

## **Consultation Paper**

### **CP26/15\*\***

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CONC 3:  
Reviewing the financial promotions  
rules for consumer credit

**April 2026**

## How to respond

We are asking for comments on this Consultation Paper (CP) by **17 June 2026**.

You can send them to us using the form on our [website](#).

Or in writing to:

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## Chapter 1

# Summary

### Why we are consulting and seeking views

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- 1.1** Financial promotions are often a consumer's first point of contact with firms offering credit products. They play a significant role in shaping consumer understanding of products, can create brand awareness and influence how consumers compare alternatives and decide whether to shop around. Alongside promotions, firms' communications play a pivotal role in supporting consumers to better understand the credit products they are considering and make informed decisions. It is therefore important that promotions are clear, fair and not misleading and help consumers both understand products and make effective comparisons.
- 1.2** In July 2023, the Consumer Duty (the Duty) came into force, setting a higher standard for consumer protection across retail financial services. Under the Duty, firms' communications, including financial promotions, must support the understanding of retail customers, meet their information needs and equip them to make effective decisions.
- 1.3** Following implementation of the outcomes-focused Duty in July 2024, we asked firms via a [Call for Input \(CfI\)](#) whether there were FCA requirements that were duplicative or could be simplified now that the Duty set a higher bar. Feedback showed some respondents considered our financial promotion rules for consumer credit in CONC 3 overly complex or outdated. As a result, we committed in our subsequent Feedback Statement ([FS25/2](#)) to review them.
- 1.4** This review aims to remove duplicative and outdated requirements, including those that restrict flexibility, or hinder innovation, growth and firms' ability to deliver good outcomes. It explores ways to improve disclosure, by allowing firms more flexibility to tailor customer-facing communications to promote consumer understanding and reflect technological developments in the customer journey. It seeks to advance the ambitions we set out in [FS25/2](#) to:
- Address firms' longstanding concerns about the length and complexity of our rules and guidance.
  - Identify targeted steps to remove outdated requirements or areas of complexity so that the regime is more outcomes-focused, reducing unnecessary administrative burdens.
  - Give firms greater discretion when applying our requirements to enable them to tailor customer-facing communications in a way which promotes consumer understanding.

**1.5** Our review consists of 2 parts:

- **A Consultation Paper (CP) on simplifying CONC 3.** We have identified areas of overlap with the Duty or where we believe there is unnecessary prescription. We are now consulting on removing several rules and some guidance. The consultation is set out in Chapter 3 with draft rules in Appendix 1.
- **A Discussion Paper (DP) on cost disclosure including Annual Percentage Rate (APR).** We are considering whether several provisions in CONC 3.5 covering cost disclosure could be amended to better promote consumer understanding about the cost of credit. In Chapter 4 we set out the issues we would like stakeholders' views on. Depending on the responses, we will consider whether to consult further on possible policy interventions.

**1.6** We have also undertaken 2 pieces of consumer research to help inform our policy thinking on cost disclosure that we are publishing alongside this paper:

1. PricewaterhouseCoopers (PwC) report: We commissioned research to explore how consumers engage with information provided at different stages of the credit journey and how to improve this to help consumers make better-informed decisions. While the report focuses on disclosures for consumer credit more widely, it also provides insights into consumers' understanding of APR.
2. FCA's Behavioural Economics research: We examined consumer comprehension of more flexible disclosures and the impact on comparability and effective competition. Our online experiment tested how different ways of disclosing the cost of credit - from an APR-only approach to a hybrid approach, to a more flexible, non-standardised cost information approach - affect consumer outcomes. By assessing the impact of removing or supplementing APR on consumers' understanding and decision-making, the research provides evidence on the trade-offs between the different disclosure approaches and the impact of alternative disclosures on consumer outcomes.

## Who should read this document

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**1.7** This document should be read by:

- Lenders, brokers and others undertaking credit-related activities.
- Industry groups and trade bodies.
- Consumer groups and organisations.

**1.8** Who else will be interested in this consultation:

- Advertisers of, and communication channels for, credit products, including social media platforms.
- Industry experts, commentators and academics.
- Consumers who use credit products.

## What we want to change

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- 1.9** We propose to remove some areas of CONC 3 which may be unnecessarily prescriptive. Instead, we would rely on firms delivering the Duty's consumer understanding outcome to ensure their communications meet consumers' information needs and are likely to be understood.
- 1.10** In addition, we propose to make minor amendments to CONC 3.3.1AG to reflect changes made by the Digital Markets, Competition and Consumer Act 2024 (DMCCA).
- 1.11** We are also exploring ways to improve how firms communicate APR and other credit costs to help retail customers better understand and make informed financial decisions in pursuit of their financial objectives.

## Outcome we are seeking

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- 1.12** We want to support consumers to make appropriate financial decisions and seek products best suited to their needs. We also want to give firms more flexibility to tailor financial promotions and foster innovation, which should promote effective competition in the market. Our proposals will remove unnecessary prescription while ensuring firms comply with the Duty. This should help consumers better navigate financial promotions and more easily identify features of products that are important to them early in the credit journey.
- 1.13** Increasing flexibility while ensuring comparability allows firms to better innovate, particularly in social media advertising where the way consumers engage varies. It could also promote access to credit by enabling consumers to better understand promotions and so identify more suitable products. This should lead to informed decision making and create more effective competition.
- 1.14** In November 2025, the Government published its [Financial Inclusion Strategy](#). It includes various initiatives which align with our broader aims including improving access to affordable credit. Our proposals seek to support the strategy by improving how firms communicate financial promotions.
- 1.15** Our proposals support our ambition to simplify the Handbook, delivering our work in [CP25/37](#). We want to simplify our requirements, by relying more on high-level rules and the Duty outcomes, while ensuring firms continue to sufficiently support and protect consumers.

## Measuring success

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- 1.16** The proposals in our consultation are designed to reduce the administrative burden on firms by simplifying our CONC 3 requirements and removing overlap and duplication with the Duty. We propose to monitor financial promotions through our supervisory activity and assess how firms are using the flexibility from these proposed changes.

- 1.17** Our future Financial Lives Surveys (FLS) will also help inform us of the impact on consumer outcomes, with questions concerning consumers' ability to find suitable products and to shop around. Likewise, our new Product Sales Data (PSD) Returns will allow us to monitor firms' marketing and sales activities, including the use of Representative APRs and which channels firms use to reach consumers.

## Next steps

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- 1.18** We welcome feedback on the Consultation Paper in Chapter 3 and the Discussion Paper in Chapter 4. Please send your comments by 17 June 2026 using one of the methods in the 'How to respond' section. If emailing, please tell us whether you want your response to be confidential and, separately, if you are content to be named as a respondent.
- 1.19** We will consider feedback to the Consultation Paper and aim to publish the outcome later in the year.
- 1.20** We will also consider feedback to the DP and then decide on our next steps. Where we consider there is a case for making changes to our rules and guidance we will consult on any proposed changes in the normal way.

## Chapter 2

# The wider context

## Background

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- 2.1** The consumer credit market is broad and diverse, encompassing a wide range of financial products and sales channels, designed to address the varied needs of different consumer audiences. Our [Financial Lives 2024 survey \(FLS 2024\)](#) found that 79% of UK adults (42.5 million people) held at least 1 or more regulated credit or loan products in the previous 12 months. Technology is also continuously transforming the sector, with firms developing innovative products and offering an increasing array of digital consumer journeys and communications channels.
- 2.2** Consumers have become more widely exposed to credit marketing than ever before. While conventional forms of advertising, such as websites, radio and TV broadcasting remain common, social media has become an important part of firms' marketing strategies. The reduction in consumers that are digitally excluded allows advertisers to reach large audiences faster and more frequently. According to [FLS 2024](#), the number of UK adults that are digitally excluded has reduced from 6.9m (14%) in 2017 to 1.2m (2%) in 2024.
- 2.3** The ease and speed of accessing credit online has also shifted consumers' engagement with financial products. However, lots of information presented on digital channels, such as mobile devices means consumers can struggle to meaningfully digest and weigh up the products' benefits and risks. As recent growth in products such as Deferred Payment Credit (also known as Buy Now Pay Later) illustrates, we are increasingly seeing credit products advertised, offered, and managed digitally.
- 2.4** Firms' target markets are likely to include a range of consumers with a variety of needs and characteristics, and financial literacy can affect how consumers understand products and services. [Last year we published good and poor practices](#) on designing digital journeys as part of our work to share information on how firms had been embedding the Duty.
- 2.5** We are also seeing firms increasingly providing tools on their websites, such as interactive calculators and sliders, to allow consumers to model their personal requirements and, support consumer decision making.

## Regulatory developments

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- 2.6** Prior to FCA regulation of consumer credit in April 2014, credit advertising requirements were set out in the Consumer Credit Act 1974 ('CCA') and the Consumer Credit (Advertisements) Regulations 2010 (the '2010 Regulations'). In 2014, the 2010 regulations were repealed and replaced by similar provisions in CONC 3.

- 2.7** Since 2014, we have not made any significant changes to CONC 3. We have published cross-cutting guidance in some areas; for example, in [FG24/1](#) we set out our expectations for firms and others, such as influencers, when communicating financial promotions on social media. We also published [guidance \(FG24/3\)](#) on the anti-greenwashing rule to clarify that firms' sustainability-related claims about their products and services must be clear, fair and not misleading. We are also undertaking wider work to consider our rules on financial promotions to improve the way firms communicate with consumers. This includes for example ongoing work following the Investments Association's recent [Risk Warnings Review](#).

## Other regulatory and advertising bodies

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- 2.8** In addition to overseeing the technical details of promotions, we collaborate with various regulatory and advertising organisations to ensure all aspects of financial promotions are clear, fair, and not misleading.

### The Competition and Markets Authority

- 2.9** The [DMCCA](#) introduced significant reforms to enforcing consumer protection law. Under the [DMCCA](#), the [Competition and Markets Authority \(CMA\)](#) can directly enforce rules against unfair commercial practices. The [DMCCA](#) designates the FCA as a 'public designated enforcer' which means we have powers to take court-based action against breaches of consumer protection law.
- 2.10** The [DMCCA](#) covers a wide range of consumer protection laws relevant to the marketing and advertising of products, including providing false or misleading information and omission of material information.
- 2.11** The FCA and CMA have a [Memorandum of Understanding](#) which sets out how we work together.

### Advertising Standards Authority

- 2.12** The [Advertising Standards Authority \(ASA\)](#) is the UK's independent regulator of advertising from legitimate businesses and other organisations in all media, including online. They administer the Advertising Codes (the Non-Broadcast and the Broadcast Codes) and can ban adverts which are misleading, harmful, offensive or irresponsible. Its remit includes claims made by companies on their own websites and in social media spaces under their control. Its focus is offensive and socially irresponsible advertising.
- 2.13** The FCA and ASA have a [Memorandum of Understanding](#) setting out the organisations' respective roles and remit.

## Radiocentre

- 2.14** Radiocentre is the industry body for commercial radio advertisements in the UK. Its remit includes responsibility for ensuring advertising on radio complies with the necessary codes and regulatory requirements.
- 2.15** It published FCA Confirmed Industry Guidance on ensuring financial promotions for motor brands on radio are clear, fair and not misleading. The Guidance was recently renewed with effect from 14 January 2026. It will have effect for 3 years, unless the underlying rules change beforehand.

## Overview of CONC 3

- 2.16** CONC 3: *Financial Promotions and communications with customers* is divided into a number of sections. These are summarised in the table below:

Rule/guidance	Summary
CONC 3.1	The application and scope of CONC 3
CONC 3.2	General guidance, including how firms should interpret and apply the rules in CONC 3
CONC 3.3	The clear, fair and not misleading rule and general requirements for firms' communications and financial promotions
CONC 3.4	Risk warning for high-cost short-term credit
CONC 3.5	Financial promotions about credit agreements not secured on land, including Representative APR and Representative examples
CONC 3.6	Financial promotions about credit agreements secured on land
CONC 3.7	Financial promotions and communications: credit brokers
CONC 3.7A	Financial promotions and communications: P2P agreements
CONC 3.8	Financial promotions and communications: consumer credit lenders, including unfair business practices
CONC 3.9	Financial promotions and communications: debt counsellors and debt adjusters
CONC 3.10	Financial promotions not in writing
CONC 3.11	Not approving certain financial promotions

- 2.17** Our rules in CONC 3 generally require all financial promotions to support consumer understanding and to be clear, fair and not misleading. Authorised persons must comply with our rules when communicating or approving financial promotions.

## The Consumer Duty

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- 2.18** In July 2023, the Duty came into force. Where the Duty applies, firms must consider how their communications deliver good outcomes for retail customers, including by supporting customer understanding.
- 2.19** Before the Duty's introduction, we were frequently urged to review and update the financial promotion rules in CONC 3 to reflect evolving communications channels and product innovation. Since the Duty's implementation, some industry representatives have asked if we could simplify certain general requirements in CONC 3, given their potential overlap with PRIN 2A.5 (retail customer outcome on consumer understanding). This has also prompted calls to change our rules to give firms more flexibility on disclosing costs in financial promotions to better support consumer understanding.
- 2.20** Following this feedback, we committed in the [Feedback Statement on the Consumer Duty rule review \(FS25/2\)](#) to simplify our requirements of firms. This includes reviewing the rules for advertising consumer credit.
- 2.21** The introduction of the Duty represented a significant move from a prescriptive to an outcomes-based approach. We are reviewing and simplifying our requirements to ensure we are supporting good customer outcomes most effectively.

### **Under the Duty, firms must:**

- Support understanding by ensuring their communications meet customers' information needs, are likely to be understood by them, and equip them to make decisions that are effective, timely and properly informed. This includes making key information (such as risks) prominent and easy to identify. Firms must also avoid causing foreseeable harm to retail customers.
- Tailor communications taking into account the characteristics of the intended customers (including any characteristics of vulnerability), the complexity of the product and the communication channel.
- When interacting directly with a customer on a one-to-one basis, tailor communications to meet the customer's information needs where appropriate, and ask them if they understand the information.
- Test, monitor and adapt communications to support understanding and good outcomes for customers.

- 2.22** The Duty gives us an opportunity to simplify our CONC 3 financial promotion rules and rely instead on high-level standards and principles. This flexibility would enable firms to consider customers' informational needs holistically, as they travel through the customer journey with appropriate information at each stage. We are unable to give detailed views at this stage on what information requirements will look like for credit products in the future as this is subject to the Government's review of the CCA. However, we expect any new regime under our rules will also be outcomes-focused and give flexibility, relying on the Consumer Duty to support good outcomes for consumers.

## Stakeholder engagement and research

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- 2.23** We have undertaken early engagement with stakeholders to help inform our policy development. This includes roundtables with consumer and industry groups, as well as one-to-one meetings with some individual firms and organisations. We have also considered research published by some of these organisations and academic studies. A small number of respondents to the Consumer Duty CfI also gave specific views on potential changes to CONC 3 that could improve alignment with the Duty.
- 2.24** We have met with our statutory panels, the Financial Services Consumer Panel (FSCP) and Smaller Business Practitioners Panel (SBPP) to exchange early views. Both panels supported us exploring alternatives to APR to support consumer understanding.
- 2.25** We have also considered our recent consumer research which we commissioned PwC to undertake to help inform our policy thinking in anticipation of the future reform of the CCA. This research includes findings on APR disclosure in financial promotions. The DP in Chapter 4 on APR disclosure has also been informed by the research conducted by the FCA's Behavioural Economics team. We set out the findings of this in the Research Note that accompanies this consultation.

## Rationale for this Discussion Paper

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- 2.26** Our Consultation in Chapter 3 proposes removing a number of rules and guidance provisions to simplify our CONC 3 requirements, in line with the Duty. We have taken a different approach to reviewing APR and other cost disclosures.
- 2.27** There appears to be wide consensus among stakeholders that the current approach to APR and credit cost disclosure in advertising has flaws, but the various alternatives discussed create complexities and raise other issues. These include whether alternative metrics to APRs can support comparability and consumer choice or increase competition and growth in the supply of higher cost credit. The existing evidence on alternative options has limitations and we did not consider there to be strong enough evidence to propose alternatives to our APR rules at this time.
- 2.28** Instead we want to have a wider debate on these issues with a broader range of stakeholders to help inform our policy. We want our DP in Chapter 4 to create a public conversation on the future of APR disclosure in advertising and seek views to help determine if there is a case for making changes.

## How it links to our objectives

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- 2.29** We want consumers to be appropriately protected while promoting effective competition in their interests. We also want our requirements to be proportionate and help firms innovate.

- 2.30** Our aim is for consumers to access products that are best suited to their needs and ensure they understand the overall cost of credit. We also want to ensure they have an easy way of making effective comparisons when choosing a product.
- 2.31** Our proposals support the priorities set out in Our Strategy: 2025-2030 published last year. This includes us helping consumers navigate their financial lives by working with industry to boost innovation, supporting competition and ensuring the right information is available so that consumers can make informed decisions.

## Consumer protection

- 2.32** We have considered the Duty as we have developed our proposals. We intend to reduce compliance costs for firms while maintaining high standards of consumer protection and supporting consumers in making better-informed decisions.

## Competition

- 2.33** Our view is that the proposals will fulfil our competition duty while advancing our consumer protection objective. Increased flexibility in our rules will help firms to innovate and provide more tailored financial promotions and communications for their target market.

## Secondary international competitiveness and growth objective

- 2.34** By simplifying CONC 3, we expect our rules will be easier to understand and future-proofed for developments and innovation, which may make the UK credit market more attractive. Additionally, by enabling firms to tailor their communications to consumers' needs, consumers can better identify and understand product offerings and choose them accordingly. This should increase consumer access, which may increase the attractiveness of the UK consumer credit market, so facilitating the international competitiveness and growth of the UK's financial services.

## Wider effects of this consultation

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### Consumer Credit Act 1974 reform

- 2.35** The Government is undertaking a review of the retained provisions of the CCA. Any changes to the CCA will require primary legislation, the scope and timing of which is to be confirmed. Our review of our financial promotion rules does not require legislation, and we see merit in firms and consumers benefiting from the proposals as soon as possible.
- 2.36** The Government consulted on its proposed approach to information requirements, including repealing CCA requirements and recasting them in FCA rules. This could include, for example, rules on pre-contractual information. Financial promotions are often the first stage in the consumer journey when they are initially searching or engaging with credit products and deciding whether to progress further. This is

then typically followed by the firm giving the consumer personalised pre-contractual information about the credit being offered before the contract is entered into. Both stages help consumer decision-making but in different ways. We will consider the impact of any changes to the financial promotion rules when developing our policy approach to the wider credit regime.

## Environmental, social & governance considerations

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- 2.37** In developing this Consultation Paper, we have considered the environmental, social and governance (ESG) implications of our proposals and our duty under ss.1B(5) and s.3B(1)(c) of FSMA to have regard to contributing towards the Secretary of State achieving compliance with the net-zero emissions target under section 1 of the Climate Change Act 2008 and environmental targets under s.5 of the Environment Act 2021. Overall, we do not consider that the proposals are relevant to contributing to those targets. We will keep this issue under review during the consultation period and when considering whether to make the final rules.
- 2.38** In the meantime, we welcome your input to this consultation on this.

## Equality and diversity considerations

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- 2.39** We have considered the equality and diversity issues that may arise from the proposals in the CP and DP.
- 2.40** Overall, we do not consider that the proposals materially impact any of the groups with protected characteristics under the Equality Act 2010 (in Northern Ireland, the Equality Act is not enacted but other antidiscrimination legislation applies). Our intention is to simplify rules, rather than make any substantive policy changes at this time.
- 2.41** For the DP, stakeholders suggested allowing more flexibility in APR disclosure may encourage investors and lenders for higher cost loans which could increase access for underserved consumers.
- 2.42** We will continue to consider the equality and diversity implications of the proposals during the consultation period and will revisit them when making the final rules. In the meantime, we welcome your input to this consultation on this.

## Chapter 3

# Consultation on simplification of CONC 3

## Our proposals

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- 3.1** We propose to remove provisions that no longer add significant consumer protection value in light of the Duty. We propose to consolidate and relocate some of our guidance and amend rules to ensure they are fit for today's market.
- 3.2** Firms will still need to meet their obligations under the Duty, in particular (PRIN 2A.5.3R):
- Supporting retail customers' understanding of their communications.
  - Equipping them to make effective, timely and properly informed decisions.
- 3.3** Collectively, these changes aim to streamline the regime and give firms greater flexibility while maintaining appropriate consumer protection. In our [Feedback Statement \(FS25/2\)](#) following the July 2024 Cfl, we committed to future proofing disclosures by allowing more flexibility to tailor consumer-facing communications in a way to promote consumer understanding and allow for more modern consumer journeys.
- 3.4** We have considered whether the Duty alone is sufficient rather than make new rules, and how far the Duty is able to deliver our policy objectives.

## Scope

- 3.5** We have decided that the following sections of CONC 3 are out of scope of this review. This includes requirements which it would be more appropriate to consider as part of other ongoing or future policy work, for example in relation to the high-cost short-term credit price cap review.
- a. CONC 3.4 – Risk warnings for high-cost short-term credit
  - b. CONC 3.7 – Financial Promotions and Communications: credit brokers.
  - c. CONC 3.7A – Financial promotions and communications: P2P agreements
  - d. CONC 3.9 – Financial promotions and communications: debt counsellors and debt adjusters (save for our proposal to relocate some parts of CONC 3.3.10G to this chapter)
- 3.6** All other sections of CONC 3 are in scope of this consultation, other than those in relation to APR and other price disclosures which are considered in Chapter 4. The table below gives a detailed analysis of provisions we are proposing to amend or remove, and a draft instrument is included in Appendix 1.

## CONC 3.2 and 3.3

- 3.7** CONC 3.2 and 3.3 set out general guidance on our financial promotions' requirements, including the meaning of 'prominent' and the clear, fair and not misleading rule.
- 3.8** We have reviewed the rules and guidance in CONC 3.2 and 3.3 and considered where the consumer understanding outcome rules and guidance provides sufficient detail for firms to meet our expectations. For example, our general requirements or the types of practices which would breach the clear, fair and not misleading rule.
- 3.9** For certain provisions, we think it is important to preserve a consumer's ability to bring a private action for breaches (which is not available for breaches of the Duty). For example, although the clear, fair and not misleading requirement in CONC 3.3.1R is reflected in the Duty, this is a key consumer protection, and we propose retaining the rule so that the private right of action remains (subject to its existing restriction in CONC Schedule 5).

## Revising CONC 3.3.10G

- 3.10** CONC 3.3.10G gives examples of practices likely to contravene the clear, fair and not misleading rule.
- a.** We are proposing to remove CONC 3.3.10G(1) to (5) because the consumer understanding outcome under the Duty captures the issues addressed. The consumer understanding outcome requires firms to present information in a way that is easily understood, ensures key terms are prominent and not hidden and to test whether consumers understand the communication.
  - b.** As the examples in CONC 3.3.10G (6) to (8) relate to communications about debt solutions, we propose to move these provisions to CONC 3.9. CONC 3.9 covers financial promotions and communications by debt counsellors and debt adjusters. We think it is important to retain these provisions as they clarify how firms should communicate debt-related support. We consider this guidance remains necessary to reduce the harms from products or services explicitly targeted at consumers in financial difficulties. Bringing these debt related provisions together in CONC 3.9 makes our rules more coherent and helps firms to better navigate our Handbook provisions.
- 3.11** We intend to retain the guidance in CONC 3.3.10(9)G which relates to refinancing of credit agreements where debt consolidation occurs.

**Question 1: Do you agree with our proposal to remove the guidance in CONC 3.3.10G(1) to (5) and to move the guidance in CONC 3.3.10G(6) to (8) relating to debt solutions to CONC 3.9?**

## Amendments to CONC 3.3.11AG (1)

- 3.12** The DMCCA introduced a number of substantive changes. These included repealing the Consumer Protection from Unfair Trading Regulations and restating and updating the unfair commercial practices rules. We have also introduced the Duty. We are proposing to amend CONC 3.3.11AG (1) to reflect these changes.

## Amendments to CONC 3.5.11R

- 3.13** CONC 3.5.11R sets out our requirements where advertising a product which may require a security. For some products, the provision of security is part of the product's characteristics, for example logbook lending (where loans are secured on a chattel by a bill of sale), secured credit cards or guarantor personal loans.
- 3.14** The rule currently specifies that if a security may be required this must be stated in the promotion, along with the nature of the security.
- 3.15** We consider that a distinction can be made between products where a guarantor or other form of security is an inherent and integral part of the product design, and for products where some form of security might be required depending on consumer circumstances.
- 3.16** While it is important for consumers to know that a security is required if this always is the case, in many instances the lender may or may not require security depending on the consumer circumstances and credit status. We want to avoid firms being required to include information that may not be necessary.
- 3.17** We propose that products that require a security or guarantor must include reference to this, but where this is dependent on consumer circumstances it will no longer be a requirement. However, firms should still consider whether there might be instances where additional information might be provided, where helpful. We propose to make a small change to our rules to reflect this.

### **Question 2: Do you agree with our proposed amendment to CONC 3.5.11R?**

## Removing CONC 3.5.12R – restricted expressions

- 3.18** We propose to remove CONC 3.5.12R which sets out a series of 'restricted expressions' that firms must not use in financial promotions unless specific conditions are met. We consider these restrictions are unnecessarily prescriptive and no longer required in an outcomes-focused regime.
- 3.19** The Duty requires firms to ensure their communications meet the information needs of customers, are likely to be understood, and avoid presenting information in a way that could cause foreseeable harm. We would expect firms to ensure that any terminology is used in the right context and not misleading. Alongside the overarching clear, fair and not misleading rule in CONC 3.3.1R, these provide similar consumer protections in addressing any unfair or misleading use of terminology in advertising.

### **Question 3: Do you agree with our proposal to remove CONC 3.5.12R?**

## CONC 3.6 – Financial promotions about credit agreements on land

- 3.20** We propose to remove CONC 3.6, which sets out requirements for financial promotions about credit agreements secured on land. This section is prescriptive, including

elements from the Consumer Credit (Advertisements) Regulations 2004 which have now been repealed. We acknowledge that some of the provisions of CONC 3.6 are not replicated by the Duty, namely the consumer warnings.

**3.21** We acknowledge that some of the provisions of CONC 3.6 are not replicated by the Duty, namely the consumer warnings. However, we understand that this type of lending is extremely rare, as loans secured on land will generally fall under the regulated mortgages regime. We think that where this lending does occur, it is sufficient to rely on the high-level principles (including CONC 3.3.1R together with the Duty outcomes).

**3.22** We acknowledge that consumers who take out such loans could see this as a significant change and we are therefore interested in stakeholder views on the extent of this type of lending and the impact of our proposal.

**Question 4:** Do you have information or data you can share about the extent to which regulated credit agreements secured on land are used in the market?

**Question 5:** Do you agree with our proposal to remove CONC 3.6 from the Handbook?

### **Other provisions to be removed – overlap with the Duty**

**3.23** We have identified the provisions below where reliance on Duty rules may be sufficient. Where we have proposed removing prescriptive requirements to give firms greater flexibility in their communications, the requirement that firms will continue to comply with the high-level obligations of the Duty remains.

**3.24** We propose to remove the following provisions:

CONC provision		Overlap with the Duty
3.2.3G	<p>Meaning of “prominent”</p> <p>For the purposes of this chapter, information or a statement included in a financial promotion or communication will not be treated as prominent unless it is presented, in relation to the other content of the financial promotion or communication, in such a way that it is likely that the attention of the average customer to whom the financial promotion or communication is directed would be drawn to it.</p>	<p>Although the meaning of “prominent” is not defined in the Duty, PRIN 2A.5.7G (3) provides that to support consumer understanding firms should make key information prominent and easy to identify. Firms can do this via headings and layout, display and font attributes of text, and through design devices such as table, bullet points, graphs, graphics, audio-visuals and interactive media (PRIN 2A.5.7G(3)).</p> <p>Our non-handbook Guidance on the Duty confirms that we expect firms to adopt good practices that enhance the clarity of the communications to support consumers in making effective decisions. This includes bringing the most important information to the attention of consumers in an accessible way (FG22/5, para 8.13).</p>
3.3.1R (1A)(d)	<p>A firm must ensure that each communication and each financial promotion:</p> <p>(d) is sufficient for, and presented in a way that is likely to be understood by, the average member of the group to which it is directed, or by which it is likely to be received; and</p>	<p>We think that the Duty arguably goes further than this rule as it require firms to tailor communications taking into account the characteristics of the customers intended to receive the communication – including any characteristics of vulnerability, the complexity of products, the communication channel used, and the role of the firm (PRIN 2A.5.7G). In addition to this firms must also test, monitor and adapt communications to support understanding and good outcomes for customers (PRIN 2A.5.10R).</p>
3.3.1R(1A)(e)	<p>(e) does not disguise, omit, diminish or obscure important information, statements or warnings.</p>	<p>Under the Duty firms are required to act in good faith towards retail customers (PRIN 2A.2.1R) and avoid causing foreseeable harm (PRIN 2A.2.8R). A firm would breach these requirements if it disguised, omitted, diminished or obscured important information, statements or warnings in its communications or financial promotions.</p>

CONC provision		Overlap with the Duty
3.3.1R (1B)	A firm must ensure that, where a communication or financial promotion contains a comparison or contrast, the comparison or contrast is presented in a fair and balanced way and is meaningful.	We think we can rely on the Duty as firms are required to act in good faith towards retail customers (PRIN 2A.2.1R) and avoid causing foreseeable harm (PRIN 2A.2.8R). We also propose to retain the overarching requirement for communications and financial promotions to be clear, fair and not misleading (CONC 3.3.1R). Meeting these requirements would involve presenting a comparison or contract in a fair, balanced and meaningful way so that customers are equipped with the right information to make effective and properly informed decisions.
3.3.2R	A firm must ensure that a communication or a financial promotion: (1) uses plain and intelligible language; (2) is easily legible (or, in the case of any information given orally, clearly audible);	Under PRIN 2A.5.7G a firm should use plain and intelligible language. It also goes further than this rule and specifies that where use of jargon or technical terms is unavoidable, firms should explain the meaning of those terms as simply as possible. To comply with the Duty and the clear, fair and not misleading requirement, firms would need to ensure that communications or financial promotions are easily legible or clearly audible.
3.3.7G	When communicating information, a firm should consider whether omission of any relevant fact will result in information given to the customer being insufficient, unclear, unfair or misleading.	Under the Duty firms are required to act in good faith towards retail customers (PRIN 2A.2.1R) and avoid causing foreseeable harm (PRIN 2A.2.8R). We also propose to retain the overarching requirement for communications and financial promotions to be clear, fair and not misleading (CONC 3.3.1R).
3.3.8G	A comparison or contrast to which CONC 3.3.1R(1B) applies may be a comparison or contrast with another person, or with another product or service, whether offered by the firm or by another person.	As noted above, we propose to remove CONC 3.3.1R(1B) on the basis we can rely on the Duty. If it is removed this guidance will no longer be necessary.

CONC provision		Overlap with the Duty
3.3.11G	Misleading a customer as to the availability of a particular credit product is likely to include stating or implying that the firm will introduce the customer to a provider of a standard personal loan based on repayment by instalments or of an overdraft facility on a current account (for example, a bank or building society) or of a credit card, but instead introducing the customer to a provider of high-cost short-term credit.	We think that misleading introductions would be covered by the Duty as firms are required to act in good faith towards retail customers (PRIN 2A.2.1R) and avoid causing foreseeable harm (PRIN 2A.2.8R). We propose retaining the overarching requirement for communications and financial promotions to be clear, fair and not misleading (CONC 3.3.1R).
3.3.12G	A communication or a financial promotion that refers to sums available by way of an authorised non-business overdraft agreement should make clear that such sums constitute borrowing or credit	We think this level of detail is unnecessary under the Duty because firms are required to support customers understanding and communicate information in a way which is clear, fair and not misleading (PRIN 2A.5.3R).
3.5.10R	<p>(1) A financial promotion must include a clear, concise and prominent statement in respect of any obligation to enter into a contract for an ancillary service where:</p> <p>(a) the conclusion of that contract is compulsory in order to obtain the credit or to obtain it on the terms and conditions promoted; and</p> <p>(b) the cost of that ancillary service cannot be determined in advance.</p> <p>(2) The statement in (1) must be presented together with any Representative APR included in the financial promotion.</p> <p>(3) This rule does not apply to a financial promotion for an authorised non-business overdraft agreement.</p>	<p>This rule was introduced to reflect the repealed Consumer Credit (Advertisements) Regulations 2010 which required a clear statement to be included in promotions where customers were required to enter into a contract for an ancillary service (e.g. an insurance contract).</p> <p>We think this level of detail is unnecessary under the Duty because firms are required to support customers understanding and communicate information in a way which is clear, fair and not misleading (PRIN 2A.5.3R).</p>
3.8.2R(2)	<p>A firm must not in a financial promotion or a communication with a customer:</p> <p>(2) state or imply that providing credit is dependent solely upon the value of the equity in property on which the agreement is to be secured;</p>	We think this level of detail is unnecessary because under the Duty firms are required to support customers understanding and communicate information in a way which is clear, fair and not misleading (PRIN 2A.5.3R). Firms must enable and support customers to pursue their financial objectives (PRIN 2A.2.14R).

CONC provision		Overlap with the Duty
3.8.3G	<p>An agreement is likely to be unsuitable for the purposes of CONC 3.8.2R (3) including in the following situations where a firm:</p> <p>(1) promotes, suggests or advises taking out a secured loan or to take out a secured loan to replace or convert an unsecured loan when it is clearly not in that person's best interests to do so at that time; or</p> <p>(2) promotes, suggests or advises taking out high-cost short-term credit which would be expensive as a means of longer-term borrowing, as being suitable for sustained borrowing over a longer period.</p>	<p>The Duty arguably goes beyond the requirements in this rule as firms must enable and support customers to pursue their financial objectives (PRIN 2A.2.14R) and avoid causing foreseeable harm (PRIN 2A.2.8R).</p> <p>A firm would not be acting in good faith under the Duty (PRIN 2A.2.1R) if it promoted, suggested or advised a consumer to take out an unsuitable product.</p>
3.8.4G	<p>For the purposes of CONC 3.8.2R (3) the unsuitability of an agreement does not apply to the question of whether a customer should enter into a regulated credit agreement at all.</p>	<p>This provision provides further guidance on CONC 3.8.2R(3) which requires that firms do not promote unsuitable credit. We think the guidance is unnecessary under the Duty as firms must enable and support customers to pursue their financial objectives (PRIN 2A.2.14R) and avoid causing foreseeable harm (PRIN 2A.2.8R).</p>

It is important to stress that the proposal to remove these provisions does not mean that the conduct they address is now acceptable or is no longer important. In many cases the Duty sets a higher standard, and such conduct would continue to be captured and challenged under firms' Duty obligations. Our policy intent is to consolidate requirements within the Duty where similar outcomes can be achieved with greater flexibility.

**Question 6: Do you agree with our proposals to remove the provisions in table above from CONC 3, and rely on the Consumer Duty?**

**Removing outdated requirements**

**3.25** Over time, some provisions within CONC 3 may have become outdated, reflecting legacy requirements that no longer align with current market practices. Retaining these requirements risks creating unnecessary complexity for firms without delivering meaningful consumer protection.

**3.26** We propose to remove the following provisions that may no longer serve a practical regulatory purpose:

CONC provision		Reason for removing
3.2.2G	The Privacy and Electronic Communications (EC Directive) Regulations 2003 apply to unsolicited telephone calls, fax messages and electronic mail messages for direct marketing purposes. The Information Commissioner's Office has produced guidance on the Regulations.	The Privacy and Electronic Communications Regulations apply regardless of whether we signpost them here. To streamline the Handbook, we think this signpost could be removed.
3.3.9G	A firm should in a financial promotion or other communication which includes a premium rate telephone number indicate in a prominent way the likely total cost of a premium rate call including the price per minute of a call, the likely duration of calls and the total cost a customer would incur if the customer calls for the full estimated duration. Firms should note the effect of the call charges rule in GEN 7.	As businesses are generally prohibited from using premium rate phone numbers for customer service calls under the Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013, we think this guidance can be removed.

**Question 7:** Do you agree with our proposals to remove the provisions in table above?

### Implementation period

**3.27** We propose that the new rules will take effect 3 months after they have been made. This should give firms sufficient time to familiarise themselves with and implement the final rules, noting that these changes would simplify existing requirements rather than introduce new ones. We do not think any further transitional provisions are required.

**Question 8:** Do stakeholders agree with our proposals in respect of implementation and transitional periods?

## Chapter 4

# Discussion on cost disclosure

## Introduction and background

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- 4.1** The 1971 Crowther Committee Report on Consumer Credit recommended that consumer credit advertisements and agreements showing the cost of credit should cover not only the pure interest element but also all other borrowing costs. The cost of credit should be stated in terms of a true annual percentage rate, to enable the borrower to more readily compare the cost of borrowing from different lenders and to evaluate the relative costs of different forms of credit. The CCA implemented these recommendations.
- 4.2** The rules on cost disclosure in credit advertising have evolved over the years, including through amendments to implement the Consumer Credit Directive 2008 (CCD 2008) and later recast them into FCA rules in 2014. Since then, we have seen changes in the consumer credit market, including a significant increase in the variety of credit products available, with innovation in the way consumers access credit and advertising channels. Following calls from stakeholders, we committed to reviewing these rules as part of our Consumer Duty Rule Review.
- 4.3** In this chapter, we discuss 3 key areas in the financial promotion rules for cost disclosure which we are seeking views on:
- The extent to which disclosure of the Representative APR (and its triggers) supports consumer understanding of the cost of the credit and what alternatives might be considered.
  - Whether the mandatory inclusion of a representative example, when triggered, supports consumer understanding.
  - Whether the current 51% threshold for determining a Representative APR remains appropriate.

## Representative APR disclosure

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- 4.4** APR is the standardised measure of the annual cost of credit that firms must calculate using a prescribed formula and set of assumptions. It is intended to provide consumers with a consistent benchmark for comparing the cost of different credit products. This is because it reflects both the interest rate and certain fees and charges paid in connection with borrowing. Under our rules firms must disclose a 'Representative APR' where the promotion triggers one of the requirements under CONC 3.5.

- 4.5** Research indicates that consumers do not fully understand APRs as a measure of cost. Although there is broad consensus that the current approach to APR and cost disclosure has flaws, some of the suggested alternatives create complexities and raise other issues.
- 4.6** Some of the alternative metrics to APRs which are aimed at enhancing cost comprehension often come at the expense of comparability and consumer's ability to shop around. Given these complex trade-offs, we are seeking views on alternative approaches to APR disclosure in credit advertising and how far giving firms flexibility to use alternative costs metrics might in turn hinder comparability.
- 4.7** To help inform this discussion, we have also carried out consumer testing which examines how different cost-of-credit disclosure approaches affect consumer understanding and decision making. We are publishing the research note on this alongside this paper. We would encourage stakeholders to engage with both papers.

### **Our current rules on Representative APR disclosure**

- 4.8** Representative APR is defined as *'an APR at or below which the firm communicating or approving the financial promotion reasonably expects, at the date on which the promotion is communicated or approved, that credit would be provided under at least 51% of the credit agreements which will be entered into as a result of the promotion'*.
- 4.9** Our rules set out when a Representative APR must be disclosed. These are set out in CONC 3.5.7R and apply when the financial promotion:
- States or implies that credit is available to individuals who might otherwise consider their access to credit restricted, (we will refer to this as the 'access to credit trigger')
  - Includes a favourable comparison relating to the credit, whether express or implied, with another product or service, (we will refer to this as the 'comparison trigger')
  - Includes an incentive to apply for credit, (we will refer to this as the 'incentive trigger')
- 4.10** In addition, the Representative APR must also be included within the Representative example (where the latter is triggered under CONC 3.5.3R - see below).
- 4.11** The 3 APR triggers were created following the Government's White Paper on Consumer Credit in 2003. The triggers were set out in the Consumer Credit (Advertisement) Regulations 2004 and subsequently recast into regulation 6 of the Consumer Credit (Advertisements) Regulations 2010. They were copied across into our rules on transfer from the Office of Fair Trading to the FCA in 2014. CONC 3.5.8G provides guidance and examples for these triggers:
- In our view, examples of the access to credit trigger (CONC 3.5.7R(a)) could include language such as 'poor credit accepted' or 'all circumstances considered'. A firm's trading name, website address or logo could trigger the requirements.
  - The comparison trigger (CONC 3.5.7R(b)) guidance states that the financial promotion does not need to specify a particular person, product or service for there to be a comparison. In our view, language such as 'cheapest', 'best rates' or 'competitive terms' would trigger a Representative APR.

- Examples of the incentive trigger (CONC 3.5.7R(c)) are where the financial promotion indicates the availability of gifts, special offers, discounts and rewards. However other incentives may be more subtle. A statement about matters such as the speed or ease of processing, considering or granting an application, of entering into an agreement, or of making funds available, may constitute an incentive, depending on the context.

**4.12** Sometimes firms voluntarily include a Representative APR to give consumers a sense of the price of the product. However, the effect of CONC 3.5.3R (2)(a) is that if an APR is included where it has not been triggered by any of the reasons in CONC 3.5.7R then that in itself will then trigger the requirement to include a Representative example. These interdependences may be considered complex by firms.

**Question 9:** Are the 3 triggers as set out in CONC 3.5.7R appropriate, or should they be changed or removed entirely?

**Question 10:** If the triggers are removed, would the Duty's principles-based good consumer outcomes-led approach to disclosing the APR (or alternative cost information) suffice?

## Concerns with APR

**4.13** Some stakeholders have argued that including an APR for short term loans, particularly if they are higher cost, is undesirable for several reasons:

- For a short-term higher cost loan, the short duration of the loan 'distorts' the APR to a level that is not meaningful, impairing consumers' ability to understand or compare the true cost of the loan product.
- A very large number, resulting from the short duration of the loan, may be misleading and give the impression of a very high-cost loan and thus consumers may have negative views and concerns about taking credit, even if it is affordable to them.
- It dissuades mainstream lenders from providing such products and investors from financing them, due to potential reputational and branding risks.

### Why APR appears very high for short term lending.

We recognise that with lower value loans the fixed costs of providing them may account for a higher percentage of the amount advanced and might justify a high interest rate. These are not necessarily poor value or uncompetitive in the way a high APR might superficially suggest due to the mathematical calculations.

The APR formula 'annualises' lending patterns, and so can create very high APR figures on agreements where borrowing lasts for less than a year. It is much harder for consumers to understand the actual cost of credit in these cases.

As an illustration, £100 is borrowed under a high-cost short-term loan over 30 days (a payday loan) and interest is charged at our capped interest rate of 0.8% per day.

This results in £24 of interest repayable at the end of the 30 days, which, along with the loaned amount of £100, totals £124 to repay.

This means 24% of the amount loaned was added in interest. However, for this example the APR figure would be around 1270% - a number far removed from the 24% of the amount loaned added in interest. Whilst 30-day loans are now less common, a high APR figure would still arise for loans less than a year in duration, albeit less pronounced than this example.

The APR figure increases the shorter the borrowing period under one year. This is because of how the APR formula in CONC App 1.2.6(1) 'annualises' the lending patterns to find the APR figure, as the formula:

- Seeks to balance the value and timings of all drawdowns and repayments for a product
- Within this balancing, the timing (of both drawdowns and repayments) has an exponential impact on the amounts being balanced
- The timing exponentially impacts the APR figure because the formula compounds the interest rate based on the length of the borrowing compared to the length of a year

This means for very short-term loan periods, say 30 days (like the example above), the nominal interest rate is effectively compounded for each 30-day period over a year. The shorter the borrowing period, the higher the APR figure will appear as the formula compounds the interest rate more to reach an annualised figure.

- 4.14** We've heard from stakeholders that while Representative APR offers an objective and consistent measure to compare costs, the rate can be heavily distorted by small differences in loan duration or number of instalments. Various stakeholders including the Government's Financial Inclusion Strategy forum and consumer groups have called for us to review our cost disclosure rules. Fairer Finance, in its report '[Improving disclosure in the consumer credit market](#)', stated that greater flexibility should be given to short term lenders in how they show the cost of credit. [Fair 4 All Finance](#) have stated that the APR can be misleading and hard to understand for small, short-term loans.
- 4.15** [PwC research](#) we commissioned in 2025 also highlighted several common misunderstandings consumers have about APRs. Focus group findings showed that few participants could explain what an APR stood for or how it was calculated. Most used it as an indication of how expensive a product is and mistakenly equated APRs with the interest rate they pay. Furthermore, most did not know that an APR comprises the total cost of borrowing, including extra charges and fees.
- 4.16** Despite these misconceptions, across different products and demographics, participants used the APR to make quick and easy comparisons across lenders, relying on a general sense of high or low numbers to represent expensiveness of the credit.

## Products with high APRs due to large annual fees

- 4.17** Some credit card products have high annual fees, because the card provides a range of services such as rewards, or additional features and benefits such as access to airport lounges and travel insurance. This will produce an APR that can appear very high.
- 4.18** To illustrate, one card issuer charges an interest rate of 29.4% per annum but with an annual fee of £650 this results in a Representative APR of 688.5%. This is because the APR reflects items included in the total cost of credit such as fees.
- 4.19** This may make the APR in this example less meaningful for comparison purposes. Some other card issuers charge a smaller annual fee such as for air miles and do not offer the same range of additional services, making comparisons more complex.
- 4.20** In some cases, users of these products may be less sensitive to the APR as many will be 'transactors' (paying the balance in full each month) rather than 'revolvers' (deferring part of the balance from month to month). These products are typically targeted at higher income consumers. These consumers primarily use the card for day-to-day spending making full repayments every month rather than using it to borrow. They often view its main purpose as giving them additional benefits and services.
- 4.21** We would welcome stakeholders' views on APR disclosure for these types of credit products and whether there is a need to provide greater flexibility on price disclosure.

**Question 11: Do you have evidence that using alternative cost disclosures to APRs would increase competition and supply of higher cost credit?**

## Existing research

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### Alternatives to Representative APR

- 4.22** Given concerns around the use of APRs, several stakeholders have suggested we consider potential alternatives. Consumer groups have also advocated for a new industry standard measurement that would work alongside APR. We have therefore explored numerous alternatives from external stakeholders and tested these metrics further through our own consumer research.

### *Pounds and pence disclosures*

- 4.23** A report by ClearScore and Ernst & Young (EY) notes that APR is an effective tool for consumers to understand and compare the cost of loans with terms of 12 months or more. However, for loans with terms of less than 12 months, they suggested that communicating the cost of a loan in pounds and pence would provide a more transparent view of the true cost of short-term loans to the consumer. They stated this should help address the negative and binary perceptions of lenders offering loans

with higher APRs, which currently undermines the attractiveness of lending to higher-risk consumers and reduces lender and investor appetite in short-term loans to non-prime consumers.

**4.24** One industry body suggested additional pounds and pence disclosure which could include:

- 'For every £1 you borrow, you will pay £x in interest'
- 'If you borrow £200 for 30 days, you will repay £x'
- Total repayable amount per £100/£1000 borrowed, with explanatory text
- 'If you borrow £x for x months and make the required payments, you will pay £x in total (£x interest and £x fees)'

**4.25** Consumer research we previously conducted for our 2018-19 High-cost Credit Review of Overdrafts (PS19/16) concluded that overdraft users preferred costs to be disclosed in a combination of a single interest rate, an APR and a standardised pounds and pence example. They found this combination best enabled consumers to easily compare an overdraft product with alternative providers and credit products (using the interest rate and APR). This combination helped consumers understand how much their overdraft might actually cost them by converting interest rates to concrete amounts (including using the pounds and pence example, as illustrated below).

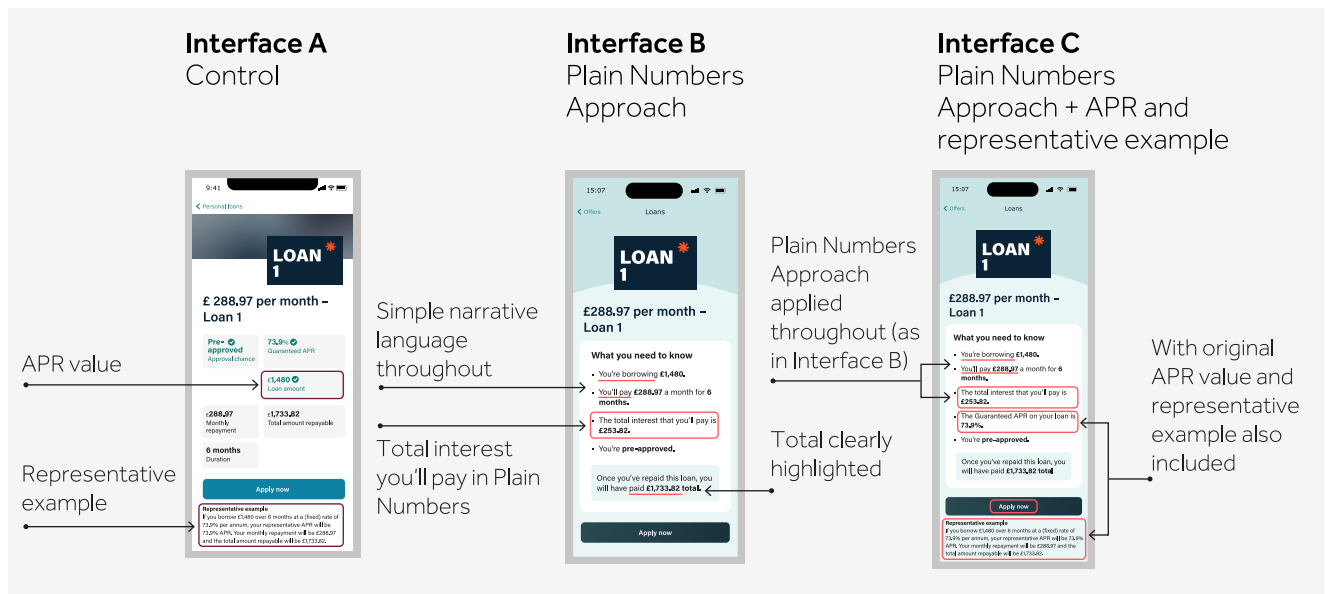
**As an example, if you borrow £500 it will cost you:**

£0.25	£1.75	£7.77	£93.24
For 1 day	For 1 week	For 1 month	For 1 year

### ***Plain Numbers approach***

**4.26** The Plain Numbers approach explores replacing the Representative APR and the Representative example with alternative cost metrics such as monthly repayments, total interest and total amount repayable. The experiment tested 3 different ways of presenting the cost of credit. These suggested that consumer comprehension of the cost of the credit was improved where the APR and Representative example were removed so that the advertisement focused on the number and amount of each repayment and the total amount of interest and overall total amount payable.

**4.27** The illustration below is taken from the Plain Numbers/ClearScore report showing the different approaches the experiment tested.



**4.28** While we can see this approach to cost disclosure may help consumers get a good understanding of the cost of credit and if it is affordable, it may however limit their ability to understand its expensiveness or relative value if not presented with an APR or interest rate and so may hinder comparability.

**4.29** To inform our policy thinking we have reviewed the academic evidence on how consumers interpret and use APR information. Existing evidence suggests that APR can serve as a valuable benchmark for comparing credit products despite its limitations. Research indicates that consumers benefit from clear, contextual, and timely cost information to make effective borrowing decisions. We further explore the academic research in the research note that accompanies this publication.

**4.30** We welcome stakeholder views on the different policy options for future proofing our cost of credit disclosures.

### The significance of the APR in consumers' choice of product

**4.31** Our Behavioural Economics research found that APR and total amount repayable can be key to helping consumers compare products and make choices in line with their preferences. External research has shown that other factors, especially affordability (monthly repayments and ability to repay over the term of the credit product) can also be a key consideration in choosing a product.

**4.32** The PwC research found that the amount of shopping around participants reported undertaking very much depended on the credit product itself and the purpose of credit. For example, when exploring and taking out fixed-sum agreements, the priority information for research participants was to understand affordability. This included how much they can borrow, how much the monthly/weekly repayments would be, how expensive the loan would be compared to other loans (the Representative APR) and over how long they can spread the cost.

- 4.33** Conversely, for running account credit, the PwC report highlighted participants considered the Representative APR as an important information requirement. However, this was partly due to the lack of a loan calculator or better way to judge likely costs and so was being used to compare how expensive the credit product was against others in the same product category.
- 4.34** Our FLS also provides insights on the reasons consumers choose a number of products. These findings further show the extent to which consumers shop around and why they choose a product can depend on various considerations, not just one factor. Notably, consumers often consider features inherent to the product itself, such as balance transfers for credit cards and the cost of each instalment for high-cost loans.

#### ***For credit card revolvers in 2024***

- 59% (5.7m) of credit card revolvers who took out their card in the last 3 years shopped around before doing so.
- 67% of those who shopped around did so by using a Price Comparison Website (PCW).
- 59% of credit card revolvers who took out their card in the last 3 years and shopped around chose the provider because they offered a 0% balance transfer and/or introductory deal (the most common reason), with 21% (1.1m), choosing the provider because they offered a low APR or interest rate (the second most common reason).

#### ***For personal loan holders in 2024***

- 63% (2.8m) of personal loan holders who took out their loan in the last 12 months shopped around before they took out their loan.
- 68% of those who shopped around used a PCW.
- 49% (1.3m) of adults with a personal loan taken out in the last 12 months who shopped around chose their provider because they offered a low APR or interest rate (the most common reason), with 35% (the next highest) choosing the provider because they were a previous or existing customer.

#### ***For motor finance holders in 2024***

- 38% (0.9m) of adults who took out motor finance in the last 12 months shopped around.
- 57% of those who shopped around did so by checking the websites of individual providers and 45% by using a PCW.
- 25% (0.2m) of adults who took out motor finance in the last 12 months and shopped around chose their provider because they offered a low APR or interest rate (the most common reason) and 24% because they were a previous or existing customer.
- 8% of adults who took out motor finance in the last 12 months and did not shop around, gave reasons for not comparing products from different providers to do with familiarity and loyalty to, or satisfaction with, their provider.

### ***For high-cost credit holders in 2024***

**4.35** FLS 2024 also asked all UK adults who held any high-cost credit or loan product (including a logbook loan, home-collected loan, payday loan, rent-to-own, pawnbroking loan, short-term instalment loan, or loan agreement involving a guarantor) now (May 2024) or in the last 12 months what factors they considered when taking out this product. 36% (1.2m) considered reasons related to the cost of borrowing (e.g. 21% considered how much each repayment would be and 12% considering the interest rate or APR) and 31% (1.1m) considered reasons related to the ease of access (e.g. 16% considered the speed/ease of application and 14% that they were likely to be eligible for the credit).

- How much each repayment would be 21%
- The total amount payable 18%
- The duration of agreement 16%
- Speed/ease of application 16%
- I was likely to be eligible for the credit 14%
- The interest rate or Annual Percentage Rate (APR) 12%
- Frequency of repayments 12%

**4.36** This indicates high-cost credit users (and so those more likely to have low incomes and/or low levels of financial resilience) are focusing on both the cost of borrowing and their ability to access the credit. But in terms of costs of borrowing, only 12% are considering the interest rate or APR compared to 21% thinking about how much each repayment would be and 18% the total amount payable.

## **FCA Behavioural Economics research**

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**4.37** FCA's Behavioural Economics research (2026) examines how different cost-of-credit disclosure approaches - from an APR-only approach to a hybrid approach, to a more flexible, non-standardised cost disclosure approach - affect consumer outcomes. We commissioned this research so we could understand the impact of removing or supplementing APRs with additional cost metrics on consumers' understanding and decision-making. This included the ability to identify the lowest total cost product and provide evidence on the trade-offs between the different disclosure approaches.

**4.38** The online experiment tested a potential tension between prescriptive rules, which can support consistency and standardisation across firms, and the principles-based, outcomes-focused approach of the Duty, which allows firms greater flexibility to tailor communications to increase consumer understanding.

**4.39** The randomised controlled trial conducted with ~15,000 nationally representative UK adults involved participants comparing 3 pairs of credit products which varied across two dimensions. These dimensions were: repayment duration, and whether the lower-APR product cost less to repay in total. Participants were randomly shown 1 of 6 treatments across 3 disclosure regimes, ranging from an APR-only approach to a more flexible, non-standardised cost information approach (where the APR might or might not be used).

**4.40** The outcomes measured were:

- Ability to identify the lower total cost product
- Confidence in ability to identify the lower total cost product
- Product preference
- Understanding of APR and credit costs
- Ease and importance of comparability
- Attitudes about the information they saw.

**4.41** The table below summarises the findings from the first outcome we measured, showing the different treatments and product pairs tested. The published research note explores the outcomes above and results in more detail.

- Upward arrows mean the cost information shown led to an improvement in participants' ability to identify the lowest total cost product when compared to the control (APR only).
- Downward arrows mean the information shown worsened their ability to identify the lowest total cost product when compared to the control (APR only).
- Blank cells mean the research did not detect any statistically significant effect of the treatment on participants' ability to identify the lowest total cost product.

Outcome	APR + Total amount repayable	APR + Total amount repayable + Monthly repayable	APR + Explanation	APR + Repayment per £ borrowed	Non-standard
<b>Ability to identify the lower cost product</b>					
<b>Pair 1</b> Products compared have the same duration, and the product with the lower APR has a lower total repayment	↑	↑			↓
<b>Pair 2</b> Products compared have different repayment durations, and the product with the lower APR has the lower total repayment	↑	↑	↓	↓	↓

Outcome	APR + Total amount repayable	APR + Total amount repayable + Monthly repayable	APR + Explanation	APR + Repayment per £ borrowed	Non-standard
<b>Pair 3</b> Products compared have different repayment durations, and product with the higher APR has a lower total repayment	↑	↑		↑	↑

## Key takeaways

### ***APR alone delivered strong outcomes in most scenarios except in cases where the lower-APR product had a higher total cost.***

- 4.42** APR and term alone helped over 80% of participants correctly identify the lower total cost product when the lower-APR product had the lower total cost. However, when the higher-APR product actually had a lower total cost, due to a shorter repayment term, only 17% correctly identified the lower total cost product.
- 4.43** Non-standard credit cost information led to worse consumer outcomes on average than displaying APR alone. Showing asymmetric credit cost information (i.e. APR for one product, total and monthly repayment for another) impaired participants' ability to choose the lower total cost product, on average, compared to when APR was presented for all products. It also reduced their confidence in identifying the lower total cost product within each pair, as well as perceived ease of understanding credit costs and reported comparability.

### ***Other cost information alongside APR helped participants compare the cost of credit products.***

- 4.44** Across all product pairs, ~70-90% of participants shown total repayment in addition to APR correctly identified the lower cost product. This represents an improvement of between 4 and 53 percentage points (depending on the product pair) compared with presenting APR alone.

### ***Not all complementary information helped participants identify the lower total cost product***

- 4.45** An explanation highlighting that the repayment duration affects the total cost, and a metric presenting the total amounts repayable per £1 borrowed showed limited and mixed effects on participants' ability to identify the lower total cost product.

### ***Without complementary metrics, participants often rely on a 'low APR = low total cost' heuristic.***

- 4.46** Among those shown only the APR, 61% of participants consistently selected the lower-APR product as costing less in total overall, regardless of the actual total cost. Providing the total amount repayable (+monthly repayment amount) helped counteract this heuristic when it did not hold true.

### ***Conceptual understanding of APRs and how loan duration affects total cost is generally low.***

- 4.47** Fewer than 1 in 5 participants answered all understanding questions correctly, while over half answered no more than one question correctly.

### ***Participants think that comparability is important.***

- 4.48** 70-82% of participants across all treatments agreed that being able to compare products is important in choosing a preferred product. Participants found it difficult to compare products when information was not standardised. Of those shown the same information for both products (all treatments except the Non-standard), between 60-80% find it easy to use the information provided to compare the different products, while only 44% report finding it easy to use the information provided to compare products when different information was shown for the different products (Non-standard).

#### **Potential policy implications**

***Evidence suggests APRs are a useful comparator metric. A flexible disclosure regime that allows some firms to remove APR and replace it with a different metric could cause consumer harm.***

While presenting only APR did not help participants to identify the lower total cost product in all scenarios, and we see poor understanding of the definition of APR, it remains a valuable metric for allowing comparability across products.

#### ***But APR alone is not always enough***

APR alone can mislead participants in cases where a product with a higher APR, but a short repayment duration, may cost less in total than a product with a lower APR and a longer repayment period. In such cases, consumers may benefit from complementary metrics.

***Supplementing APR with a total repayment metric may benefit consumer understanding***

Providing total repayment improved participants' ability to identify the lower total cost product in all comparisons, but especially where term durations differ and APRs can be misleading. This information increased confidence, perceived ease of comparability, and perceived sufficiency of information.

***Providing further information to explain APRs may have limited impact***

Messages intended to boost conceptual understanding of APRs helped participants identify the correct definition of APR, but this did not translate to an improvement in their ability to identify the lower total cost product.

***Consumer outcomes can improve even when conceptual understanding does not***

Providing total repayment improved participants' ability to identify the lower total cost product. However, this improvement was not accompanied by improvement in participants' understanding of APR or how changes in repayment speed can affect cost.

**Question 12:** Do you have suggestions on alternatives to APR?

**Question 13:** If firms are permitted to use alternative cost disclosures to APRs, how might this impact on consumers' ability to compare products and shop around?

**Other considerations: potential firm behaviour**

- 4.49** Firms' incentives and competitive responses are also likely to shape the effects of a shift towards a more flexible disclosure regime. While some providers may continue to use APR due to established market practice, others may be incentivised to choose alternative metrics that present their products more favourably. In markets where products differ significantly in price, structure or duration, firms may have stronger incentives to highlight information that appears lower or more salient to consumers. Variation in how firms select and present cost information could influence comparability across the market and affect consumers' ability to identify lower cost options, even where individual disclosures meet the Duty on a standalone basis.
- 4.50** Therefore, understanding how firms might adjust their practices under a less prescriptive regime is an important part of assessing potential future policy choices. Stakeholders may have insights into how commercial incentives could shape disclosure choices in practice, including whether flexibility could lead to divergence between mainstream lenders and high-cost providers, or whether additional guardrails may be needed to support transparency and effective competition. We welcome views on the likely behavioural responses across different segments of the market.

**Question 14:** What are your views on retaining mandatory Representative APR disclosure, while allowing flexibility for additional cost of credit disclosures alongside it?

**Question 15:** What are your views on removing the requirement to display a Representative APR without prescribing an alternative cost metric, and instead allowing firms flexibility to provide the cost information they consider best supports their consumers' understanding?

**Question 16:** What are your views on maintaining the current approach under which Representative APR is the sole prescribed cost metric?

**Question 17:** If our rules enabled firms to present alternative cost disclosures to APRs, which products would benefit from these alternatives and how should the criteria be defined (e.g. based on the interest rate or length of term)? Are there any products which suffer from this, and how might providers of credit products respond in these cases?

## Requirement for Representative example

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**4.51** This is required under CONC 3.5.3R(1) (with some exceptions) when a financial promotion indicates a rate of interest or an amount relating to the cost of credit.

**4.52** The Representative example must:

- Comprise a list of certain information and be based on what the firm reasonably expects at that time to be representative of credit agreements the Representative APR applies to and which are expected to be entered into as a result of the promotion
- Be presented in a way prescribed by the rules

**4.53** The requirement for a Representative example was copied across into FCA rules from the Consumer Credit (Advertising) Regulations 2010, which themselves implemented the CCD 2008.

**4.54** The contents of a Representative example are set out in CONC 3.5.5R and must comprise the following items of information:

- (a) The rate of interest, and whether it is fixed or variable or both, expressed as a fixed or variable percentage applied on an annual basis to the amount of credit drawn down
- (b) The nature and amount of any other charge included in the total charge for credit
- (c) The total amount of credit

- (d) The Representative APR
- (e) In the case of credit in the form of a deferred payment for specific goods, services, land or other things, the cash price and the amount of any advance payment
- (f) The duration of the agreement
- (g) The total amount payable
- (h) The amount of each repayment of credit

**4.55** The information for (1)(a), (b), (c), (e), (f) and (g) must be what the firm communicating or approving the financial promotion reasonably expects to be representative of credit agreements to which the Representative APR applies. So, the example does not itself need to be based on 51% of agreements but must be representative of agreements entered into.

**4.56** Where a loan has no fixed duration (such as a credit card) then the financial promotion does not need to include the duration, total amount payable or amount of each repayment.

**4.57** There are also rules around presenting the example, including showing the items together and giving each equal prominence. It must be no less prominent than other cost of credit information or any of the 3 triggers in CONC 3.5.7R.

## Feedback on the Representative example requirement

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**4.58** We've heard feedback that the Representative example requirements are counterintuitive to the consumer understanding outcome and are particularly difficult to understand. A number of concerns have been raised with us about Representative examples, including that they:

- Add complexity without improving consumer understanding.
- Have low comprehension, recall and retention in user testing.
- Add cognitive load in restricted formats (e.g., small screens, social media, banner advertising, TV, radio and audio formats, short videos) and make it difficult for firms to display key details such as the monthly rate or APR for the featured offer.
- Distract from clearer, more meaningful explanations of cost or risk.
- Are perceived as unduly complicated and slightly archaic in sales with groups who frequently use digital devices.

**4.59** In general, most of the rules in CONC 3 will apply regardless of the type of media the credit advertising appears in. However, the requirement for a Representative example may cause particular issues in social media adverts where firms are limited by character space.

**4.60** The Department for Digital, Culture, Media & Sport, recommended that we consider simplifying our requirements. They have also asked us to consider the particular characteristics of radio and audio whilst still protecting consumers. They argue the current regime requires a significant amount of time for the advert and is costly to advertisers.

- 4.61** Radiocentre has also pointed out the length and complexity of including a Representative example in radio adverts. Testing carried out showed low levels of recall of important figures by listeners.
- 4.62** Its research also indicated that simplifying this rule so the information provided is clearer, more concise and therefore easier for listeners to absorb can increase recall by as much as 3 or 4 times. Radiocentre also considered that removing the current requirements for a full Representative example would increase business access to market and reduces unnecessary airtime costs. Similar consideration might also apply to TV advertising which involves a combination of visuals, spoken words and text on screen.
- 4.63** If the current requirement was removed, we would still expect firms to consider what information to provide at the appropriate time in the customer journey to meet their obligations under the Duty (including for example more personalised illustrations). This is in order to equip customers to make effective and properly informed decisions (PRIN 2A.5.3(2)).

**Question 18: Should 'Representative examples' continue to be required in financial promotions based on the current triggers, or at all?**

## Threshold for Representative APR

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### Background

- 4.64** When providing a Representative APR in its financial promotions, the firm needs to reasonably expect that at least 51% of customers will get that APR or better as a result of that promotion. Previously, the Representative APR rule was set at a 'typical' APR of 66% when they were set out in the CCA. It was changed to 51% in 2010 to meet the requirements of the CCD 2008.
- 4.65** The need for a Representative APR arose in recognition of the fact that some firms may have different APRs where they 'rate for risk'. This is where the interest rate is based on the customer's risk profile rather than a flat rate for all customers. Firms also rate for risk for credit cards in some cases by offering a lower credit limit than that originally applied for.
- 4.66** Additionally, the length of the term of the loan may lead to different APRs even where the underlying interest rate doesn't change. Some firms also charge different APRs based on the amount being borrowed. Where a firm shows an APR, the rules ensure it is representative of agreements entered into even though it might not apply to every individual credit application.
- 4.67** Firms are required to keep sufficient records to demonstrate compliance if challenged. If launching a new product, firms should make an estimate based on reasonable assumptions.
- 4.68** This threshold has been criticised as unhelpful where lenders have a rate for risk model. This is because a substantial number of consumers (up to 49%) may not receive the advertised rate once their application has been approved, leading to distress,

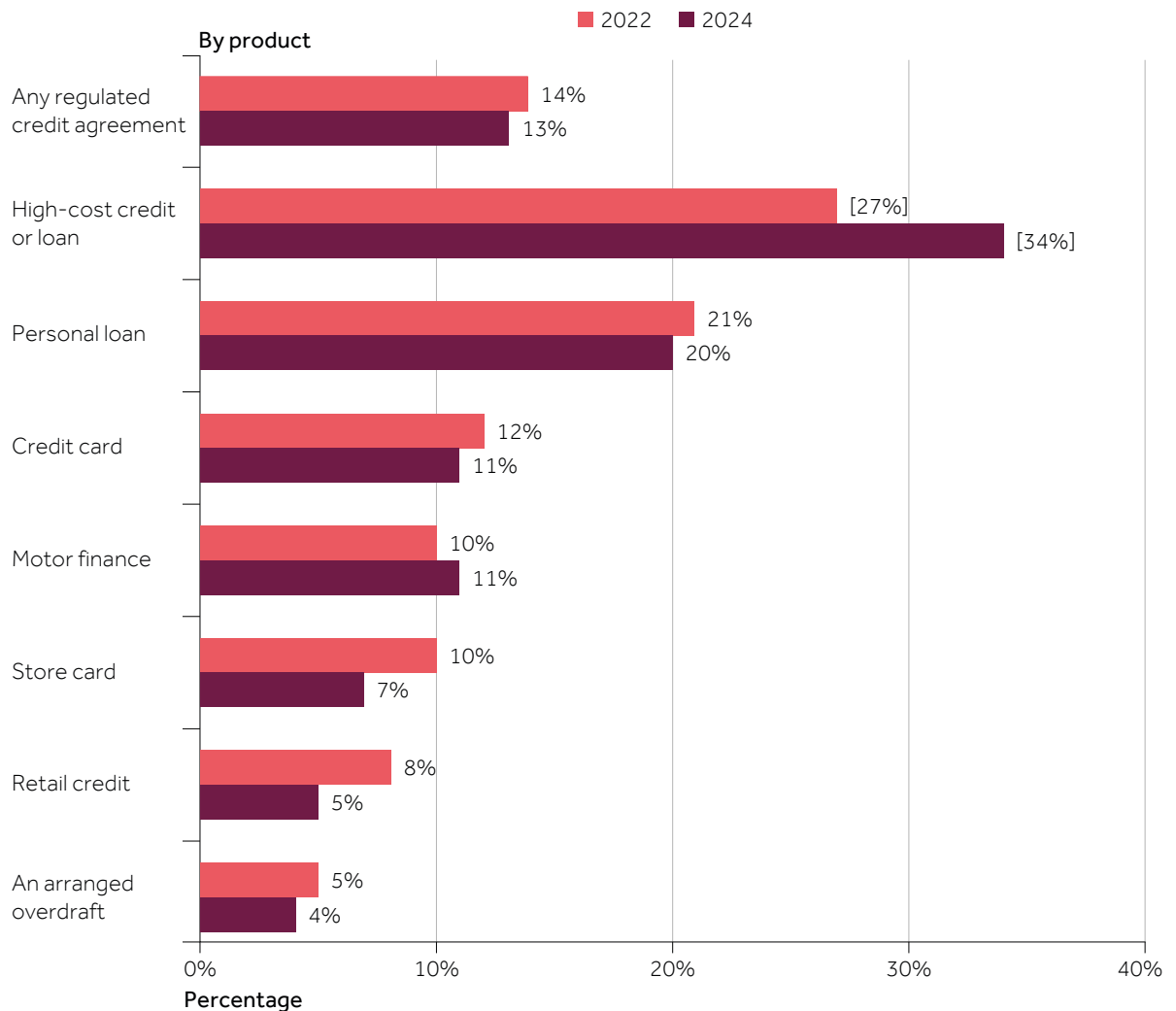
disappointment and other possible adverse outcomes. It can also generate mistrust, undermining consumer confidence.

## Is the current 51% approach for the Representative APR appropriate?

### *Stakeholder views*

- 4.69** Money Saving Expert (MSE) published a report on Representative APRs in 2022. It recommended moving the threshold back to 66%, capping the actual APR relative to the advertised APR and a mandatory 'soft' credit search at quotation stage as a basis for lenders to inform applicants of the offered interest rate.
- 4.70** Other stakeholders such as Fairer Finance have also supported reinstating the 66% threshold.
- 4.71** Amending the Representative APR from 51% to 66% will increase the number of applicants who will be offered the advertised rate. However, there is still the potential for 1/3 of applicants to be offered a higher rate. We acknowledge the benefits of more consumers having greater certainty of pricing, including the likelihood of receiving the advertised Representative APR. However, this can create a tension between risk-based pricing and giving certainty for individual consumers at an early stage in the lending process.
- 4.72** Such measures might impede the ability of firms to price for risk, leading firms to implement price caps and mandate searches of credit files. These changes could substantially affect how firms offer credit, including reducing their product offerings, so reducing access to credit for consumers. This may also affect competition in the market.
- 4.73** Our FLS 2024 explored customers' experiences with the advertised rate.
- Of the 15.3 million adults who applied for 1 or more regulated credit agreements in the 2 years to May 2024, 13% (2.0m) said they were offered one at a price, or with terms and conditions, they felt to be completely unreasonable
    - Of the 0.3m adults (who applied for high-cost credit or loans 34% said they were offered one at a price, or with terms and conditions, they felt to be completely unreasonable
    - Of the 3.2m adults who applied for a personal loan, 20% said they were offered one at a price, or with terms and conditions, they felt to be completely unreasonable

**Figure 1: Applicants offered a regulated credit agreement in the last 2 years at a price or with terms and conditions that they felt were completely unreasonable, by product (2022/2024)**



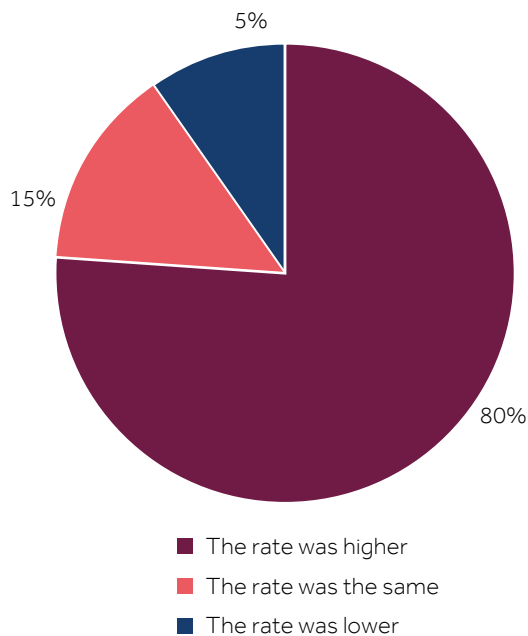
**Base:** All UK adults who had applied for each product in the previous two years (varies by product)

**Question:** AC12/AC7 summary

**Note:** In this question, high-cost credit or loan includes payday loans, short-term instalment loans, pawnbroking loans, logbook loans or home-collected credit. Retail credit includes catalogue credit, retail instalment credit or retail hire purchase.

- Of the 2.0m adults offered a regulated credit agreement at a price, or with terms and conditions, they felt were completely unreasonable in the last 2 years:
  - 80% were offered a higher interest rate than was initially advertised (note this excludes those offered an overdraft in the last 2 years and a price, or with terms and conditions, felt to be completely unreasonable)
  - 41% declined the offer
  - 17% shopped around and found a better offer from another provider.

**Figure 2: Whether the interest rate offered was different from the interest rate initially advertised for adults who were offered a regulated credit agreement in the last 2 years at a price, or with terms and conditions, they felt to be completely unreasonable (2024)**



**Base:** All UK adults offered a regulated credit agreement in last 2 years at price or with terms and conditions felt to be completely unreasonable (434) excluding 'don't know' responses (20%) Question: AC15D (Rebased). Was the interest rate you were offered different from the interest rate that was initially advertised? Note: Results exclude those offered an overdraft in the last 2 years and a price, or with terms and conditions, felt to be completely unreasonable.

**4.74** The above highlights a level of dissatisfaction with the rate (or other terms) eventually offered being higher than that advertised. This might suggest some consumers do not realise that the advertised APR might not be the rate they get and that firms may still need to undertake an assessment to determine that rate offered.

### Policy options

**4.75** A low advertised rate can draw consumers in and encourage them to request a quotation search (or 'soft search'), either through a PCW or with a lender. A quotation or eligibility search usually involves an initial 'soft search' with a credit reference agency (CRA) which will not be visible to other lenders. This tells the consumer if they will be accepted but not usually the APR they will be offered (although some firms do this). The consumer can then submit a full application after which a 'hard search' is made, which will be visible to other lenders on the consumers' credit file. At this point the consumer is told the actual APR they will be offered, given their individual circumstances and the firm's assessment of risk.

**4.76** At this point, consumers have invested time in the application process, possibly might feel pressured by their financial situation and perhaps know (or believe) that there is now a search on their credit file that will be visible to other lenders. Given this, some consumers may feel compelled to accept the rate offered, even if it is higher than the advertised rate. Consumers may therefore pay more for credit than they need to.

**4.77** Our view is that moving the percentage dial from 51% to 66%, does not in itself resolve the issue that a large number of consumers could be drawn in to apply for credit based on that headline APR and yet be offered a higher rate. However, we recognise that rating for risk is a legitimate strategy and that firms should be entitled to charge differential rates based on consumers' risk profiles. We can also see the merits in showing an indicative rate to give consumers a sense of the cost of credit.

**4.78** However, it is possible for the differential between the Representative APR and actual rate given to be quite wide. Take as an illustration a sub-prime credit card provider with a range of APRs between 29% and 49%. If, for example, 70% of customers got 29% and 30% of customers got 49% then the Representative APR will be 29%. Yet a significant number of customers will pay a far higher APR.

**4.79** The table below gives a summary of some policy options, and we would welcome stakeholder views on these.

Policy options	Considerations
<p><b>1.</b> A firm could set out its range of APRs. Firms could indicate the proportion of customers likely to get each APR or set out the range of APRs a 'typical' customer could receive.</p>	<p>Firms might argue that this is burdensome as it might require detailed analysis. However, firms would only be required to provide this based on 'reasonable expectations'.</p>
<p><b>2.</b> Firms could (alongside 1 above) briefly explain the basis that customers might be assigned a rate (e.g. 'good credit', 'poor credit' rating etc).</p>	<p>This might only be of limited value as it might not be clear to customers which description they might fit into.</p>
<p><b>3.</b> Firms could, as well as the Representative APR (at the 51% threshold or some other threshold), disclose the maximum rate that could be offered.</p>	<p>This disclosure could reduce unexpected outcomes and clarify that the advertised APR may not be the actual APR the customer gets.</p>
<p><b>4.</b> The 51% threshold could be increased to 66% or some other percentage</p>	<p>This would increase the likelihood that a customer would get the advertised APR but would still leave those outside the percentage potentially facing a higher APR.</p>

**4.80** A potential solution could be to keep the Representative APR percentage at 51% and require firms to also show the highest APR that might be charged. This might be the simplest and least burdensome for firms while giving consumers additional information, so they know of the potential implications.

**4.81** Alternatively, we could encourage firms to show their full range of APRs and the percentage of customers that are likely to get the APR under each range.

**4.82** Another option could be that we also provide guidance under the Duty laying out our expectation for firms to:

- Better explain what the Representative APR means and that consumers might be offered a higher (or even lower) APR, so consumers do not have a false expectation.

- Explain to the consumer before they apply at what point in the journey they will be told of the actual APR they will be given, and any adverse impact this might have if they then decide not to proceed (such as the impact on their credit file).

**Question 19:** What is your view as to whether the current 51% threshold for presenting the Representative APR is appropriate and do you have views on the alternative options stated or other suggestions?

**Question 20:** Would providing guidance to encourage firms to fully explain the Representative APR be helpful?

## Should the term 'representative' be used where there is only one APR?

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**4.83** As discussed above, the purpose of including a Representative APR is so a firm can offer a number of interest rates because it 'rates for risk'. The rules require consumers to be informed of an indicative rate to give a sense of possible cost. This is required to be based on the 51% requirement above. A customer might also get a different APR to that advertised because the loan length might vary. CONC 3.5.9(3)R requires that the APR must be accompanied by the word 'representative'. However, there will be circumstances where the lender only offers a product with a single APR. It is not clear that there is a good rationale for including the term 'representative' where a customer can only receive the advertised APR for that product. We can see the benefit in not requiring this term in these cases.

**Question 21:** Do you agree that the term 'representative' can be omitted where the firm only offers a single APR in respect of the financial promotion?

## Use of the term 'representative'

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**4.84** We've heard from some stakeholders that the use of the term 'representative' (where the rates offered vary) alongside the APR is unhelpful and too technical. We accept the need to tell the customer that although the rate cannot be guaranteed, it is illustrative of a rate the majority of customers will receive.

**4.85** We would like to hear views as to whether other terms might be more appropriate such as 'typical' or 'illustrative'.

**Question 22:** Do stakeholders have views as to an alternative term to 'representative' when denoting the APR?

## Annex 1

### Questions in this paper

- Question 1:** Do you agree with our proposal to remove the guidance in CONC 3.3.10G(1) to (5) and to move the guidance in CONC 3.3.10G(6) to (8) relating to debt solutions to CONC 3.9?
- Question 2:** Do you agree with our proposed amendment to CONC 3.5.11R?
- Question 3:** Do you agree with our proposal to remove CONC 3.5.12R?
- Question 4:** Do you have information or data you can share about the extent to which regulated credit agreements secured on land are used in the market?
- Question 5:** Do you agree with our proposal to remove CONC 3.6 from the Handbook?
- Question 6:** Do you agree with our proposals to remove the provisions in the table above from CONC 3, and rely on the Duty?
- Question 7:** Do you agree with our proposals to remove the provisions in the table above?
- Question 8:** Do stakeholders agree with our proposals in respect of implementation and transitional periods?
- Question 9:** Are the 3 triggers as set out in CONC 3.5.7R appropriate, or should they be changed or removed entirely?
- Question 10:** If the triggers are removed, would the Duty's principles-based good consumer outcomes-led approach to disclosing the APR (or alternative cost information) suffice?
- Question 11:** Do you have evidence that using alternative cost disclosures to APRs would increase competition and supply of higher cost credit?
- Question 12:** Do you have suggestions on alternatives to APR?
- Question 13:** If firms are permitted to use alternative cost disclosures to APRs, how might this impact on consumers' ability to compare products and shop around?

- Question 14:** What are your views on retaining mandatory Representative APR disclosure, while allowing flexibility for additional cost of credit disclosures alongside it?
- Question 15:** What are your views on removing the requirement to display a Representative APR without prescribing an alternative cost metric, and instead allowing firms flexibility to provide the cost information they consider best supports their consumers' understanding?
- Question 16:** What are your views on maintaining the current approach under which the Representative APR is the sole prescribed cost metric?
- Question 17:** If our rules enabled firms to present alternative cost disclosures to APRs, which products would benefit from these alternatives and how should the criteria be defined (for example, based on interest rate or length of term)? Are there any products that might see disbenefits, and how might providers of credit products respond in these cases?
- Question 18:** Should 'Representative examples' continue to be required in financial promotions based on the current triggers, or at all?
- Question 19:** What is your view as to whether the current 51% threshold for presenting the Representative APR is appropriate, and do you have views on the alternative options stated or other suggestions?
- Question 20:** Would providing guidance to encourage firms to fully explain the Representative APR be helpful?
- Question 21:** Do you agree that the term 'representative' can be omitted where the firm only offers a single APR in respect of the financial promotion?
- Question 22:** Do stakeholders have views as to an alternative term to 'representative' when denoting the APR?
- Question 23:** Do you have any views on the cost benefit analysis?

## Annex 2

# Cost benefit analysis

## Executive summary

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1. We propose changes to CONC 3 to remove unnecessary or outdated rules relating to financial promotions, and to ensure alignment with the Consumer Duty ("the Duty"). These changes affect the consumer credit sector, which comprises over 25,000 regulated firms serving 42.5 million consumers.
2. The proposals would introduce costs of £7.33m to firms, arising from familiarisation and gap analysis. They are also expected to generate benefits for both firms and consumers. For firms, simplifying CONC 3 should reduce unnecessary administrative burden by removing duplicative, outdated or overly prescriptive rules. For consumers, a less prescriptive regime provides firms with greater discretion when applying our requirements which enables them to tailor financial promotions in a way which promotes consumer understanding and adapt as communication channels evolve. Although these benefits are not quantified, we describe them qualitatively in the sections below.

## Introduction

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3. The Financial Services and Markets Act (2000) (FSMA) requires us to publish a cost benefit analysis (CBA) of our proposed rules, setting out an analysis of the costs, together with an analysis of the benefits that will arise if the proposed rules are made and an estimate of those costs and benefits (see section 138I FSMA).
4. This analysis presents the expected impacts of our proposal. We provide monetary values for the impacts where we believe it is reasonably practicable to do so. For others, we provide a qualitative explanation of impacts. Carrying out a CBA allows us to judge whether a policy is consistent with our proportionality principle, which sets out that any cost we impose on a person, or on the carrying on of an activity should be proportionate to the benefits we expect as a result.
5. The CBA has the following structure:
  - The Market
  - Problem and rationale for intervention
  - Options assessment
  - Our proposed intervention
  - Baseline and key assumptions
  - Summary of impacts
  - Benefits

- Costs
- Risks and Uncertainty
- Wider economic impacts
- Monitoring and evaluation

## The Market

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6. The consumer credit market plays a central role in supporting day-to-day financial activity, enabling consumers to manage fluctuations in income and spread the cost of purchases over time. To participate effectively in this market, it is essential that people receive financial promotions that are clear, fair and not misleading, so they can identify products that meet their needs and understand the implications of borrowing. Clear information is particularly important given the wide range of credit products available and the different ways in which firms communicate with consumers.
7. Consumer credit allows individuals to borrow money from firms to finance goods and services, most commonly through running-account credit or instalment arrangements. There are 25,612 firms with permissions for credit-related regulated activities. These entities include mainstream lenders, retail finance providers, credit brokers, motor finance firms and debt advice organisations. Larger firms, such as the large retail banks, often operate within wider financial groups and offer several products, such as credit cards, overdrafts and vehicle finance, often supported by extensive promotional activity.
8. The scale of the market highlights its importance. As of January 2026, total outstanding balances on consumer credit stood at £248.3bn, up from £234.1bn in January 2025 (Bank of England, Bankstats series LPMBI2P). Annual growth in consumer credit was 8.3% in January 2026 compared with 6.4% a year earlier (Bank of England, Bankstats series LPMB4TD). Consumers now encounter financial promotions across a broader range of channels than ever before. Traditional methods such as websites, radio and television remain important, but digital platforms, particularly social media, have become central to firms' marketing strategies. These channels enable firms to reach large audiences with speed and frequency. Digital engagement has grown significantly in recent years, with the number of adults who are digitally excluded falling from 6.9 million (14 percent) in 2017 to 1.2 million (2 percent) in 2024 (FLS 2024). As digital access has increased, so too has exposure to online credit marketing.
9. Alongside this, the expansion of smartphone use has altered how consumers absorb information. Promotional content is often viewed on small screens, presented in fast-moving or condensed formats. Research indicates that small screens and scrolling formats reduce integrated understanding and hinder readers' ability to revisit and process key information (Haverkamp et al., 2023). The growth of products such as Deferred Payment Credit (DPC) has further increased the prevalence of digital communications and the speed at which consumers make borrowing decisions.
10. Our Financial Lives Survey 2024 survey found that 79 percent of adults (42.5 million people) held at least one or more regulated credit or loan product in the previous 12 months. Firms' customer bases are diverse, encompassing consumers with different

financial circumstances, capabilities and levels of confidence in managing money. These characteristics can influence how individuals interpret and respond to financial promotions. Some consumers may readily assess product features or compare alternatives, while others may find it more difficult to understand key terms or identify the risks involved, especially when promotions are delivered at speed, such as promotions on social media, or in visually dense formats. These differences underline the importance of ensuring that promotional materials are clear and enable consumers to make informed and effective financial decisions.

## Problem and rationale for intervention

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- 11.** Our review of CONC 3 has identified that elements of the current financial promotions framework for consumer credit are outdated, overly prescriptive, and in some cases duplicative of requirements now delivered through the Duty. Many provisions were originally carried over from pre-April 2014 Consumer Credit Act regulation and pre-date the development of digital marketing channels and evolving consumer journeys. As a result, aspects of the regime no longer reflect how firms communicate with consumers or how consumers engage with credit markets.
- 12.** Feedback to our [Call for Input \(July 2024\)](#) reinforced concerns about the length, complexity and prescriptive nature of CONC 3, including areas that may no longer provide meaningful consumer protection benefits. Stakeholders highlighted overlap between CONC 3 and the Duty's consumer understanding outcome creating uncertainty and administrative burden where firms must reconcile overlapping provisions aimed at similar outcomes.
- 13.** Since its introduction in 2023, the Duty has shifted the FCA's approach towards more outcomes-based regulation, raising expectations around consumer understanding. Where the Duty provides a clearer and more flexible framework for designing communications that meet consumers' information needs, retaining overlapping prescriptive rules in CONC 3 is likely to be disproportionate.
- 14.** Certain rules also reflect historic market conditions and advertising practices that are now outdated. Their continued inclusion reduces clarity without delivering commensurate consumer benefit. In addition, detailed requirements on the structure and content of promotions may limit firms' ability to use modern digital and mobile communication channels.
- 15.** In our Feedback Statement [FS25/2](#), we committed to an ambitious programme to simplify the Handbook, including a review of the consumer credit financial promotions regime. Consistent with that commitment, we stated that we would consult on removing unnecessary prescription, updating outdated requirements, and improving alignment with the Duty, including consideration of whether to review rules on the disclosure of Annual Percentage Rates (APRs).
- 16.** Through this review, we have identified areas where detailed rules can be removed or simplified, with appropriate reliance placed on higher-level principles and the Duty to maintain consumer protection while improving clarity and flexibility.

17. The proposals assessed in this CBA do not address the cost of credit information requirements in CONC 3.5, discussed in Chapter 4. Those issues are considered separately in the DP and Research Note published alongside this consultation. If we consult on changes to the cost of credit requirements in CONC 3.5 in future, a CBA of the proposed options would be carried out at that point.

## Options

18. Following our review of CONC 3, we considered alternative options before selecting the proposals we summarise below:

Option considered	Rationale for dismissal/selection
Option 1: Do nothing and retain existing rules	This option would leave current provisions in CONC 3 unchanged, including those that overlap with the Duty or are unnecessarily prescriptive where reliance on the Duty is sufficient. This would continue to create an unnecessary compliance burden for firms. Furthermore, retaining the existing rules would not meet the strategic aims set out in the Feedback to the Cfl on the Duty to simplify the Handbook.
Option 2: Preferred option – remove duplicated, outdated and overly prescriptive rules from CONC 3 (excluding rules on presentation of cost of credit information)	This approach would streamline the Handbook while maintaining the same substantive regulatory obligations through the Duty and other provisions.  The provisions relating to the cost of credit within CONC 3.5 are being retained for now. Their future treatment is being explored through the Discussion Paper and the results of our behavioural experiment, both published alongside this document. This approach allows us to build stronger evidence base before proposing further changes.
Option 3: Consult on changes to cost disclosure rules	This option was considered but rejected at this stage, as we would like to have a wider discussion on these issues to help inform our policy. Therefore, we have published a discussion paper alongside consumer testing research to open a public conversation on the future of APR disclosure and seek views to help determine whether there is a case for making changes.

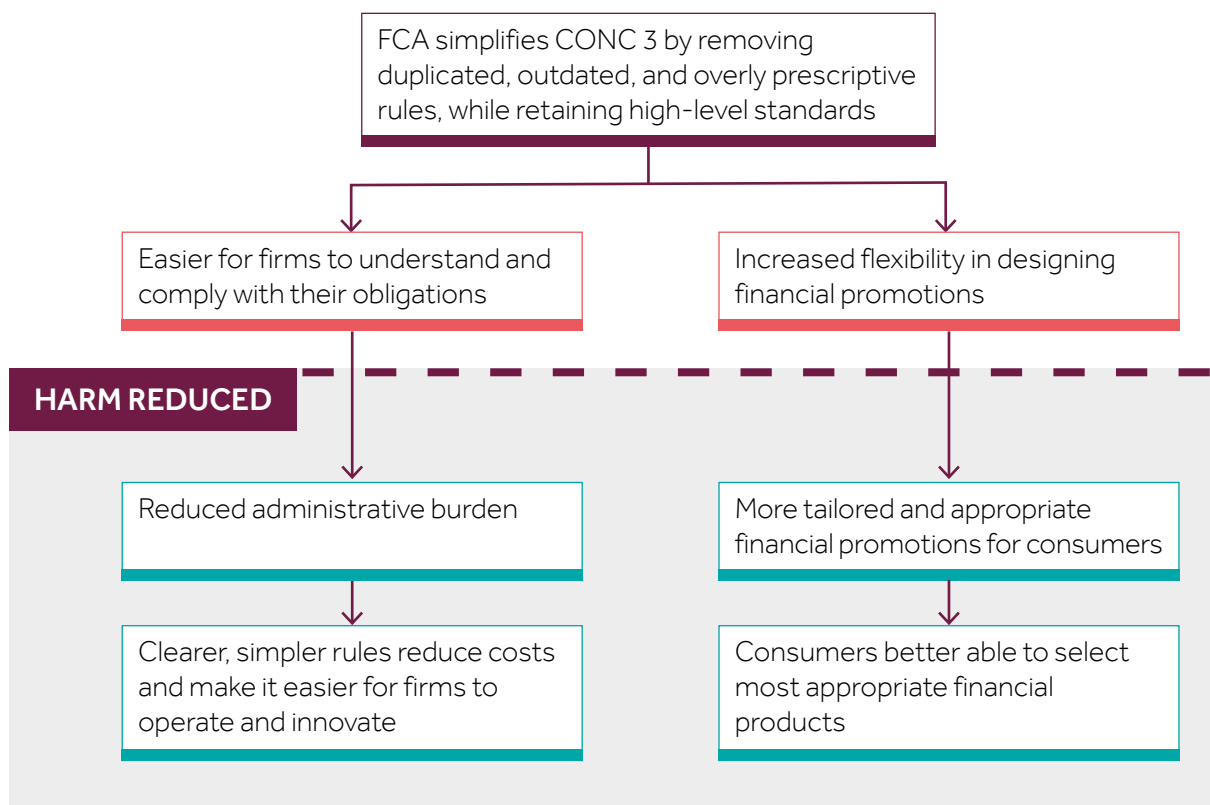
## Our proposed intervention

19. Our proposed changes will simplify CONC 3 by removing outdated or overly prescriptive rules that no longer reflect current market practice and removing duplication where reliance on high level principles and the Duty is sufficient. Chapter 3 of the Consultation Paper describes our proposed interventions in detail.

- 20. The proposed simplification of CONC 3 will ensure our rules are proportionate, effective, and focused on outcomes. Increasing flexibility will enable firms to innovate and tailor communications to different media and customer needs, while continuing to ensure that consumers are supported to make appropriate financial decisions and seek products that are best suited to their needs. In addition, improving coherence and clarity within the financial promotions regime will reduce unnecessary compliance and administrative burdens.
- 21. These changes are not expected to reduce consumer protection. We are retaining specific CONC 3 rules where they provide clarity that cannot be delivered through the Consumer Duty alone, or where they provide important protections such as the private right of action under CONC 3.3.1R, which isn't available for breaches of the Duty.
- 22. For the remaining provisions, the Consumer Duty and our high-level standards already set robust expectations that ensure firms design promotions in a way that supports customer understanding. This includes the requirement for communications to be clear, fair and not misleading. These overarching standards provide a strong and flexible framework for regulating financial promotions.

### Causal chain

- 23. The causal chain diagram below illustrates the anticipated effects of the FCA's proposed interventions.



- Interventions
- Firm changes
- Outcomes

## Baseline and key assumptions

- 24.** In our CBA, we assess the costs and benefits of our proposals against a baseline. The baseline for this CBA is a scenario with no intervention, which assumes that challenges such as overlapping or inconsistent rules remain unresolved.
- 25.** Below, we set out the key assumptions we make in our estimation of the costs of the proposed intervention.
- 26.** All firms undertaking credit-related regulated activity will need to allocate time to review and understand the proposed changes. We assume firms will undertake a proportionate familiarisation exercise to assess the implications of the revised rules.
- 27.** We assume that firms will not incur material implementation costs beyond familiarisation and gap analysis. The proposals do not introduce new substantive obligations but instead remove unnecessary prescription and simplify existing requirements. We therefore assume no significant systems changes or redesign of financial promotions are required as a direct consequence of the proposals.
- 28.** We assume no material differences in costs or benefits by type of firm or activity, as the proposals do not alter substantive obligations for any particular group. We recognise that there are subsets of firms for which CONC 3 has more limited practical impact. For example, limited permission firms with credit broking permissions often display financial promotions that have been pre-approved by a lender. However, for analytical simplicity and proportionality, we assume familiarisation and gap analysis costs are broadly consistent across regulated activities.
- 29.** We assume that merchants who do not require authorisation do not incur costs as a result of the proposals. Many merchants display lender-approved financial promotions and rely on materials issued by lenders. As authorised firms remain responsible for ensuring compliance of financial promotions with FCA requirements that they approve, merchant partners are not expected to undertake independent familiarisation or incur compliance costs arising from these changes.
- 30.** Finally, we apply the standard assumptions set out in [Chapter 7 of our Statement of Policy on Cost Benefit Analysis](#). All costs are expressed in 2026 prices unless otherwise stated.

## Summary of impacts

**Table 1: Summary table of benefits and costs**

Group affected	Item description	Benefits (£)		Costs (£)	
		One off	Ongoing	One off	Ongoing
Firms	Familiarisation and gap analysis costs			£7.33m	

Group affected	Item description	Benefits (£)		Costs (£)	
		One off	Ongoing	One off	Ongoing
	Lower administrative burden		Not quantified		
Consumers	Clearer, more effective communications		Not quantified		
Total				£7.33m	

\*Include any unquantifiable impact

\*\*Highlight transfers in italic

**Table 2: Present Value and Net Present Value**

	PV Benefits	PV Costs	NPV (10 yrs) (benefits-costs)
Total impact			-£7.33m
-of which direct			-£7.33m
-of which indirect	N/A	N/A	£0m
Key unquantified items to consider	Reduced administrative burden for firms.		

**Table 3: Net direct costs to firms**

	Total (Present Value) Net Direct Cost to Business (10 yrs)	Equivalent Annual Net Direct Cost to Business (EANDCB)
Total net direct cost to business (costs to businesses - benefits to businesses)	£7.33m	£0.85m

- 31.** Overall, we consider the proposals to be net beneficial. The proposed reforms are designed to streamline an outdated and overly prescriptive rulebook, reduce overlap with the Duty, and remove requirements that no longer reflect current market practice. We anticipate that this will make rules easier for firms to interpret, reducing their administrative burden. As technology and market conditions evolve, the flexibility provided by the Duty's outcomes-based approach will allow for firms to adapt their customer communications to ensure that they remain effective, while maintaining an appropriate degree of consumer protection. We expect that these benefits will accrue over time and are likely to outweigh the one-off costs to firms associated with familiarisation and gap analysis.

## Benefits

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### Benefits to consumers

- 32.** We do not anticipate significant direct impacts on consumers, but expect modest benefits. In [CP21/13](#), where we consulted on the introduction of the Duty, we explained that prescriptive rules can become misaligned with developments in technology and customer engagement models. Higher-level, outcomes-based requirements place a clear obligation on firms to ensure their communications support consumer understanding across different and changing channels. Applying that reasoning here, reducing prescription in CONC 3 and relying on the Duty, particularly the consumer understanding outcome, gives firms the flexibility to adjust how they present key information in new or emerging formats and ensures more effective communications. This will support consumers to make informed decisions about financial products and services, which leads to good outcomes and continues to ensure adequate consumer protections.

### Benefits to firms

- 33.** The proposals will make the CONC regime clearer and easier to navigate by removing outdated, overly prescriptive, or duplicative rules where reliance on the Duty is sufficient. This simplification reduces unnecessary administrative burdens. Stakeholder feedback to our [July 2024 Call for Input](#) indicated that some CONC 3 financial promotion rules were considered 'overly complex or outdated,' and several industry representatives questioned whether certain requirements could be simplified given potential overlap with the Duty. Under our proposed changes, firms would have more flexibility in the way they design and communicate promotions. We expect this to support innovation and reduce compliance costs.

## Costs

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- 34.** We estimate one-off direct costs to firms from having to familiarise themselves with the rule changes and analyse what changes they will need to make in response. We do so using our Standardised Cost Model (SCM), which uses financial services wage data, and standard assumptions about staff required to perform certain tasks, informed by engagement with and surveying of industry. More information on our SCM can be found in ['How we analyse the costs and benefits of our policies'](#).
- 35.** We estimate the cost of this based on the length of the CP and the legal appendix, and how many staff we expect will need to read and analyse them. We assume more staff will be required where the changes are complex, and fewer where the changes are more straightforward.
- 36.** We anticipate on average a team of 6 compliance staff at large firms, 4 at medium firms, and 1.5 at small firms will need to read the CP, taking 2 hours for each person to read. A further 2 legal staff at large firms, 1.5 at medium firms, and 1 at small firms will need

to read the legal appendix and conduct gap analysis to determine where their current practices will need to change. We have estimated that each team member will spend 6 hours at a large firm, 1 hour at a medium firm and 2 hours at a small firm, on reviewing the document.

- 37.** Based on these assumptions, we estimate total one-off costs across all firms of £7.33m from familiarising with the new rules and conducting gap analysis. Table 4 demonstrates how this cost is broken down between different sized firms.

**Table 4: Average and total costs by firm size**

	Small	Medium	Large	All firms
Number of firms	25,228	312	72	25,612
Average costs	£0.3k	£1.0k	£1.6k	£0.3k
Total costs	£6.9m	£0.3m	£0.1m	£7.33m

Source: Standardised cost model

- 38.** Following the familiarisation and gap analysis, firms may incur additional costs if they undertake an assessment of whether to amend their current financial promotions in line with the flexibility and discretion afforded under the proposed rules. As we do not have data to inform the number of firms that would undertake this assessment, we have not been able to quantify this cost.

## Risks and Uncertainty

- 39.** There is a potential risk that, in moving away from more prescriptive regulatory requirements and placing greater reliance on the Duty, some firms may initially find it more challenging to interpret and demonstrate compliance with their obligations. The removal of detailed guidance could require firms to exercise greater judgement, which may in turn increase the time and resources devoted to internal analysis and governance, as firms determine how best to meet their obligations.
- 40.** However, we consider this risk to be limited. Firms already have a clear baseline: practices that are compliant with the current rules would remain compliant if the proposed changes set out in this CP were to be implemented. The proposed changes would not introduce new obligations but instead streamline the rules and embed expectations within the existing Consumer Duty framework. As such, firms are not required to redesign processes.
- 41.** Even so, some firms may take a cautious approach in the short term and continue to rely on existing processes developed to comply with the prescriptive requirements, particularly where these approaches are already embedded within governance frameworks. As a result, any reduction in administrative burden may not be realised immediately.

- 42.** We recognise that technological and market developments will continue to influence how firms communicate with customers. It is not possible to predict precisely how innovation may shape optimal communication methods over time. An outcomes-based framework is therefore better suited to accommodate such change, providing flexibility while maintaining consistent consumer protection standards. This adaptability reduces the need for frequent rule updates, which in itself lowers long-term compliance costs.
- 43.** Overall, we expect the risk of material increases in compliance burdens to be low. While the potential reduction in administrative burden may not be realised immediately, it is likely to emerge over time as firms adapt their practices and gain confidence in applying the outcomes-based approach. The Duty is already embedded across firms' governance and decision-making processes, and the proposed approach aligns with existing supervisory expectations. We will, however, continue to monitor these risks through ongoing engagement with firms and supervisory activity to ensure that the proposed changes are having the desired effect.

## Wider economic impacts, including on secondary objective

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- 44.** Our proposals are designed to foster economic growth and strengthen the UK's international standing within the consumer credit sector by enhancing regulatory efficiency. By revising our rules to eliminate unnecessary duplication and simplify requirements, we aim to create a regulatory framework that is proportionate to the benefits received by firms and consumers. Improved regulatory clarity will help lower compliance costs, enabling firms to redirect resources towards more productive activities and drive improvements in overall productivity.

## Monitoring and evaluation

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- 45.** The simplification measures are designed to give firms greater flexibility to tailor their financial promotions to their target markets, reducing unnecessary prescription and promoting better consumer outcomes. We will monitor the impact of the proposed simplification against these objectives, and in line with the FCA's Rule Review Framework.
- 46.** We will continue to monitor financial promotions through our existing supervisory activity to understand how firms are utilising the additional flexibility provided under these proposals, and the impact on consumer outcomes. Alongside this, we will maintain our ongoing engagement with industry stakeholders to gather insight on how the intervention is operating in practice and identify any emerging risks or unintended consequences.

### **Question 23: Do you have any views on the cost benefit analysis?**

## Annex 3

# Compatibility statement

## Compliance with legal requirements

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1. This Annex records the FCA's compliance with a number of legal requirements applicable to the proposals in this consultation, including an explanation of the FCA's reasons for concluding that our proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA).
2. When consulting on new rules, the FCA is required by section 138I(2)(d) FSMA to include an explanation of why it believes making the proposed rules (a) is compatible with its general duty, under section 1B(1) FSMA, so far as reasonably possible, to act in a way which is compatible with its strategic objective and advances one or more of its operational objectives, (b) so far as reasonably possible, advances the secondary international competitiveness and growth objective, under section 1B(4A) FSMA, and (c) complies with its general duty under section 1B(5)(a) FSMA to have regard to the regulatory principles in section 3B FSMA. The FCA is also required by s138K(2) FSMA to state its opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.
3. This Annex also sets out the FCA's view of how the proposed rules are compatible with the duty on the FCA to discharge its general functions (which include rule-making) in a way which promotes effective competition in the interests of consumers (section 1B(4)). This duty applies in so far as promoting competition is compatible with advancing the FCA's consumer protection and/or integrity objectives.
4. In addition, this Annex explains how we have considered the recommendations made by the Treasury under s1JA FSMA about aspects of the economic policy of His Majesty's Government to which we should have regard in connection with our general duties.
5. This Annex includes our assessment of the equality and diversity implications of these proposals.
6. Under the Legislative and Regulatory Reform Act 2006 (LRRRA) the FCA is subject to requirements to have regard to a number of high-level 'Principles' in the exercise of some of our regulatory functions and to have regard to a 'Regulators' Code' when determining general policies and principles and giving general guidance (but not when exercising other legislative functions like making rules). This Annex sets out how we have complied with requirements under the LRRRA.

## The FCA's objectives and regulatory principles: Compatibility statement

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7. The proposals set out in this consultation are primarily intended to advance the FCA's operational objective to secure an appropriate degree of protection for consumers. By providing firms flexibility to tailor their communications to best suit their customers' needs, our proposals aim to improve consumer understanding and thereby enable consumers to make more informed decisions.
8. While we are removing overly prescriptive rules, our proposals will maintain high standards of consumer protection by relying on firms' adherence to the consumer understanding outcome of the Duty to meet consumers' information needs.
9. Improving consumer understanding of promotions should support consumers' ability to compare and identify suitable products. This may encourage consumers to shop around, thereby promoting access to credit and fostering competition, which supports the FCA's objective to promote effective competition in the interests of consumers.
10. We consider removing overly prescriptive financial promotions rules is compatible with the FCA's strategic objective of ensuring that the relevant markets function well because they ensure the regulatory burden on firms is proportionate. For the purposes of the FCA's strategic objective, "relevant markets" are defined by section 1F FSMA.
11. We consider these proposals comply with the FCA's secondary objective in advancing competitiveness and growth by making our rules more flexible. This reduces the regulatory burden on firms and encourages them to innovate, which may attract new entrants to the market.
12. In preparing the proposals set out in this consultation, the FCA has had regard to the regulatory principles set out in s3B FSMA.

### **The need to use our resources in the most efficient and economic way**

13. By streamlining our rules and aligning them with the Consumer Duty, our proposals support a more agile regulatory framework that can adapt to evolving changes in the markets and digital journeys.

### **The principle that a burden or restriction should be proportionate to the benefits**

14. Our proposals aim to deliver more proportionate regulation by providing firms more flexibility in their communications with customers, while relying on the Duty to safeguard consumer protections. By refining our financial promotion regulations, firms should have lower administrative and compliance costs. Concurrently, consumers should receive enhanced communications that are better suited to their specific requirements.

### **The need to contribute towards achieving compliance by the Secretary of State with section 1 of the Climate Change Act 2008 (UK net zero emissions target) [and section 5 of the Environment Act 2021 (environmental targets)]**

15. In developing these proposals, we have considered the environmental, social, and governance implications of our proposals and our duty under these acts. Overall, we do not consider our proposals will have an impact on these targets.

### **The general principle that consumers should take responsibility for their decisions**

16. Our proposals to allow firms to tailor their communications to consumers' needs should improve consumer understanding and equip consumers with the information necessary to make informed choices. This should empower consumers to better compare products and identify suitable products.
17. Additionally, our review of APR disclosure and alternative disclosure options seeks to identify the most effective way to present costs to consumers to improve their understanding and make informed decisions.

### **The responsibilities of senior management**

18. While our proposals aim to make our rules less prescriptive, many of the rules we propose to remove will still apply but under the Duty, which requires firms to demonstrate they are delivering good outcomes for consumers. As such, our proposals remain consistent with this principle and maintain the responsibilities of senior management.

### **The desirability of recognising differences in the nature of, and objectives of, businesses carried on by different persons including mutual societies and other kinds of business organisation**

19. Our proposals to remove obsolete and duplicative rules intend to make it easier for all consumer credit firms to navigate our rules and expectations.
20. In developing these proposals, we have considered how implementing high-level standards may impact smaller firms, with limited resources for interpreting those standards. As such, we intend to retain key provisions as set out in Chapter 3 of this consultation to clarify our expectations where necessary.

### **The desirability of publishing information relating to persons subject to requirements imposed under FSMA, or requiring them to publish information**

21. Our proposals do not affect the publication of information.

## **The principle that we should exercise of our functions as transparently as possible**

22. In developing these proposals, we have engaged with various stakeholders including consumer groups, industry bodies, and individual firms to ascertain their views on our cost information disclosure proposals. We have also presented our proposals to our statutory panels (Consumer Panel and Small Business Practitioner Panel) for their input.

## **In formulating these proposals, the FCA has had regard to the importance of taking action intended to minimise the extent to which it is possible for a business carried on (i) by an authorised person or a recognised investment exchange; or (ii) in contravention of the general prohibition, to be used for a purpose connected with financial crime (as required by s 1B(5)(b) FSMA).**

23. We do not expect our proposals to have any impact on the extent to which businesses can be used for a purpose connected with financial crime.

## **Expected effect on mutual societies**

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24. The FCA does not expect the consultation proposals to remove prescriptive rules in CONC 3 to have a significantly different impact on mutual societies.
25. With regard to our discussion paper in Chapter 4, should we issue a further consultation on APRs and cost disclosure, we will consider the impact on credit unions, which have a legislated maximum APR cap of 42.6%. Since our review of APRs aims to improve consumers' understanding of the total cost of credit, our review may help consumers better compare different products and identify credit union lending as a suitable alternative where applicable.

## **Equality and diversity**

---

26. We are required under the Equality Act 2010 in exercising our functions to 'have due regard' to the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by or under the Act, advance equality of opportunity between persons who share a relevant protected characteristic and those who do not, to and foster good relations between people who share a protected characteristic and those who do not.
27. As part of this, we ensure the equality and diversity implications of any new policy proposals are considered. The outcome of our consideration in relation to these matters in this case is stated in paragraph 2.40 of the Consultation Paper.

## Legislative and Regulatory Reform Act 2006 (LRRRA)

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- 28.** We have had regard to the principles in the LRRRA for the parts of the proposals that consist of general policies, principles or guidance. We consider that our proposals are transparent, accountable, proportionate, and consistent. For example, our proposals are proportionate by allowing firms flexibility in how they communicate credit information while maintaining high standards of consumer protection under the Duty. Likewise, our proposals have been developed transparently and accountably by engaging early with various external stakeholders and panels to inform the options presented in both the consultation and discussion paper. We are also seeking further feedback on APRs and cost disclosure in the discussion paper to encourage wider debate on these issues to help us determine if we should pursue making changes.
- 29.** We have had regard to the Regulators' Code for the parts of the proposals that consist of general policies, principles or guidance and consider that our proposals are consistent with the principles of the code. Our proposals support firms to comply and grow by providing firms flexibility to innovate while retaining CONC 3 provisions we believe are key for firms to understand and meet their responsibilities.

## Annex 4

# Abbreviations in this document

<b>Abbreviation</b>	<b>Description</b>
<b>APR</b>	Annual Percentage Rate
<b>ASA</b>	Advertising Standard Authority
<b>CAP</b>	Committees of Advertising Practice
<b>CBA</b>	Cost Benefit Analysis
<b>CCA</b>	Consumer Credit Act
<b>CCD</b>	Consumer Credit Directive 2008
<b>Cfi</b>	Call for Input
<b>CMA</b>	Competition Market Authority
<b>CONC</b>	Consumer Credit Sourcebook
<b>CP</b>	Consultation Paper
<b>CRA</b>	Credit Reference Agency
<b>DMCCA</b>	Digital Markets, Competition and Consumers Act 2024
<b>DP</b>	Discussion Paper
<b>EANDCB</b>	Equivalent Annual Net Direct Cost to Business
<b>ESG</b>	Environmental, Social and Governance
<b>FCA</b>	Financial Conduct Authority
<b>FLS</b>	Financial Lives Survey
<b>FSCP</b>	Financial Services Consumer Panel

<b>Abbreviation</b>	<b>Description</b>
<b>FSMA</b>	Financial Services and Markets Act 2000
<b>PCW</b>	Price Comparison Website
<b>PS</b>	Policy Statement
<b>PSD</b>	Product Sales Data
<b>PwC</b>	Pricewaterhouse Coopers
<b>SBPP</b>	Small Business Practitioner Panel
<b>SCM</b>	Standardised Cost Model

## Appendix 1

# Draft Handbook text

**CONSUMER CREDIT (FINANCIAL PROMOTIONS AND COMMUNICATIONS  
WITH CUSTOMERS) INSTRUMENT 2026**

**Powers exercised**

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
  - (2) section 137T (General supplementary powers);
  - (3) section 137R (Financial promotion rules); and
  - (4) section 139A (Power of the FCA to give guidance).
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

**Commencement**

- C. This instrument comes into force on [*date*].

**Amendments to the Handbook**

- D. The General Provisions (GEN) is amended in accordance with Annex A to this instrument.
- E. The Consumer Credit sourcebook (CONC) is amended in accordance with Annex B to this instrument.

**Notes**

- F. In the Annexes to this instrument, the notes (indicated by “**Note:**” or “*Editor’s note:*”) are included for the convenience of readers but do not form part of the legislative text.

**Citation**

- G. This instrument may be cited as the Consumer Credit (Financial Promotions and Communications with Customers) Instrument 2026.

By order of the Board  
[*date*]

## Annex A

### Amendments to the General Provisions (GEN)

In this Annex, underlining indicates new text and striking through indicates deleted text.

#### 7           **Charging consumers for telephone calls**

##### 7.1         **Application**

...

Related consumer credit rules

- 7.1.8      G     The following provisions of *CONC* continue to apply where a *firm* operates a telephone line in respect of the relevant credit-related regulated activities but the *call charges rule* does not apply (for example, where a telephone line is operated for the purpose of enabling a consumer to contact the *firm* before a contract has been entered into):

...

- (3)     ~~*CONC 3.3.9G* (financial promotions and communications);~~ [deleted]

...

...

## Annex B

### Amendments to the Consumer Credit sourcebook (CONC)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

#### 3 Financial promotions and communications with customers

##### 3.1 Application

Who? What?

...

3.1.4 R The clear fair and not misleading *rule* in *CONC 3.3.1R* and the general requirements *rule* in *CONC 3.3.2R* and the *guidance* in ~~*CONC 3.3.5G*~~ *CONC 3.3.6G* to ~~*CONC 3.3.11G*~~ *CONC 3.3.11AG* also, unless a *rule* or *guidance* in those paragraphs specifies differently, apply to:

...

...

3.1.7 R ...

(2) The provisions in *CONC 3* which apply to a *financial promotion* or communication which falls within (1) are:

(a) *CONC 3.1*, and *CONC 3.5.1R* ~~and~~ ~~*CONC 3.6.1R*~~ ~~(application)~~;

...

(d) *CONC 3.5.3R*, and *CONC 3.5.5R*, ~~*CONC 3.6.6R*~~ (requirement for representative example ~~or typical APR etc~~);

(e) *CONC 3.5.7R* (other financial promotions requiring a representative APR); and

(f) ~~*CONC 3.5.12R*~~ ~~(restricted expressions)~~ ~~and~~ ~~*CONC 3.6.8R*~~ ~~(restricted expressions)~~; and [deleted]

(g) any other *rules* in *CONC* which are necessary or expedient to apply the ~~rules~~ rules in (a) to ~~(f)~~ (e).

...

##### 3.2 Financial promotion general guidance

...

- 3.2.2 G ~~The Privacy and Electronic Communications (EC Directive) Regulations 2003 apply to unsolicited telephone calls, fax messages and electronic mail messages for direct marketing purposes. The Information Commissioner’s Office has produced guidance on the Regulations. [deleted]~~

Meaning of “prominent”

- 3.2.3 G ~~For the purposes of this chapter, information or a statement included in a *financial promotion* or communication will not be treated as prominent unless it is presented, in relation to the other content of the *financial promotion* or communication, in such a way that it is likely that the attention of the average *customer* to whom the *financial promotion* or communication is directed would be drawn to it. [deleted]~~

...

### 3.3 The clear fair and not misleading rule and general requirements

- 3.3.1 R ...

(1A) *A firm* must ensure that each communication and each *financial promotion*:

...

- (b) is accurate; and
- (c) is balanced and, in particular, does not emphasise any potential benefits of a product or service without also giving a fair and prominent indication of any relevant risks;
- (d) ~~is sufficient for, and presented in a way that is likely to be understood by, the average member of the group to which it is directed, or by which it is likely to be received; and [deleted]~~
- (e) ~~does not disguise, omit, diminish or obscure important information, statements or warnings. [deleted]~~

(1B) ~~*A firm* must ensure that, where a communication or *financial promotion* contains a comparison or contrast, the comparison or contrast is presented in a fair and balanced way and is meaningful. [deleted]~~

(2) If, for a particular communication or *financial promotion*, a *firm* takes reasonable steps to ensure it complies with (1); and (1A) ~~and (1B)~~, a contravention does not give rise to a right of action under section 138D of the *Act*.

General requirements

- 3.3.2 R A *firm* must ensure that a communication or a *financial promotion*:
- (1) ~~uses plain and intelligible language; [deleted]~~
  - (2) ~~is easily legible (or, in the case of any information given orally, clearly audible); [deleted]~~
- ...

~~[Note: regulation 3 of CCAR 2004 and regulation 3 of CCAR 2010]~~

...

Guidance on clear, fair and not misleading

...

- 3.3.7 G ~~When communicating information, a *firm* should consider whether omission of any relevant fact will result in information given to the *customer* being insufficient, unclear, unfair or misleading. [deleted]~~

- 3.3.8 G ~~A comparison or contrast to which CONC 3.3.1R(1B) applies may be a comparison or contrast with another *person*, or with another product or service, whether offered by the *firm* or by another *person*. [deleted]~~

- 3.3.9 G ~~A *firm* should in a *financial promotion* or other communication which includes a premium rate telephone number indicate in a prominent way the likely total cost of a premium rate call including the price per minute of a call, the likely duration of calls and the total cost a *customer* would incur if the *customer* calls for the full estimated duration. *Firms* should note the effect of the *call charges rule* in GEN 7. [deleted]~~

~~[Note: paragraphs 3.9h of CBG and 3.18x (box) of DMG]~~

...

Unfair business practices: financial promotions and communications

- 3.3.10 G ~~Examples An example of practices a practice that are is likely to contravene the clear, fair and not misleading rule in CONC 3.3.1R include: includes~~
- (1) ~~stating or implying that a *firm* is a *lender* (where this is not the case);~~  
~~[Note: paragraph 3.7e (box) of CBG]~~
  - (2) ~~misleading a *customer* as to the availability of a particular *credit product*;~~  
~~[Note: paragraph 3.9p of CBG]~~
  - (3) ~~concealing or misrepresenting the identity or name of the *firm*;~~

~~[Note: paragraph 3.7g (box) of CBG]~~

- (4) ~~using false testimonials, endorsements or case studies;~~

~~[Note: paragraph 3.18s of DMG]~~

- (5) ~~using false or unsubstantiated claims as to the *firm's* size or experience or pre-eminence;~~

~~[Note: paragraph 3.18t of DMG]~~

- (6) ~~in relation to *debt solutions*, claiming or implying that a *customer* will be free of debt in a specified period of time or making statements emphasising a debt-free life or that a *debt solution* is a stress-free or immediate solution;~~

~~[Note: paragraphs 3.18u and 3.18v of DMG]~~

- (7) ~~providing online tools, which recommend a particular *debt solution* as suitable for a *customer*, such as, budget calculators or advice websites:~~

- (a) ~~which do not carry out a sufficiently full assessment of a *customer's* financial position; or~~
- (b) ~~which fail to provide clear warnings to a *customer* that financial data entered into a tool has to be accurate;~~

~~[Note: paragraph 3.20e of DMG]~~

- (8) ~~emphasising any savings available to a *customer* by proposing to reschedule a *customer's* debts, without explaining that a *lender* is not obliged to accept less in settlement of the *customer's* debts than it is entitled to, nor to freeze interest and charges and that the result may be to increase the *total amount payable* or the period over which it is to be paid and to impair the *customer's* credit rating;~~

~~[Note: paragraph 3.18l of DMG]~~

- (9) ~~suggesting that a *customer's repayments* will be lower under a proposed agreement without also mentioning (where applicable) that the duration of the agreement will be longer or that the *total amount payable* will be higher.~~

~~[Note: paragraph 5.13 of ILG]~~

[*Editor's note:* the text that was formerly located at CONC 3.3.10G(6) to (8) has been relocated to CONC 3.9 as it applies to financial promotions and communications by debt counsellors and debt adjusters.]

~~Guidance on misleading introductions~~

- 3.3.11 G ~~Misleading a *customer* as to the availability of a particular *credit* product is likely to include stating or implying that the *firm* will introduce the *customer* to a provider of a standard personal loan based on repayment by instalments or of an overdraft facility on a current account (for example, a bank or building society) or of a credit card, but instead introducing the *customer* to a provider of *high-cost short-term credit*. [deleted]~~

~~[Note: paragraph 3.9p (box) of *CBG*]~~

[*Editor's note*: the glossary term 'DMCCA' was proposed to be introduced in the consultation paper 'Quarterly Consultation No 51' in the Enforcement (Digital Markets, Competition and Consumers Act 2024) (Supplementary Amendments) Instrument 2026 (CP26/8). CONC 3.3.11AG takes that instrument into account as if it were made final.]

## "Buy now pay later" or similar offers

- 3.3.11A G (1) ~~*Firms* are reminded that the ~~Consumer Protection from Unfair Trading Regulations 2008 (SI 2008/1277)~~ *DMCCA*, as well as *Principle 7* and *CONC 3.3.1R*, apply to communications and *financial promotions* in relation to *BNPL agreements*, including communications with *borrowers* under existing agreements.~~
- (2) A communication or *financial promotion* in relation to a *BNPL agreement* is likely to be unfair or misleading by omission if it:
- (a) refers to a zero percentage or low interest, introductory or other promotional offer available under a *BNPL agreement*;
  - (b) does so in a way that is likely to influence a *customer's* decision about whether to enter into a *BNPL agreement* or whether and how to make use of *credit* available under an existing *BNPL agreement*; and
  - (c) does not also include in a fair and prominent manner material information about relevant risks.
- (3) A *firm* should also consider whether other communications or *financial promotions* in connection with *BNPL agreements* could be unfair or misleading by omission if those communications or *financial promotions* do not also include in a fair and prominent manner material information about relevant risks.

...

~~Non-business overdraft agreements~~

- 3.3.12 G ~~A communication or a *financial promotion* that refers to sums available by way of an *authorised non-business overdraft agreement* should make clear that such sums constitute borrowing or credit. [deleted]~~

...

### 3.5 Financial promotions about credit agreements not secured on land

...

Representative example

- 3.5.5 R ...

- (5) The information required by (1) must be:

...

- (d) given no less prominence than:

- (i) any other information relating to the *cost of credit* in the *financial promotion*, ~~except for any statement relating to an obligation to enter into a contract for an *ancillary service* referred to in CONC 3.5.10 R; and~~

...

...

...

Ancillary services

- 3.5.10 R (1) ~~A *financial promotion* must include a clear, concise and prominent statement in respect of any obligation to enter into a contract for an *ancillary service* where: [deleted]~~

- (a) ~~the conclusion of that contract is compulsory in order to obtain the *credit* or to obtain it on the terms and conditions promoted; and~~

- (b) ~~the cost of that *ancillary service* cannot be determined in advance.~~

~~[Note: regulation 8 of CCAR 2010]~~

- (2) ~~The statement in (1) must be presented together with any *representative APR* included in the *financial promotion*.~~

- (3) ~~This rule does not apply to a financial promotion for an authorised non-business overdraft agreement.~~

#### Security

- 3.5.11 R Where a *financial promotion* concerns a facility for which *security* is ~~or may~~ be required, the promotion must:
- (1) state that *security* is ~~or may be~~ required; and
  - (2) specify the nature of the *security*.

~~[Note: regulation 9 of CCAR 2010]~~

#### Restricted expressions

- 3.5.12 R (1) ~~A financial promotion must not include: [deleted]~~
- (a) ~~the word “overdraft” or any similar expression as describing any agreement for *running account credit*, except where an agreement enables a *customer* to overdraw on a current account;~~
  - (b) ~~the expression “interest free” or any similar expression indicating that a *customer* is liable to pay no greater amount in respect of a transaction financed by *credit* than he would be liable to pay as a cash purchaser for the like transaction, except where the *total amount payable* does not exceed the *cash price*;~~
  - (c) ~~the expression “no deposit” or any similar expression, except where no *advance payments* are to be; or~~
  - (d) ~~[deleted];~~
  - (e) ~~the expression “gift”, “present” or any similar expression, except where there are no conditions which would require the *customer* to repay the *credit* or to return the item that is the subject of the claim~~

~~[Note: regulation 10 of CCAR 2010]~~

- (2) ~~A financial promotion must not include for a *repayment of credit* the expression “weekly equivalent” or any expression to like effect or any expression of any other periodical equivalent, unless weekly *repayments* or the other periodical payments are provided for under the agreement.~~
- (3) ~~In this rule, “cash purchaser” means a *person* who, for money consideration, acquires *goods, land* or other things or is provided with services under a transaction which is not financed by *credit*.~~

...

CONC 3.6 is deleted in its entirety. The deleted text is not shown but the section is marked [deleted] as shown below.

### 3.6 ~~Financial promotions about credit agreements secured on land~~ [deleted]

Amend the following as shown.

### 3.8 Financial promotions and communications: lenders

...

Unfair business practices

3.8.2 R A *firm* must not in a *financial promotion* or a communication with a *customer*:

...

- (2) ~~state or imply that providing *credit* is dependent solely upon the value of the equity in property on which the agreement is to be secured; or~~ [deleted]

~~[Note: paragraph 5.4 of *ILG*]~~

...

3.8.3 G ~~An agreement is likely to be unsuitable for the purposes of CONC 3.8.2R(3) including in the following situations where a *firm*:~~ [deleted]

- (1) ~~promotes, suggests or advises taking out a secured loan or to take out a secured loan to replace or convert an unsecured loan when it is clearly not in that *person's* best interests to do so at that time; or~~
- (2) ~~promotes, suggests or advises taking out *high-cost short-term credit* which would be expensive as a means of longer term borrowing, as being suitable for sustained borrowing over a longer period.~~

~~[Note: paragraph 5.5 (box) of *ILG*]~~

3.8.4 G ~~For the purposes of CONC 3.8.2R(3) the unsuitability of an agreement does not apply to the question of whether a *customer* should enter into a *regulated credit agreement* at all.~~ [deleted]

~~[Note: paragraph 5.5 (box) of *ILG*]~~

### 3.9 Financial promotions and communications: debt counsellors and debt adjusters

...

## Financial promotions and communications

3.9.2 G ...

(2) ...

(3) Examples of practices that are likely to contravene the clear, fair and not misleading *rule* in CONC 3.3.1R include:(a) in relation to *debt solutions*, claiming or implying that a *customer* will be free of debt in a specified period of time or making statements emphasising a debt-free life or that a *debt solution* is a stress-free or immediate solution;[Note: paragraphs 3.18u and 3.18v of DMG](b) providing online tools, such as budget calculators or advice websites, which recommend a particular *debt solution* as suitable for a *customer* and which:(i) do not sufficiently assess a *customer's* financial position; or(ii) fail to provide clear warnings to a *customer* that the financial data they enter into the tool has to be accurate; or[Note: paragraph 3.20c of DMG](c) emphasising any savings available to a *customer* by proposing to reschedule a *customer's* debts, without explaining that a *lender* is not obliged to accept less in settlement of the *customer's* debts than it is entitled to, nor to freeze interest and charges, and that the result may be to increase the *total amount payable* or the period over which it is to be paid and to impair the *customer's* credit rating;[Note: paragraph 3.18l of DMG]

...

...

3.9.4A G *Firms* are reminded of:(1) ~~the guidance in CONC 3.3.10G(6) to (8) CONC 3.9.2G(3) in relation to *debt solutions*; and [deleted]~~

...

...

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