should be obligatory for CRAs to establish when a CCJ is satisfied and mark the record accordingly. This could profoundly affect the prospects of many consumers and we understand the costs to firms would be minimal.

One possibility is that the new Consumer Duty standards will rectify the failings FCA has identified in terms of disputes and corrections. If that is the FCA's view, it must guide firms accordingly via a portfolio/Dear CEO letter or Handbook guidance that rapid improvement in outcomes is expected following the implementation of the Duty in July 2023. If the FCA chooses not to rely solely on the Duty, it must regulate rapidly and prescriptively to ensure the improvements it wants. Firms should be given very demanding timescales to demonstrate improvement.

Whichever approach the FCA chooses, it will need a robust supervisory strategy to ensure the standards are being adhered to. The FCA, as part of its journey to being a data-led regulator, could make use of API-enabled feeds from CRAs to monitor the speed and accuracy of corrections across CRAs.

**Q6. Do you have any views on our interim findings on borrowers in financial difficulty?**

We agree there are vast differences in financial difficulty data resulting from how lenders approach the calculation and reporting of events such as missed payments, repayment plans and defaults. These differences appear to have become even more apparent following payment holidays offered during the pandemic and in the months following as lenders struggled to apply new FCA guidance. One of the recommendations of the Woolard review was that there needed to be a better approach to the way credit files are updated in cases of forbearance and also greater consistency in approach<sup>2</sup>. These recommendations should be actioned as a priority.

Some of the reporting inconsistency when it comes to financial difficulty will be the result of lender practices relating to their own financial circumstances and/or funding. Lenders who rely on externally funded debt lines may have specific covenants related to default rates, arrears, and other performance related metrics. This can cause delays or subjective reporting for some events which help the lender meet their requirements but can harm consumers and lead to inaccurate CRA-held data. Many lenders, especially smaller ones, still have subjective default rules where a decision to default may or may not be taken while larger lenders usually have fixed default definitions related to specific events or days/months in arrears.

Where a consumer has fallen into financial difficulty and approached their lender to change the terms of that borrowing so that it is more affordable, the original loan should be marked as defaulted but then it should be shown as satisfied once the new arrangement is in place. The new credit arrangement should be shown as a separate item, making it much clearer as to whether the consumer has adhered to the new arrangement. Essentially, we would like to ensure that those consumers who fall into difficulty and make an arrangement with their creditors which they adhere to are marked differently from the files of those who fall into difficulties and make no such arrangements. Currently, the former group of consumers are disadvantaged.

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<sup>2</sup> <https://www.fca.org.uk/publication/corporate/woolard-review-report.pdf>  
p24

In general, credit files need to be more granular in how they depict different situations. The current arrangements have not kept up with regulatory developments like the Tailored Support Guidance, and the increasing sophistication and flexibility of debt management plans. If radical options emerge from the Personal Insolvency Review<sup>3</sup>, this will create a new set of challenges for CRAs in how they portray a consumer's actual situation and their prospects if offered further credit. The bluntness of how some information is currently reflected (or not) can lead to the over-extension of credit to some, and denial to others who then must find necessary funds from other sources (which could include higher-cost credit and informal or illegal lending).

## **Remedy 1 – Industry governance reform**

### **Q1. Do you agree that there is a need for a new credit reporting governance body with broader objectives that is more inclusive, transparent and accountable?**

Yes. We agree that improved governance is required. We believe the following must be key features of any new governance model:

- there must be a strong consumer voice in the arrangements, whose input decision-takers are obliged to seek, take account of, and respond to. It has to be remembered that many consumer bodies do not currently have the resources to manage their workload so this requirement may place extra strain on scarce resources. Here the Open Banking model might be instructive - of dedicated, paid, consumer experts co-opted into the programme and charged with consulting and representing consumer interests more widely.
- there must be a very robust regulatory structure behind the new model. Regulators should have overall responsibility for setting timelines, supervising progress on priorities and, crucially, stand ready to step in with regulatory tools if the programme fails to deliver. We have already seen industry-led action fail to deliver satisfactory outcomes in this market: SCOR has failed to address key issues including the gaps and inconsistencies arising from the status codes for repayment plans<sup>4</sup>. Open Banking and Payments

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<sup>3</sup> <https://www.gov.uk/government/consultations/call-for-evidence-review-of-the-personal-insolvency-framework>

<sup>4</sup> A number of status codes for repayment plans were introduced in the early 2010s, with the objective of providing better reporting of the status of consumers in financial difficulty. However, to this day, gaps remain in how these consumers are reported including inconsistencies in which consumers are deemed to be in a repayment plan. The industry-led SCOR committee has been aware of this for years but taken no action to rectify this or even prioritised it for investigation. As there is no



(Payments Council and Pay.UK) also provide recent examples where industry-led governance has delivered unsatisfactory, slow or incomplete results. The reasons are usually that the interests of industry stakeholders are misaligned and stalemate results, and/or there are insufficient incentives for participants to properly resource key work, including research and consumer testing.

We also support the inclusion of some of the newer CRAs in the new governance arrangements.

We note that in proposing an industry-led governance model, the FCA does not appear to sufficiently consider alternatives. Given the difficulties with industry-led models we have discussed above, we find this disappointing and would like to see a fuller consideration of a range of options before any implementation steps are taken. Only then can it be determined which is likely to deliver the best outcomes for consumers.

Data privacy is likely to become of even more critical importance as more data is collated on consumers and shared to a wider group of CRAs and therefore firms, we would want to ensure the following:

1. Proper consumer consent is obtained for sharing their data in the interests of transparency
2. That the data protection processes and systems in the newer CRAs are as high as existing CRAs to ensure that consumer information is adequately protected

**Q2. Do you agree that a new credit reporting governance body could be effectively designed and implemented through voluntary industry-led change?**

Not entirely. As above, we believe that there may need to be more FCA input to create the kind of responsive and consumer-centred organisation which embraces the changes discussed in the interim paper. Currently we do not see strong incentives to change for former SCOR members.

**Q3. Do you agree with the potential 'blueprint' for the new industry body?**

We agree that any new governance body requires consumer representation. It is also important that this consumer voice is representative of all consumers and does not solely focus on those in

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commercial or other incentive to resolve issues and gaining consensus from SCOR members is difficult, issues remain unresolved for years and are likely to remain unresolved without intervention from a regulator.

financial difficulty or that are most vulnerable. Credit information impacts all consumers making wider representation important.

We do not agree with the proposed timetable for the new body to deliver the necessary changes. There are some quick-wins that could be implemented now, such as improved access to SCRs, and the urgent improvements to the dispute process should also be implemented earlier.

We are unsure about the exact relationship the new body is envisaged to have with FCA. Our view is that it should be accountable to the FCA for delivering change in line with outcomes and timescales set out by regulation. FCA's powers over all CRAs, including non-FSMA powers under the Consumer Rights, Enterprise and other Acts ought to be enough to align and motivate the organization to deliver, and the detailed obligations need to be constructed so that these provide an effective incentive/sanction structure. We believe the governance is more akin to a regulatory one than a memorandum of understanding.

**Q4. Do you agree that funding and resources for the new industry body should be a matter for industry to determine and provide?**

No. The funding arrangements in other industry-led governance arrangements have been a cause of slow progress and conflict. A regulator-backed governance body would be more effective and funding could be obtained through a further collection of fees by the FCA or another regulator. In addition to ensuring funding is available for consumer priorities, fixed fees via a regulatory mechanism would make fees more predictable for potential new market entrants who may not be able to negotiate favourable terms in the current regime.

**Q5. Please indicate if there are any alternative ways that you think such a body could be made more representative, transparent and accountable.**

To support transparency and accountability, the FCA should prescribe (or produce itself) a set of metrics so that progress towards its desired end state for the sector can be measured. These could form the basis for censure or sanctions on market participants. Data sets should be published so they can be used for independent analysis.

We suggest the following metrics be included:

- The FCA could re-run its research which determined 'Figure 1: Differences in underlying data held by the 3 large CRAs'. We would hope that these differences would decline as the new arrangements became more effective.

- Data on the number of complaints about data inaccuracy per 1000 consumers for all parties in the new body.
- Data on the timescales being taken to resolve issues (see answer to Q5 on consumer engagement above). Measures related to the data dispute process could form part of the progress monitoring.

One concern we do have is that the cost of these changes would be passed on to the consumer, as ultimately it is nearly always the customer that pays. Consumers are in a particularly vulnerable position having emerged from the COVID19 crisis only to now find themselves in the midst of the cost-of-living crisis. Consumers are in no position to absorb these costs.

## **Remedy 2A – Mandatory data sharing with CRAs**

### **Q6. Do you agree with the principle of a mandatory reporting requirement to certain designated CRAs to establish a 'core' consumer credit information dataset?**

Yes. In principle we support this idea, but we do have some concerns that it would lead to reporting parties changing CRAs regularly and not continuing with longer term contracts with one CRA. This may in turn reduce longer term investment in these businesses due to reduced income certainty. This potentially could impact innovation.

### **Q7. Do you agree in principle with the proposal to establish a CRA designation framework?**

Yes. Designated CRA reporting would support better consistency of data and also help regulated data contributors focus their efforts but also take the reporting of data more seriously. Specifically recognising CRA reporting as a regulated activity or senior management responsibility will ensure that, in many firms, changes and accuracy are prioritised, funded, and resourced.

### **Q8. Do you agree with the potential designation criteria? If not, what else should or should not be included?**

The proposed criteria cover most consumer issues relating to CRA data. We would also like to see arrears status as part of criteria. We welcome centralised reporting of vulnerability; however it is important that this is done in a coordinated way and rules are enforced. Otherwise, we fear vulnerability reporting will become similar to how other events are reported today and lead to consumer harm. Reporting to designated CRAs of vulnerability data will also end the patchwork of firms who are attempting to create centralised vulnerability reporting. While well-

intentioned, these firms have had little success and created further data inconsistency.

**Q9. What might the competition implications be if only a small number of CRAs become designated CRAs?**

Providing for designated CRAs will likely reduce competition, however we feel this is a positive outcome. CRAs should not be competing on the accuracy of key consumer information which so heavily impacts the outcomes consumers experience. CRA firms will still have the ability to compete on additional data sources e.g. Experian Boost, or user experience, service, support or find new areas such as financial coaching to help people understand their credit reports. These will likely lead to benefits for consumers while ensuring core credit information is robust and consistent.

**Q10. Do you have views on the possible costs and benefits of including a broader range of CRAs within a designation scheme?**

No comment.

**Q11. Do you have views on which types of regulated activity should be subject to a mandatory reporting requirement and on the further options set out above on scope?**

All consumer credit and mortgage activity should be subject to mandatory reporting, regardless of loan size, term, or type.

We would support the inclusion of deferred payment credit (DPC) or more commonly known as BNPL (Buy now pay later) in CRA data provided that it can be kept up to date. Some of these changes may need to be trialed and tested to see if the benefits outweigh the cost of inclusion.

**Q12. Do you think it would be appropriate to introduce 'de minimis' reporting thresholds, if so how should these be defined?**

No. All lenders should be required to report regardless of their size or scale. It is often the smaller lenders or loans that can cause the most harm to consumers if not reported or not reported accurately. CRA reporting needs to be seen as a cost of lending in the UK.

**Q13. Do you think designated CRAs should be prevented from levying direct charges to receive data under a mandatory reporting requirement?**

No comment.

**Q14. Do you agree that firms should be left to decide whether to share full or negative only credit information under a mandatory reporting requirement?**

No. A single reporting requirement including a minimum level of information, beyond negative information, should be implemented.

**Q15. To what extent do you think the FCA should prescribe the type of information to be shared with designated CRAs under a mandatory reporting requirement?**

The FCA should prescribe the minimum reporting requirements aligned to affordability, financial crime, fraud and other guidance. There are currently no incentives for the sharing of data with designated CRAs and so prescription by the FCA is needed to ensure desired improvements manifest in reality. This approach has proven to be effective in other areas e.g. Open Banking.

In addition to a mandatory reporting format, the FCA should include CRA reporting as part of the SM&CR regime. This will require firms to take the reporting of credit information seriously and clearly define ownership. Historically, ownership for CRA reporting within firms has been unclear or passed between functions and leaders resulting in poor outcomes for customers. Inclusion within the SM&CR regime will not only make ownership clear, it will also ensure that credit information reporting is included in risk management processes and assurance activity leading to better outcomes for consumers.

**Q16. Do you think that more prescriptive requirements should be introduced around permissible use cases for credit information shared by FSMA-regulated data contributors with designated CRAs? If so, what should these include?**

We are concerned that under the new proposed regime, designated CRAs may be tempted to look for new revenue generation opportunities which may involve wider sharing of consumer data. We would like to minimise the potential harm that comes from this action and therefore would support a more prescriptive set of requirements about what can and cannot be shared. We would also want to ensure that consumer consent is built into the system along with real-time functional control mechanisms so that consumers can extend, amend or cancel their consents as easily as they can grant them in the first place.

The Panel has also advocated that the value of consumer data to firms should be reflected in the assessment of fair value under the Consumer Duty. Firms must be held accountable for appropriately sharing the value they obtain by monetising the consumer data they hold.

**Q17. Please provide evidence on the additional costs that might be incurred from mandatory data sharing, separately identifying any one-off and ongoing costs, and on the possible benefits that would result.**

No Comment.

## **Remedy 2B – Common data format**

**Q18. Do you agree with the proposal to establish a common data reporting format?**

Yes. This would make it easier for firms to comply, new entrants to use the data and enable the creation of new technology to support better reporting and data correction. It is worth noting that the establishment of a common data format was key in making Open Banking work in practice. It is therefore likely that a common reporting format would be necessary here to ensure the other proposed remedies work in practice. A common reporting format is also a cost and systems-efficient basis for further innovation in the interests of consumers.

**Q19. Do you agree with the principle of a new approach to reporting arrangements to improve consistency and granularity?**

No Comment

**Q20. Do you agree with the potential new approach to reporting arrangements and debt solutions?**

Please see our answer to Q6 above regarding reporting for consumers in financial difficulty.

**Q21. Do you agree that consumers should have the ability to record non-financial vulnerability markers and/or Notices of Correction across designated CRAs in a streamlined way?**

Yes. Vulnerability markers and Notices of Correction (NoCs) are effective ways for consumers to protect themselves when they are in vulnerable circumstances. Streamlined reporting via designated CRAs would eliminate the patchwork of services that have arisen in recent years to report vulnerability. While well intended, these services have created an even more complicated and inconsistent reporting environment. As we said in answer to Q5 above, firms must not treat NoCs as if it is a sign that they should not lend without reading the notices. Lenders need to have ways of reading these quickly and building these into their lending criteria models. NoCs should not slow down the credit decision making

process and consumers with them should be treated fairly. Vulnerability markers also need to be amendable in a much more user-friendly way so that CRA data can more easily reflect current circumstances.

**Q22. Do you agree that lenders and other users should have the ability to record non-financial vulnerability markers across designated CRAs with appropriate consumer consent?**

Yes. Consumers struggle to engage with CRAs for a number of reasons. Allowing lenders and other users to report information on the consumer's behalf would ensure more consumers are able to make use of the available vulnerability tools. This could also include NoCs. Creating this capability may also give rise to new products or product features which allow consumers to more easily manage their credit information.

**Q23. Do you agree that consumers should have the ability to record a 'credit freeze' marker across designated CRAs in a streamlined way?**

Yes. Please see our response to Q22.

**Q24. Please provide evidence on the additional costs that might be incurred from a common data format, separately identifying any one-off and ongoing costs, and on the possible benefits that would result.**

No comment.

**Remedy 2C – Designated CRA regulatory reporting to FCA**

**Q25. Do you agree with the proposal to establish a new regulatory reporting framework for designated CRAs?**

Yes.

**Q26. Do you have views on the potential areas identified above for a designated CRA regulatory reporting regime?**

No comment.

**Q27. Please provide evidence on the additional costs that might be incurred from the potential new regulatory reporting framework for designated CRAs, separately identifying any one-off and ongoing costs, and on the possible benefits that would result.**

No comment.

## **Remedy 2D – Data contributor requirements (error correction and reporting satisfied CCJs)**

### **Q28. Do you have views on the potential requirements for FSMA-regulated data contributors, including whether they are necessary in the light of firms’ obligations under the Consumer Duty?**

The Consumer Duty likely covers the requirements for data correction and accuracy, however, given the Duty is so vast and will take time to embed, we feel specific rules related to CRA data obligations would be helpful to firms, consumers and the FCA/FOS. The Duty looks at a firms’ obligations in terms of products and services offered and is not explicit about the data held about consumers as a data contributor. Therefore, some clarification could be useful.

Also, as stated in Q5 above, we support the Registry Trust’s call for credit records to be required to show when a CCJ is satisfied. This could be achieved by a requirement on regulated CRAs and would profoundly affect the prospects of many consumers.

### **Q29. Please provide evidence on the additional costs that might be incurred from the potential requirements for FSMA-regulated data contributors, separately identifying one-off and any ongoing costs, and on the possible benefits that would result.**

No comment.

## **Remedy 3A – CRA/CISP signposting to statutory credit file**

### **Q30. Do you agree that CRAs and firms providing credit information services (CISPs) should be required to prominently signpost to the availability of credit information through the statutory process?**

Yes, we strongly agree that CRAs and CISPs should be required to prominently signpost the availability of the Statutory Credit Report (SORP). Subscription services should not be prioritized in their communication with consumers and on their websites.

### **Q31. To what extent do you think that specific new requirements in this area are necessary in the light of firms’ obligations under the Consumer Duty?**

Currently we do not see the obligations under the Consumer Duty as a substitute for the prominent signposting of SORP by CISPS and CRAs. However, the Duty could be a useful tool in market-wide improvements to



the journey by which a consumer requests a SORP and the format in which the information is presented. The forthcoming review of the Consumer Credit Act is a further opportunity to modernize this system.

**Q32. Do you have views on whether such a requirement should be at a high-level or whether information to be provided to consumers should be prescribed?**

We are assuming here that you are referring to the SORP. We believe that the contents of the statutory report should be prescribed. Leaving things open to interpretation by reporting parties could lead to consumers receiving wildly different services.

**Q33. Please provide evidence on the additional costs that might be incurred from the potential requirements for CRAs and CISPs to prominently signpost to the availability of credit information through the statutory process, separately identifying any one-off and ongoing costs, and on the possible benefits that would result.**

No comment.

**Remedy 3B – Single portal – access to statutory credit file**

**Q34. Do you agree in principle that a single portal could help consumers to access and engage with their credit information?**

Yes. A single access point for statutory credit information would be helpful to consumers and eliminate any attempts to compete on this type of credit information. The portal should not allow marketing of any credit products or credit reporting products. This would not only support consumers with accessing their credit information but it would provide a route for consumers who are tempted by the offers they are forced to see when obtaining credit information via “free” service providers. This marketing can result in poor outcomes for consumers who find themselves easily persuaded by new product offers.

**Q35. Do you think it would be desirable to introduce a single process for consumers to gain access to credit information held by all designated CRAs? What operational or other implications might this raise?**

Yes. While a portal would be the preferred option, designated CRAs must also either provide statutory credit information via a single process or signpost to the official portal. A manual request process via phone or letter must also be maintained for those that are digitally excluded – which firms should clearly signpost to consumers.

Currently we understand that there are Credit Reference Services which provide free access to the credit information held by designated CRAs. What is proposed here would make it easier for consumers by having the information in one place, but this may have an impact on existing business models that provide such information. The FCA should monitor the impact of its proposals on these business models to check for any unintended consequences for consumers.

**Q36. Do you think that a single portal could play a positive role in enhancing consumer understanding by providing factual information about credit information and hosting key documents?**

We would need clarification from the FCA about 'hosting key documents'. As stated earlier we would support an official portal where consumers could access their statutory credit report and raise disputes in one place which would then result in amendments across all designated CRAs.

The portal could be managed by an organisation such as MaPS to provide impartial guidance and information on credit scores as well as key links to debt advice and other support services which are often accessed before or after viewing a credit file.

As well as providing helpful direct-to-consumer information, the portal could help debt advisers, customer support call handlers and other frontline staff to better assist consumers with CRA-related queries and help them understand the differences between their files with different bureaux.

**Q37. Do you think that consumers would benefit from greater consistency in the presentation of key information and metrics in the SCR (to allow easy comparison between SCRs)?**

Yes.

**Q38. Do you agree that there should be no links or cross-selling to credit information subscription-based services or other credit products from the single portal?**

Yes. We believe that the official portal should be functional based on consumers needs and not wants. CRAs and others can sell the subscription services elsewhere. Brokerage and introducing must not be allowed.

Our research into early-stage consumer credit journeys found one participant was recommended a high-cost credit product by a Credit

Reference Service in the course of researching their credit score<sup>5</sup>. Further borrowing, especially high-cost borrowing, could have compounded this borrower's problems and delivered an outcome not in line with the Consumer Duty.

**Q39. Do you think that the new industry governance body should have a role in the development and operation of a single portal?**

We believe the official portal should sit with MaPS or another regulatory body that has a consumer education or protection objective. It's development will require industry input and – crucially – if the governance model includes sufficient consumer input, the proposed new body could have a role in this. However, if the new governance body becomes industry-dominated as proposed then we do not think it would be suitable for it to have a governance or operating role. This is because the industry will not spend time developing the portal given competition issues and consumers will end up with a portal that has little functionality and does not provide a good consumer experience. The consumer experience is extremely important, especially when consumers already feel 'on the back foot' when it comes to credit information.

**Q40. Please provide evidence on the additional costs that might be incurred from a single portal to access statutory credit file information, separately identifying any one-off and ongoing costs, and on the possible benefits that would result.**

For consumers the ability to go to one place to access their statutory credit file would mean a much more streamlined process and reduce the time taken to gather the information.

**Remedy 3C – Single portal – streamlined disputes process**

**Q41: Do you agree that there should be a streamlined process for disputing and correcting errors in credit information held across designated CRAs?**

Yes. A single, streamlined process should exist for disputing and correcting information across designated CRAs. The process must include clear rules and timelines for dispute responses and correction of information and the ability to escalate and complain where timelines are not adhered to. This needs to go hand-in-hand with penalties for CRAs that do not make corrections within a reasonable time. If the time period is too long consumers lose faith in the process and attention gets

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<sup>5</sup> [https://www.fs-cp.org.uk/sites/default/files/20221108\\_final\\_draft\\_panel\\_position\\_paper.pdf](https://www.fs-cp.org.uk/sites/default/files/20221108_final_draft_panel_position_paper.pdf) para 2.2.13

diverted. Some may even opt for more expensive credit from an alternative lender to avoid the hassle of trying to correct their data.

**Q42. Do you have views on the potential effectiveness of the implementation options described above?**

No comment.

**Q43. Are there any alternative options that might help deliver a more streamlined processes for disputing and correcting credit information in the absence of a single portal?**

No comment.

**Q44. Please provide evidence on the additional costs that might be incurred from the potential streamlined data dispute process, separately identifying any one-off and ongoing costs, and on the possible benefits that would result.**

A clear benefit to consumers is that they would no longer have to raise disputes on each separate CRA and with the firm. Currently consumers tend to deal with the error on the CRA which is being used to evaluate whether they receive a loan or other credit and once this is sorted there is no incentive for them to correct the matter on other systems. This will improve data accuracy and help to reduce inconsistencies.

**Remedy 3D – Single portal – streamlined Notice of Corrections (NoC) and vulnerability markers**

**Q45. Do you agree in principle that consumers should be able to record NoC, non-financial vulnerability and credit freeze markers across designated CRAs through a single portal?**

Yes, in principle, we do agree that consumers should be able to record these data points through an official portal as we believe that this would improve the customer journey and an easier process means that consumers are more likely to engage with the system, as long as it is marketed well to raise awareness.

**Q46. What operational, technical or other implications might such a process raise?**

No comment.

**Q47. Are there any alternative options that might help deliver a more streamlined processes for recording NoC in the absence of a single portal?**

The only credible alternative to an official portal to deliver these benefits would be for CRAs to agree to share this information with other designated CRAs. We have reservations about such an approach because of the issues with industry-led change discussed throughout this response. We strongly believe an official portal is the best way forward.

**Q48. Please provide evidence on the additional costs that might be incurred from enabling consumers to record NoC, non-financial vulnerability and credit freeze markers across designated CRAs through a single portal, separately identifying any one-off and ongoing costs, and on the possible benefits that would result.**

Although we cannot comment on the cost, were an official portal to be developed we believe this should also allow consumers to order their SCRs. Furthermore, we believe that this official portal could be a cost saving for CRAs who could now offer a shared service at shared cost.

#### **Remedy 4A – More timely reporting of key data**

**Q49. Do you agree in principle that more timely reporting of key data to designated CRAs could deliver net benefits to firms and consumers?**

This must be managed very carefully. There will likely be consumer benefits to more timely reporting, and it would allow CRA data to be used in other parts of the credit granting journey e.g. identifying new accounts (this is lagged today so often lenders use Open Banking or other tools to identify them). A data trial with a small sample would be a good way of testing whether benefits could be realized and what the barriers are if any.

However, in some cases consumers benefit from the time lag, such as when they make missed payments. A consumer who has a credit card payment due on the 15th, missed the payment, then makes it on the 27th would benefit from not having this reported if the lender reports on the last day of the month. Further analysis is required to understand the trade-off here.

**Q50. Do you agree with our suggested approach of encouraging industry-led change in this area?**

No. Please see our answers to Q1 above on how change in this market should be driven and governed.

#### **Remedy 4B - Updated data access arrangements (PoR)**

**Q51. Do you think that the underlying principle of reciprocity would remain relevant and appropriate where credit information is provided to designated CRAs under a mandatory reporting requirement?**

No comment.

**Q52. Do you agree with our suggested approach of encouraging industry to consider this issue with input from all relevant stakeholders?**

No comment.

#### **Remedy 4C - Updated data access arrangements (CATO)**

**Q53. Do you agree that granular CATO data should be made available to non-PCA providers? What implications might this have?**

Yes. CATO data can be very powerful in understanding consumer behaviour and affordability. There will be a risk to competition and competitive advantage, but this will be outweighed by the consumer benefit.

**Q54. Do you agree that there is scope to enhance the consistency and granularity of CATO data? If so, how might this best be achieved?**

No comment.

**Do you have any other feedback which is not specific to the interim findings or potential remedies that you wish to provide?**

Whilst out of scope for this report it is important for the Panel to emphasize that improved governance and more up-to-date data will do nothing to stop the bias in credit rating scores towards out-dated adverse information. A recent case in point was the [Mail journalist Jeff Prestridge having a perfect score of 999](https://www.thisismoney.co.uk/money/bills/article-11609527/Your-credit-rating-wrong-dont-let-ruin-financial-life.html)<sup>6</sup> on one CRA but found that he was downgraded to 755 out of 999 on another because of a mix-up on a single monthly mobile phone contract payment made months ago. This downgrade is disproportionate and this type of action may force people on lower incomes and in less secure employment to take out loans from high cost credit providers or illegal lenders. It is important that lenders re-

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<sup>6</sup> <https://www.thisismoney.co.uk/money/bills/article-11609527/Your-credit-rating-wrong-dont-let-ruin-financial-life.html>

examine their calculations and demonstrate that the scores do accurately predict risk of default.