



Consultation Paper title	Deferred Payment Credit: Proposed approach to regulation
Summary of intervention	The Government has legislated to bring Deferred Payment Credit (DPC) products into FCA regulation. The FCA is consulting on proposed rules and guidance for the DPC sector.
Feedback date of issue	19/05/2025
CBA Panel reference number	CBAP-0004

CBA Panel advice

Main recommendations

The Panel is concerned that while this CBA includes a large amount of detailed work, its analysis of the costs and benefits of the proposed policy and how they support the proposed decision are not clear. It makes the following high-level recommendations:

- **Clarify relationship to HMT Impact Assessment.** The CBA analyses proposed new rules and guidance to implement a Statutory Instrument made by HMT to bring DPC into the FCA’s regulatory perimeter. The CBA refers briefly to the HMT Impact Assessment ([HMT IA](#)), but does not explain its conclusions or how they relate to those of the CBA. The Panel recommends that the relationship between these two economic assessments is clarified to avoid confusion.
- **Clarify analysis of alternative options and its link to proposed policy decision.** The baseline against which the proposed policy decision is evaluated, and the alternative policy options discussed, are not clearly specified. As a result, the reasoning set out does not clearly support the proposed policy decision. The Panel recommends that analytical resources are re-directed towards clear specification, analysis, and evaluation of the costs and benefits of alternative policy options.
- **Re-examine estimates of cost and benefits to ensure a more realistic appraisal.** The analysis finds that the likely economic costs of the proposed policy decision are substantially in excess of its benefits, and that the EANDCB is very high. The Panel is concerned, however, that the analysis appears to overestimate costs while underestimating, and in some cases omitting, potential benefits. The Panel recommends a more plausible and proportionate treatment of benefits alongside costs including, for example, a clearer acknowledgement of unquantified benefits in order to provide a more balanced and useful basis for decision-making and consultation.
- **Improve clarity, structure, and presentation.** The Panel commends the richness of evidence and data provided in the analysis. However, the presentation of the CBA would benefit significantly from simplification. The Panel recommends that the inclusion of an Executive Summary which clearly and succinctly lays out the questions which the CBA sets out to answer, its main lines of analysis, and its conclusions, would greatly add to its value in informing consultation.



Summary

Category	CBA Panel comments
The market	The Panel welcomed the paper’s clear explanation of how the DPC market currently operates and how key firms and consumers interact within it. The rationale for intervention is well developed, with a strong link between market issues and potential consumer harm. But there is scope to improve alignment between text, titles and figures to clarify certain aspects of the harm assessment. The Panel recommends that the analysis more clearly distinguishes the relevant markets, particularly the impacts on the competitiveness of the wider credit market, including consideration of how regulation might itself drive market expansion in the DPC market and change competitive dynamics.
Baseline and counterfactual	The Panel found that the methods and assumptions used to project growth in the DPC market are generally reasonable, but the approach could be strengthened. The Panel recommends clearer justification for the chosen baseline and counterfactual scenario, which are not made explicit in the report. The logistic growth model used to forecast the level of DPC transactions could benefit from a more systematic selection of comparator countries, using either a narrative-based approach, or a quantitative approach to identify the comparator countries most relevant to the UK DPC market. Additionally, the Panel recommends revisiting the rationale for capping growth based on current market capacity.
Evidence and data	The Panel recognises the strong and varied use of data sources throughout the report. The dataset appears to cover a large proportion of the DPC market, supporting the paper’s claim of representativeness. However, strengthening the link between specific experimental and academic data, and how it supports specific assumptions could improve the robustness of the analysis.
Assumptions	The key assumptions regarding the market seem reasonable, and all assumptions are highlighted together with their rationale. But the Panel recommends a clear explanation of the counterfactual scenario and the assumptions regarding the choice of this scenario. The Panel also suggests presenting key assumptions up front of each section, showing a clear link to its sources, and quantifying uncertainty ranges where possible. The Panel think this could support robust sensitivity analysis and make the CBA more accessible and easier for readers to understand.
Uncertainty	The Panel recognises in numerous places that many of the forecasts and data are based on uncertain assumptions about how the future of the DPC market will develop. Whilst some reference is made to risk and sensitivity, it is recommended that ‘risk’ and ‘uncertainty’ be better distinguished. The CBA could also provide more detail on how unquantified benefits might impact the overall assessment, such as changes to the firms’ business model and technological innovation through scenarios to see how these could likely outweigh the costs.



Assessment of costs and benefits

The Panel firstly recommends that the relationship between the HMT Impact Assessment and FCA CBA is clarified. The Panel noted that while the CBA presents a wide range of cost and benefit estimates, the Panel is concerned that the relevant costs and benefits have not been fully identified or appropriately quantified and valued. The most significant cost, the lost profits to DPC providers is likely overstated as it assumes spending financed by a DPC product would entirely disappear rather than be reallocated elsewhere in the economy. On the benefits side, the Panel advises that important welfare improvements are considered, particularly those related to behavioural corrections and improved consumer-decision making. The Panel recommends a more realistic treatment of spending reallocation, and clearer identification of all benefits (even those that cannot be quantified).

Wider economic impacts

The Panel advises attributing potential positive impacts of the regulation on international competitiveness (SICGO) carefully. This is because the DPC market is still a relatively small market in financial services, and the interventions proposed are likely to reduce transaction volumes in the future, hampering growth to some degree.
