Consumer Finance Policy Team
Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

By email

17 June 2026

Dear Sir/ Madam,

CP26/15: REVIEWING THE FINANCIAL PROMOTIONS RULES FOR CONSUMER CREDIT (CONC 3)

The FCA Smaller Business Practitioner Panel (the Panel) welcomes the opportunity to respond to this consultation and discussion paper and supports the aims of this work.

Our overall assessment is that the direction of travel is broadly right - current financial promotion rules for consumer credit are outdated and open to misinterpretation so removing duplicative and outdated prescription in favour of reliance on the Consumer Duty is sensible in principle. However, we have some concerns about how the proposals would work in practice for smaller firms, in particular the risk that a less prescriptive regime increases compliance costs rather than reduces them. There are also issues around several specific proposals on APR and cost disclosure where the policy reasoning requires further development to achieve the right outcomes for consumers.

Our key concerns are:

- Increased compliance costs – the CBA identifies familiarisation costs primarily as a function of firm size and document complexity. We are concerned that this approach may understate the ongoing compliance costs for smaller firms that will need to exercise judgement under a less prescriptive regime. Firms would need to interpret and apply outcomes-based Duty requirements to their specific circumstances, including the obligation to test, monitor and adapt communications to support consumer understanding. For larger firms with in-house legal and compliance teams, this is manageable, but for smaller firms, demonstrating compatibility with the Duty in the absence of clear rules will disproportionately increase compliance costs — including through greater reliance on external compliance consultants. It would be helpful if the FCA could provide examples of what proportionate compliance with this obligation looks like for smaller firms which do not have the same dedicated consumer research functions as large firms.
- FOS interpretation of the rules – the removal of clear rules leaves a wider gap for FOS and CMCs to challenge firms' decisions.
- Increased risk of poor behaviour – there are instances of poor firm behaviour in this market, including the use of false testimonials in promotions. A greater reliance on principles without robust guidance risks providing cover for poor actors while creating uncertainty for firms operating in good faith.

To help mitigate these risks, we urge the FCA to put in place additional non-Handbook guidance on good and poor practice for financial promotions, in a form that gives firms genuine operational certainty. Alongside this, it will be important that there is a consistent supervisory approach in applying Consumer Duty standards across FCA teams.

We would also welcome the FCA committing to specific, measurable targets in its monitoring of outcomes from these rule changes — for example, on the use of representative APR in advertising channels. It is not clear that Product Sales Data returns will capture the marketing

channel through which a financial promotion was delivered (e.g. television versus social media), and the FCA should consider whether this data gap needs to be addressed to support meaningful monitoring.

The attached Annex contains our detailed responses to specific questions raised in the consultation.

We would be happy to engage further with the FCA on any of the points raised in this response.

Yours sincerely,

[signed]

Will Self
Chair, FCA Smaller Business Practitioner Panel

Annex – Responses to consultation questions

Question 1: Removing CONC 3.3.10G(1)-(5) and moving (6)-(8) to CONC 3.9

The Panel agrees with the proposal to remove CONC 3.3.10G(1) to (5) and to move the provisions relating to debt solutions at (6) to (8) to CONC 3.9. We agree that the Consumer Duty adequately captures the conduct addressed by (1) to (5), and that bringing debt-related provisions together in CONC 3.9 improves coherence.

Question 2: Amendment to CONC 3.5.11R (security/guarantor disclosure)

The Panel agrees in principle with this amendment. However, we note the risk of gaming: a firm could in practice require a guarantor for the vast majority of its customers while advertising without any reference to this requirement. The FCA should consider whether additional guidance is needed to prevent firms from structuring their products or underwriting criteria in ways that effectively make a guarantor a near-universal requirement while avoiding the disclosure obligation.

Question 3: Removing CONC 3.5.12R (restricted expressions)

The Panel is supportive of removing these unnecessarily prescriptive restrictions on financial promotion terminology. The Consumer Duty, combined with the clear, fair and not misleading rule, provides a sufficient and more flexible framework. However, we note there remain examples of poor practices in this area, such as 'pay weekly' promotions by motor finance lenders where this is not a viable option that can be offered, so the FCA will need to be vigilant in policing these practices.

Questions 4 and 5: CONC 3.6 — credit agreements secured on land

The Panel has no specific data on the volume of lending under regulated credit agreements secured on land. We note that this is understood to be a very small market and have no objection to the proposal to remove CONC 3.6, provided the FCA satisfies itself that consumer protections under the Duty are adequate for consumers who do use these products.

Question 6: Removing overlapping provisions relying on Consumer Duty

The Panel agrees with these removals in principle. We would reiterate that removal of prescriptive requirements makes it critical for the FCA to provide, and keep updated, clear guidance on good and poor practice so that firms can understand expected standards in practice.

Question 7: Removing outdated provisions

The Panel agrees. Both provisions identified are obsolete and their removal simplifies the Handbook without any loss of consumer protection.

Question 8: Implementation period

The Panel agrees that a three-month implementation period is appropriate for these changes, given that they simplify rather than create new obligations.

<u>Chapter 4: Discussion Paper on Cost Disclosure and APR</u>

Question 9: The three APR triggers in CONC 3.5.7R

The Panel's view is that the current triggers are overly sensitive. Consumer credit increasingly covers a broad church of products, so a more flexible framework is needed. In our view, the text appearing on search engines such as Google should not be considered part of the financial promotion; it is the landing page of the firm that should be the focus. A firm's name, website

or logo should not generally constitute a trigger except where the name of the firm effectively constitutes misleading advertising promoting or offering credit e.g. 'weapproveeveryone.com'. Similarly, references to speed or ease of processing should not act as a trigger: these are standard product features, and their designation as incentive triggers creates unnecessary complexity.

Question 10: Would the Duty suffice if triggers are removed?

Yes — provided the FCA publishes guidance on good and poor practice for APR disclosure under the Duty and is ready to take action where poor practice is identified. The ASA's existing guidance would also remain relevant and should be referenced.

Question 11: Evidence on alternative cost disclosures and competition

The Panel has observed that very high APR figures for short-duration products create significant reputational and commercial barriers, both for lenders and investors. This discourages market participation in a segment serving consumers who face difficulty accessing mainstream credit. We agree that there is a case for exploring alternatives for short-term, higher-cost products and we can share evidence on this if helpful.

Question 12: Alternatives to APR

The Panel's view is that the issue is primarily concentrated in two product categories: (a) products with a term of less than one year, where the annualisation formula produces APR figures that bear little relationship to the actual cost to the consumer; and (b) products with high fixed annual fees (such as premium credit cards) where the fee inflates the APR in a way that is not indicative of the cost of the credit function itself. For short-term products (less than one year), the Panel recommends replacing APR with a combination of total cost of credit and monthly repayment, expressed in pounds and pence. For longer term products with large annual fees, the Panel recommends the cost of credit element be disclosed separately from the fee element, with APR calculated on the credit component. The Panel does not support removing APR for the wider product set.

Question 13: Impact on comparability if alternatives are permitted

If alternatives are permitted only for clearly defined product categories (as recommended above), the impact on comparability should be limited. The FCA's behavioural economics research supports this approach: APR remains a valuable comparator for products of comparable duration, but supplementing it with total repayable amount substantially improves consumer decision-making for products with different durations. The Panel does not support a fully flexible non-standardised regime, as this risks consumer harm through inconsistent presentation across the market.

Question 14: Retaining mandatory APR with flexibility for additional disclosures

The Panel supports this as the baseline position for most product types. Mandatory APR should be retained as the primary prescribed metric, with firms given flexibility to supplement it with additional cost information — particularly total amount repayable. The FCA's research supports this would improve consumer understanding.

Question 15: Removing APR without prescribing an alternative

The Panel is not supportive of removing APR without prescribing an alternative for the broad consumer credit market. The FCA's behavioural economics research is clear that a fully flexible, non-standardised regime produces worse consumer outcomes on average than APR alone. This option should not be taken forward as a general policy position.

Question 16: Maintaining the current approach

The Panel does not favour simply maintaining the current approach unchanged. The status quo has well-documented flaws, particularly for short-duration and fee-heavy products. The Panel supports targeted reform as set out in our responses to Questions 12 and 14.

Question 17: Products that would benefit from alternative disclosures

The Panel recommends that alternative cost disclosures be available for: (a) Products with a term of less than one year — the mathematical distortion of APR for these products is well documented and the consumer harm from very high APR figures is real, both in terms of consumer understanding and market participation; (b) Products with a fixed annual fee exceeding a defined threshold, relative to the credit limit — in these cases, the APR is inflated by the fee rather than the cost of the credit itself, and separate disclosure of the two components would be more informative. We would caution against product-based carve-outs that could be gamed, and would recommend that criteria be anchored to objective, verifiable product characteristics such as term length.

Question 18: Representative examples

Representative examples can add regulatory burden that is disproportionate to consumer benefit, particularly in digital and social media contexts where there is evidence of low comprehension, recall and retention of this information. However, for longer term products such as motor finance lending, the information provided in representative examples provides relevant context which is needed to ensure the offer is not misleading. The Panel therefore recommends removing the mandatory Representative example requirement but that firms should retain discretion to provide contextually appropriate cost information in their promotions under the Duty.

Question 19: The 51% threshold for Representative APR

The Panel has reservations about the current 51% threshold. While the existing approach creates situations where up to 49% of consumers may receive a materially higher APR than the one advertised, the 51% threshold is already very difficult to police and increasing the threshold to 66% would only exacerbate the problem. A current lack of clarity around what constitutes a representative APR allows for inconsistent behaviours and misleading advertising by some – for example credit brokers offering prime and non-prime lending may manipulate their data to present a lower APR rather than the overall rate. In our view firms should be seeking to differentiate between customer groupings to provide a more robust figure, e.g. offer a different representative APR for near-prime or non-prime lending. It may also be worth exploring whether disclosure of the modal APR, alongside a range of APRs, would better serve consumer understanding. This would allow consumers to understand not only the most common rate but the spread of rates they might receive, without requiring firms to show a single threshold rate that may not reflect their actual pricing distribution. It could also be helpful to consider requiring firms to disclose, at the point of application, the maximum APR that a consumer could be offered, and to make clear that the advertised rate is not guaranteed. This would address consumer expectations without fundamentally disrupting risk-based pricing models.

Clearer guidance and stronger enforcement of the rules is also needed, recognising that differing approaches may be needed for the range of communication channels such as TV broadcasting, radio advertising and social media. We would recommend a requirement on lenders and brokers to evidence on their website what makes up the 51% and being clear on the likelihood of enforcement action where compliance is not demonstrated. More broadly, it should also be explicit that responsibility falls across the entire distribution chain including an expectation that price comparison sites should verify data provided.

Question 20: Guidance on explaining Representative APR

The Panel does not believe that more explanatory text will resolve the fundamental issue: the FCA's research shows that fewer than one in five consumers can answer all APR understanding questions correctly. More words in a financial promotion will not improve conceptual understanding among consumers who do not engage with technical financial terminology. The Panel recommends that the FCA focus instead on structural changes to disclosure requirements rather than relying on additional explanatory guidance.

Question 21: Omitting 'representative' where there is a single APR

Where a firm offers only a single APR for a product (e.g. for specific groups of consumers where the cohort is known or where there is a guaranteed rate through pre-eligibility requirements), describing it as 'representative' serves no meaningful purpose and may confuse consumers. The Panel agrees the term can be omitted in these circumstances.

Question 22: Alternative to the term 'representative'

If the 51% threshold is retained or moved to a different percentage, the Panel prefers the term 'typical' as an alternative. 'Typical' is more intuitively meaningful to most consumers than 'representative' and more accurately conveys the intended message.

Question 23: Cost Benefit Analysis

The Panel notes that the CBA identifies familiarisation costs primarily as a function of firm size and document complexity. We are concerned that this approach may understate the ongoing compliance costs for smaller firms that will need to exercise judgement under a less prescriptive regime. The shift from rules-based to outcomes-based compliance is not cost-free: it requires firms to invest more in legal and compliance advice, document their reasoning, and manage greater FOS risk. These ongoing costs are not captured in a one-off familiarisation model. The Panel recommends that the FCA revisit its CBA assumptions to account for these ongoing compliance costs, particularly for smaller firms.