

Consumer Credit Unit
HM Treasury,
1 Horse Guards Road,
London SW1A 2HQ



By email

15 July 2025

Dear Sir/ Madam,

CONSULTATION ON CONSUMER CREDIT ACT (CCA) 1974 REFORM

The Panel appreciates the opportunity to respond to HM Treasury's Phase 1 consultation on reforming the Consumer Credit Act 1974 (CCA). We welcome the government's initiative to modernise the consumer credit framework given the significant evolution in consumer behavior, technological advancements, and the broader financial services landscape.

Support for modernisation and alignment with FCA principles

We endorse the government's objective to transition from a prescriptive legislative framework to a more flexible, outcomes-based regime under the FCA. This shift aligns with the principles of the Financial Services and Markets Act 2000 and the FCA's Consumer Duty, promoting clarity, adaptability, and enhanced consumer protection. Alongside this, for principles-based regulation to operate effectively it is important that appropriate guidance is provided so that smaller firms, which often have fewer resources, are clear on expectations. Alignment is crucial for fostering innovation while ensuring that consumers are adequately protected in a rapidly changing financial environment. The changes seek to remove prescriptive information requirements that, whilst well intentioned, often in practical application fail to achieve the desired outcomes. The changes allow for better innovation and digitisation of consumer journeys that should enable firms to better inform consumers both pre- and post-sale.

Information requirements

The current CCA mandates numerous pre-and post-contractual information disclosures which often result in information overload for consumers and operational inefficiencies for firms. We support the proposal to repeal these statutory requirements and transition them into FCA rules that emphasise clarity and consumer understanding. This approach allows for the use of modern communication methods, such as digital platforms and visual aids, to convey information more effectively.

The consultation highlights many examples of where the current rules are not fit for purpose, or where they have become outdated by changing societal norms and expectations. Examples include certain criminal offences and 'gone away' customers. Whilst we strongly support that the government must ensure that any new regime achieves robust consumer protection we urge them in phase 2 to carefully consider if key rights and protections such as s56, s75, s99 and s140 are being applied as intended, and/or if they have been superseded by newer legislation or no longer deliver the right outcomes for consumers when balanced with the risk/cost/burden they place on firms.

As one example, the practical application of s75 in used motor finance potentially creates an unfair playing field for consumers, as the rights and outcomes of a consumer who pays cash or uses a personal loan to purchase a used car are very different to those who can rely on s75 and a FOS complaint outcome. Currently the interchange between the Consumer Rights Act, s75 and the FOS are creating an unsustainable level of consumer protection for older assets purchased with CCA s75 regulated loans. A 10-year-old car with 100,000 miles cannot be held to the same standards of durability, satisfactory quality and fit for purpose as a new or nearly new car. Unwinding a motor finance agreement, which may often take 12-18 months

post sale (the length of time it can take to reach a FOS decision) can leave a credit broker and/or lender with thousands, even tens of thousands of pounds of losses on a heavily depreciated asset. We doubt it was intended that the FOS acts as a quasi-mechanical and engineering specialist determining the durability or not of 10-year-old cars they have never seen. It is notable that until commission disclosure complaints started nearly all complaints submitted to the FOS about motor finance were asset/s75 related.

The process of CCA reform is an ideal opportunity to reflect on what is and is not working with focus on key sections (s56, s75,s99 and s140), and what if left unchecked will lead to higher costs of credit or reduced access to credit for consumers.

Sanctions and enforcement

The existing automatic sanctions under the CCA, such as unenforceability of agreements due to technical breaches, can be disproportionate and may not necessarily align with the severity of consumer harm. We advocate for a more proportionate enforcement mechanism under the FCA's purview, where sanctions are commensurate with the nature and impact of the breach. This would ensure that consumer protection remains paramount without imposing undue burdens on firms for minor infractions.

Criminal offences

We recommend a thorough review of the criminal offences outlined in the CCA to determine their relevance in the current regulatory context. Where appropriate, certain offences could be decriminalised and addressed through regulatory enforcement mechanisms, ensuring that penalties are proportionate and effective in deterring misconduct.

Implementation and transition

Given the scale of the proposed reforms, a phased implementation approach is prudent. This would allow firms sufficient time to adapt their systems, processes, and training programs to comply with the new regulatory requirements. We also suggest provision of comprehensive guidance and support from the FCA during the transition period to facilitate smooth adoption.

Engagement and collaboration

We commend HM Treasury's commitment to engaging with stakeholders throughout the reform process. Continuous collaboration between the government, regulators, industry participants, and consumer groups is essential to ensure that the reformed framework effectively balances innovation, consumer protection, and market competitiveness.

Conclusion

The proposed reforms to the CCA represent a significant step toward creating a modern, agile, and consumer-focused credit market in the UK. We are committed to working collaboratively with HM Treasury and the FCA to contribute to the development of a regulatory framework that supports innovation while safeguarding consumer interests.

Annex A sets out our responses to specific questions set out in the consultation and we would be happy to discuss any of these points further.

Yours faithfully,

[signed]

Will Self
Deputy Chair, FCA Smaller Business Practitioner Panel

Annex A: Panel responses to consultation questions

Q1: Do you agree with our vision for a reformed regime?

Yes. We fully support the vision for a modern, simplified, and outcomes-focused regulatory regime that aligns with FCA principles. This would help smaller firms reduce compliance complexity and focus more resources on serving customers responsibly and effectively.

Q2: Do you agree with our preferred approach to legislation?

Yes. Moving away from rigid legislative prescriptions toward an FCA rules-based framework is a positive development. This will give small firms greater flexibility to tailor processes in line with evolving customer needs and technological capabilities, provided there is clear guidance to help us navigate any uncertainties.

Q3: Do you think the challenges in relation to the transitional provisions have been captured? What further thoughts do you have on possible appropriate transitional provisions?

The consultation has captured key challenges, including system updates, staff training, and customer communication. From a small firm perspective, it would be helpful to have a generous implementation period (e.g. 18–24 months) and phased deadlines for different elements of the reform. Access to practical FCA support, such as workshops, webinars, guides and case studies tailored to small firms, would also be highly beneficial to ensure a smooth transition.

Q4: Do you agree with our proposal to repeal the information provisions from the legislation and for these to be recast as appropriate into FCA rules?

Yes. Repealing outdated and overly prescriptive information provisions is welcome. It will enable firms to provide clearer, more user-friendly information to consumers in line with the FCA's Consumer Duty. We would ask that any recast FCA rules allow flexibility for different delivery methods, especially digital tools that help engage customers more effectively.

Q5: Do you agree with our conclusion that the FCA regime without sanctions provides a robust consumer protection?

Broadly, yes. We agree that the FCA's powers, including supervision, enforcement, and the Consumer Duty, provide a robust framework. However, for small firms, clarity on how enforcement would be proportionate for minor technical errors is important to avoid undue disruption or resource strain.

Q6: What are your views on the following approaches for criminal offences?

We support option (c): repealing all criminal offences except those relating to minors and canvassing off trade premises, which would remain as criminal offences. This strikes the right balance between maintaining strong consumer protection in sensitive areas and removing unnecessarily harsh penalties that could disproportionately impact small firms for minor infractions.

Q7a: Has this paper captured the key issues/barriers for each of the cross-cutting themes?

Yes – for all 3 themes (Green Finance, Islamic Finance and Technology).

7b: Is there anything else you think needs to be considered in our Phase 2 policy work?

Yes. For small firms, Phase 2 should consider: How to ensure that any reforms do not inadvertently create barriers to entry for new, smaller market participants.