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May 2025 update: This letter is historical. See our [supervisory correspondence page](#) for more information and current views.

20 November 2020

Our Ref: CRA / CISP Portfolio

Dear Board of Directors

The purpose of this letter is to:

1. Set out our view of the key risks of harm Credit Reference Agencies and Credit Information Service Providers could pose to their customers and the markets in which they operate.
2. Outline our expectations of Credit Reference Agencies and Credit Information Service Providers, including how firms should be mitigating these key risks.
3. Describe our Supervisory strategy and programme of work to ensure that firms are meeting our expectations, and harms are being remedied.

We will write to you again in 2021 to provide our updated view of the key risks posed by firms in this sector and our updated supervisory plans.

Changes to how we supervise your firm

On 24 April 2019, we published our revised [Approach to Supervision](#), which sets out the purpose of, and approach to, supervising firms and individuals. This document builds on [Our Mission](#) explaining how we supervise some 58,000 firms serving retail and wholesale consumers.

We are grouping firms with similar business models into at least 1 of approximately 40 portfolios. Your firm has been assigned to the **Credit Reference Agencies (CRAs) and Credit Information Service Providers (CISPs)** portfolio.

We are developing supervisory strategies to monitor all firms, and target firms that pose the greatest risk of harm. We are looking for indicators of high risk outlier firms in each area of harm and expect to undertake additional testing of these risks with these firms. Where we conclude that firms are not meeting our expectations, we will act.

Our CRA and CISP portfolio strategy covers the period to October 2021. However, we will review our portfolio strategy to identify any revisions that may be appropriate when we publish

the interim findings of the [Credit Information Market Study](#) (CIMS). We were due to publish these in Spring of 2020 but because of COVID-19 this has been delayed to 2021.

Our view of the key drivers of harm

The CRA and CISP portfolio consists of firms who collectively control or process the data of over 50 million UK consumers. These firms provide services on a Business to Business (B2B) basis or Direct to Consumers (D2C). We consider these to be key drivers of potential harms in this portfolio:

- loss or misuse of personal data, causing identity theft and/or financial loss
- consumers excluded from credit products or lent to inappropriately based on poorly designed CRA products, ineffective product governance and poor data quality
- service disruption where lenders and consumers cannot access either CRA services or credit data because of system outages or inadequately managed CRA products
- disorderly firm failure, disrupting access to credit
- inappropriate resolution of complaints, causing consumer loss and/or distress
- lack of transparency in credit broking activities, so customers do not receive refunds of credit broking fees

The firms in this portfolio play a significant role in the financial services market. In times of economic uncertainty more consumers will be facing financial difficulties and seeking credit. Data provided to lenders underpins affordability, lending decisions and ultimately consumers' access to credit. A key priority in this portfolio is to make sure that firms comply with the requirements of Principle 3; to take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems. We expect firms to invest appropriately in monitoring and control frameworks and adopt robust governance arrangements with responsible management.

A firm's leadership and governance plays a key role in driving a culture with a strong focus on customer outcomes. The quality and effectiveness of the Board, risk management framework, compliance functions and systems and controls all play a key role in the running of the firms in the portfolio.

Areas of focus and our expectations

Loss or misuse of personal data: Firms in this portfolio hold a wide range of customer data and process this data for a large number of consumers. When considering the loss or misuse of data, firms in the portfolio should make sure that they have systems and controls in place to protect the data and process it correctly.

We also remind firms that misuse of personal data for unregulated activity could call into question whether firms are meeting the threshold conditions for authorised activity.

Cyber-attack data loss can lead to identity theft and/or financial loss for consumers. Firms are subject to cyber-attacks and we are seeing a growing number of them, varying in scale and sophistication. Successful cyber-attacks erode market confidence and can cause consumer harm where customers are denied access to credit or subject to fraudulent activity.

Firms should be aware of the threat, be able to defend themselves effectively and respond proportionately to cyber events.

Please see our website for information on [cyber resilience](#).

Poorly designed CRA products, ineffective product governance and poor data quality:

These can cause inappropriate lending decisions. This means consumers take out unaffordable loans, have their access to credit restricted or accept credit at higher interest rates, resulting in consumer detriment. We expect firms to have robust governance arrangements with effective processes to identify, manage, monitor and report the risks it is or might be exposed to in relation to data accuracy of CRA products.

We recognise that challenges have been presented by the exceptional circumstances and the payment deferral guidance, however, we are keen to continue working with firms to understand the impact on consumer outcomes.

Technology resilience: Firms in this portfolio are heavily reliant on technology to deliver their products and services to clients and consumers. Persistent short-term technology failures and outages that disrupt product and service delivery can lead to incorrect or incomplete data being used by lenders for lending decisions, or credit decisions being delayed. This may be due to significant legacy infrastructure, underinvestment in technology, inappropriate policies and procedures, or gaps in oversight of a firm's IT estate. Poor quality credit information means people may be lent to inappropriately or denied access to products, resulting in unaffordable lending and consumer detriment.

Firms should note the guidance in SYSC 4.1.6 and 4.1.7 and take reasonable steps to ensure continuity and regularity in the performance of their business. They should employ appropriate and proportionate systems, resources and procedures, and establish, implement and maintain an adequate business continuity policy. Losses should be limited and essential data and functions preserved if there is a system interruption.

Read more about [building operational resilience](#) in the financial services sector.

Disorderly firm failure, leading to disruption in access to credit: Consumers and/or clients may be adversely impacted by firms who do not have adequate continuation of service plans if there is a severe disruption to services or a wind down of the business. This could lead to consumers paying for a service that may no longer be available.

We have issued a policy statement on the circumstances where we expect firms to carry out [wind down planning](#).

Complaints Handling: Consumers often don't know who to complain to about inaccuracies in their personal data. Where consumers seek to complain, we have seen instances where they are passed between the lender and the CRA/CISP without a resolution. Complaints resolution may also be hindered by how firms categorise complaints, leading to poor root cause analysis and a lack of senior management oversight.

Firms should have due regard for DISP 1.1 and 1.3.1R by ensuring that they deal with complaints promptly and fairly and have effective and transparent procedures for the reasonable and prompt handling of [complaints](#).

Credit Broking Fee disclosure: Firms offer credit broking services as part of their subscription based services, as a standalone service and as a free service. Consumers may not know that when they take out a credit product via a CRA or CISP, the CRA/CISP will receive commission from the lender. There are several pre-contractual requirements for credit broking which firms should comply with, including rules on disclosing when a refund of a credit broking fee may be payable (CONC 4.4). When a consumer accesses a credit broking service via a packaged subscription service, a lack of transparency may cause consumer harm either because of unsuitable products being purchased or excessive fees being paid. This is because the key information about the product being supplied may not be transparent and easy to understand.

We expect firms to be aware of and comply with our rules and guidance for the regulated activities they undertake. Where we identify CRA/CISP firms that are not in compliance with our credit broking rules, we will use our regulatory tools to take action against them.

Statement on Covid-19 (coronavirus)

We expect all firms to have contingency plans in place to deal with major events like [Covid-19](#). Together with the Bank of England, we are actively reviewing the contingency plans of a wide range of firms. This includes assessments of operational risks, the ability of firms to continue to operate effectively and the steps firms are taking to serve and support their customers.

Senior Managers and Certification Regime

On **9 December 2019**, we extended the **Senior Managers and Certification Regime (SM&CR)** to solo-regulated firms. This will largely replace the current Approved Persons Regime and aims to reduce harm to customers and strengthen market integrity by making individuals more accountable for their conduct and competence. Where we see CRAs and CISPs creating harm in the market, we will use the SM&CR to hold appropriate individuals to account. Firms should consider what action they need to take to comply with the SM&CR and review and improve their firm's organisational standards of conduct.

Further [details of the SM&CR](#) and [rules for solo-regulated firms](#) are available on our website.

Brexit

The UK left the EU with a Withdrawal Agreement on 31 January 2020 and entered an implementation period, during which it will negotiate its future relationship with the EU. The implementation period is due to operate until 31 December 2020. During this time EU law will continue to apply in the UK and passporting will continue. As matters develop, you will need to consider how the end of the implementation period will affect you and your customers, and what action you may need to take to be ready for 1 January 2021. For information on Brexit, including what the implementation period means, visit our [website](#).

Next steps

Before releasing the interim findings of the Credit Information market study, we will focus on large CRA firms to address the key risk of harms identified in the portfolio. We have already engaged with a number of firms on several of these issues. This is due to the size and importance of these firms in this market and the wider role they play in the retail lending sector in respect of lending decisions.

We will also select a sample of firms to assess the steps they have taken as a result of this letter and the impact of these actions. We will act where we receive adverse intelligence on firms.

Although we have identified a programme of work to take us up to October 2021, we will revisit our work programme when the findings from the CIMS are available and our areas of focus may change.

Contact

If you have any questions please contact your normal supervisory contact on 0300 500 0597. This is the primary point of contact for your firm's day-to-day interactions with the FCA, and further details of how we can be reached are [available on our website](#). We recognise that your firm may face urgent issues of strategic importance. In these circumstances, please contact me on 020 7066 8186, or at Caroline.Gardner@fca.org.uk. If I am not available, then please contact my colleague Emma Davies, on 020 7066 0650 or at Emma.Davies@fca.org.uk.

Yours faithfully

Caroline Gardner
Head of Department
Supervision Retail and Authorisations Division