

Consumer Finance Policy Team  
Financial Conduct Authority  
12 Endeavour Square  
London  
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By email

18 September 2025

Dear Sir/ Madam,

**CP25/23: Deferred Payment Credit (unregulated Buy Now Pay Later): Proposed approach to regulation**

The Panel welcomes the opportunity to respond to the FCA's consultation. We recognise the rapid growth of the Deferred Payment Credit (DPC) sector and the importance of ensuring proportionate consumer protection, consistent supervisory expectations, and a level playing field with other forms of unsecured credit. Our response builds on our earlier submission to HM Treasury on BNPL, with a particular focus on the risks and opportunities for smaller firms and their customers.

We broadly support the FCA's proposals, particularly:

- Applying affordability checks to all DPC agreements, including those under £50.
- Introducing proportionate, mobile-native information disclosures at the point of sale.
- Ensuring alignment with the Consumer Duty to deliver good outcomes while avoiding excessive prescription.
- Introducing a Temporary Permissions Regime (TPR) to allow continuity for existing providers.
- Extending DISP and Financial Ombudsman Service (FOS) jurisdiction to ensure consumer redress.

At the same time, we highlight the need for proportionality in implementation, particularly around reporting, FOS case fee economics, and data infrastructure. We also emphasise the importance of consistency across unsecured credit markets to avoid regulatory arbitrage.

In response to your specific questions:

*Q1. Impact on protected characteristics*

We agree the proposals are broadly proportionate with limited impact on groups with protected characteristics.

*Q2. Pre-contract information rules*

We support mandatory pre-sale information, provided it is outcome-focused and suitable for digital/mobile journeys. Disapplying rigid CCA form requirements is sensible if supported by clear outcome standards under the Duty.

*Q.3 Could reliance on the Consumer Duty replace pre-contract rules?*

Not entirely. The Consumer Duty is valuable but insufficient alone. Targeted minimum disclosures (interest-free, instalments, missed-payment consequences, rights) should remain mandatory, with the Duty shaping presentation.

*Q.4 In-life information guidance*

We agree clear, just-in-time communications are needed during the agreement, especially for changes or variations. These should also be reflected in CRA reporting to support responsible lending.

*Q5. Information after missed payments*

We support concise, action-oriented messages following missed payments. These should highlight the consequences and available support, consistent with other unsecured credit products.

*Q6. Notices before arrears/ default/ termination*

We agree paper-based default notices are not aligned with digital journeys. Digital notices are appropriate if prominence and receipt can be assured (e.g., layered communications).

*Q7. Could the Consumer Duty replace new rules on arrears/ default notices?*

A hybrid approach is preferable: retain minimal prescriptive triggers but allow the Duty to shape format and tone.

*Q8. Apply CONC 5.2A Creditworthiness to DPC*

We support extending existing creditworthiness rules to DPC, including sub-£50 agreements, as affordability concerns apply across ticket sizes.

*Q9. Risk of restricting access for those who could afford it*

We acknowledge some reduction in access may occur, but this is a necessary safeguard. Decline signposting to alternatives and support should be mandated to mitigate exclusion risks.

*Q10. Could the Consumer Duty replace CONC 5.2A?*

No. CONC 5.2A should remain the framework for creditworthiness; the Duty should guide proportionality and understanding.

*Q11. Should affordability apply to all values?*

Yes. Even very small-ticket borrowing can accumulate across providers. Alternative approaches risk creating loopholes and regulatory arbitrage.

*Q12 High-level standards and Handbook provisions*

We support applying the Consumer Duty, financial difficulty rules, and DISP to DPC. These should be consistent with other unsecured products to ensure fairness and comparability.

*Q13. Approach to regulatory reporting*

We support targeted reporting. Key metrics should focus on arrears, missed payments, and forbearance. Reporting should enable the FCA to monitor cross-provider risk accumulation.

*Q14. Product Sales Data (PSD) returns for DPC*

We agree in principle. If not adopted, a simplified return should still capture core transaction and arrears metrics.

*Q15. Regular/ predictable transaction level data*

We support regular reporting, subject to proportionality and data minimisation. Aggregated proxies may suffice for smaller firms, with ad-hoc submissions as needed.

*Q16. Longer implementation areas*

Data pipelines, CRA reporting, and complaint/FOS routing may require longer lead times. A phased implementation (information → creditworthiness → reporting → DISP/FOS) would reduce disruption.

*Q17. DISP 1 application to DPC*

We support extending DISP 1 to DPC complaints, ensuring parity with other credit products. Merchants should be required to signpost effectively to lenders.

*Q18. FOS jurisdiction*

We agree with extending compulsory jurisdiction to DPC and excluding pre-regulation DPC from voluntary jurisdiction. However, FOS case fees may be disproportionate to the low value of most DPC complaints. We recommend exploring a reduced-fee structure for micro-value agreements as part of a wider fee review.

*Q19 Complaints reporting for TPR firms*

We agree reporting can be suspended for TPR firms, provided they maintain internal records, comply with DISP handling rules, and are "reporting-ready" by authorisation.

Additional comments:

- Temporary Permissions Regime: The TPR is essential to avoid disruption. Firms must, however, be required to demonstrate a clear transition plan to full compliance.
- Costs and benefits: Implementation will raise compliance costs, particularly around affordability and reporting. For smaller firms, proportionality is key. Consumer benefits will outweigh costs if regulation is applied consistently across unsecured credit.
- Market consistency: Where the FCA introduces digital-first rules (e.g., default notices), these should be harmonised across short-term products to avoid distortion.

In closing, the Panel supports the FCA's overall approach to regulating DPC. The proposals will strengthen consumer protection, create greater consistency with other unsecured credit products, and support sustainable growth in this sector.

We urge the FCA to ensure proportionality for smaller firms, particularly in data/reporting and FOS case fee structures. With these adjustments, the framework will achieve the desired balance between consumer protection and market innovation.

We would be happy to discuss any of these points further.

Yours faithfully

[signed]

Will Self  
Chair, FCA Smaller Business Practitioner Panel