**Variation of Permission (VOP) Application**



**Consumer Credit -notes**

**Purpose of these Notes**

These notes will help you fill in the **Consumer Credit** form correctly.

If after reading these notes you need more help, you can:

* visit our websites: [www.fca.org.uk](http://www.fca.org.uk)
* consult the Handbook: <https://www.handbook.fca.org.uk/>
* call the FCA Contact Centre on 0300 500 0597
* or email [firm.queries@fca.org.uk](mailto:firm.queries@fca.org.uk)

These notes, while aiming to help you, do not replace the rules and guidance in the Handbook.

**Terms in the Form**

The form uses the following terms:

* FCA/PRA, ‘we’, 'our', or ‘us’ refers to the Financial Conduct Authority and the Prudential Regulation Authority.
* ‘The firm’ refers to the firm applying for the variation of permission.
* ‘You’ refers to the person(s) signing the form on behalf of the applicant firm.

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| 1 | Contact details and timings for this application |

Contact for this application

**1.1 Details of the person we should contact about this application.**

This should be an individual in the UK.

Timings for this application

**1.2 Does the applicant firm have any timing factors that it would like us to consider?**

If you wish your application to be granted by a specific date, for example in time for a product launch, we will try to do so. However, the time taken to determine each application is significantly affected by the quality of the application and whether it is complete. If you leave a question blank, do not sign the declaration or do not attach the required supporting information, we will have to treat the application as incomplete. This will increase the time taken for us to assess your application.

We are required by law to determine applications within the earlier of (a) six months of receiving a complete application or (b) 12 months of receiving an incomplete application. However, we aim to make a decision about the application as soon as possible.

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| 2 | Variation of Permission – Consumer Credit activities |

It is your responsibility to make sure the regulated activities you request adequately cover the activities the applicant firm intends to carry on. Use this section to request any changes you wish to make to the firm's permission.

You need a Permission Notice that matches the applicant firm's needs and covers every aspect of regulated business it wants to carry on. The Permission Notice shows the range of regulated activities the applicant firm will be authorised to carry on, as well as the investment instruments and type(s) of customer it can deal with for each specific activity. It will also contain what we refer to as 'requirements' and 'limitations'.

Broadly speaking, a limitation is included in the description of a specific regulated activity (e.g. not to deal with retail customers) and will limit how it is carried on, in some way.

A requirement is on the firm to take or not to take a specified action (e.g. not to hold client money). A requirement may extend to activities of the firm which are not regulated activities.

If the applicant firm carries on a regulated activity that is not set out in its permission notice it could be in breach of FSMA and subject to enforcement action.

Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017

If the variation of permission is granted will the applicant firm become, or continue to be, subject to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and supervised by the FCA?

For further help please refer to our website: <https://www.fca.org.uk/firms/money-laundering-terroristfinancing>

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| 3 | Variation of Permission - Client Money |

The rules and guidance about how applicant firms hold client money are designed to provide an adequate level of protection for consumers.

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| 4 | Reason for variation |

No additional notes

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| 5 | Threshold conditions |

Threshold Conditions are the minimum requirements a firm must satisfy to be and to continue to be authorised. When we consider the applicant firm's application we will assess whether you will satisfy, and continue to satisfy, the threshold conditions which are set out in full in the Threshold Conditions (COND) 2 Sourcebook of the Handbook at: <https://www.handbook.fca.org.uk/handbook/COND/2>

Location of Offices

This is a requirement of Threshold Condition 2.2.

Effective Supervision

The appropriate regulator must be capable of effectively supervising the firm. This is a requirement of Threshold Condition 2.3.

Appropriate resources

We must be satisfied the applicant firm has adequate resources. We assess the quality and quantity of the applicant firm’s resources for its:

* financial resources;
* management;
* staff; and
* systems and controls.

This is a requirement of Threshold Condition 2.4.

**Prudential category**

We differentiate between our financial requirements by putting applicant firms in different prudential categories. The firm will fall into at least one prudential category; and it may fall into more than one prudential category, depending on its regulated activities.

The prudential categories are set out in the following table

**Table A**

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| **PRUDENTIAL CATEGORIES FOR CONSUMER CREDIT FIRMS** | |
| **IFPRU (INV) sourcebook** | **Chapter** |
| Firms operating an electronic system in relation to lending | 12 |
| **CONC sourcebook** | **Chapter** |
| Debt management firms and not-for-profit debt advisers holding £1 million or more in client money | FS |

For other consumer credit activities, there is no specific prudential requirement and you should answer question 5.5 “no”.

Compliance

A firm must establish, maintain and carry out a Compliance Monitoring Programme of actions to check that it complies, and continues to comply, with regulations. When assessing this application we need to be satisfied the applicant firm has the appropriate compliance arrangements in place to meet its regulatory obligations. The applicant firm will need, as a minimum, to have in place procedures to meet our rules for the subject areas in the table below. These procedures must be ready for inspection at any time.

Supporting information to submit with your application

For applications to add permission to do the following for the first time, the information below must be supplied with the application. Failure to do so will lengthen the application process.

As a guide, your VOP application should include the following information.

**All firms**

* The background to the business;
* Why you are applying to change your firm’s permission
* What experience/qualifications you have in this new activity
* Will your staff numbers be increased (if so, by how much)
* How will they be trained and monitored
* Are they incentivised to sell – what products or services and how?
* Details of your systems and controls incorporating the new activity – including IT systems, compliance staff and the governance of the firm.
* Where customers will be sourced from (eg, existing client base or purchase of client bank), including the use of any lead generators or brokers (and how they will be remunerated) and a summary of the financial promotions to take place.
* How will this activity be sold (face-to-face, telephone, through a website?)
* Details of all fees that could be payable by the customer and how they are explained to the customer.
* Details of all charges (for example, for late or early repayment) and how these are communicated to customers
* Details of arrears and default procedures (including how the firm will assess whether the customer is in financial difficulty and any forbearance).
* Details of the procedures in place to mitigate the risk of fraud/crime.
* Details of the procedures in place to mitigate the higher risks of lending to vulnerable customers.
* Business forecast – not just sales, to also include what income is made by fees and charges.

**Lenders**

Details of how your affordability assessments are carried out

**Pawnbrokers**

Details of how you will value items

Details of the circumstances in which you will allow a customer to redeem an item and any charges made when this occurs.

**Firms applying for high-cost short-term lending**

Your forecast should include what percentage of loans you expect to be in arrears and default and what percentage of loans you expect to be refinanced.

Details of how the firm will use continuous payment authorities.

**Debt Management firms**

What are the firms systems and controls to ensure that it provides accurate payments/data/ information to creditors?

What are the firms systems and controls regarding its handling of client money?

What information is provided to the customer about the options available to them and the implications and consequences?

What proportion of debtor payments are passed on to creditors?

**Debt collection firms**

What are the firms systems and controls to ensure the quality of information it receives from creditors?

What are the firms systems and controls to ensure that it provides accurate payments/data/ information to creditors?

**Firms applying for log book lending**

What is the firm's approach to seizing assets?

Details of how any depreciation of asset is calculated

**Firms applying as home collected credit providers**

The number of employees, agents or brokers who will be selling the products of the firm, how they will be overseen and remunerated and the geographical area of the firms for home-collected credit business.

**Credit Brokers**

What level of service you provide and whether this is exclusively with one lender or a panel of lenders – how is this communicated with the customer

What is your procedure of refunding any upfront fees?

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| 6 | Approved Persons |

You must ensure that no individual performs a controlled function until the application has been granted and we have approved the individual to perform the controlled function(s).

**What is an approved person?**

An approved person is a person in relation to whom the FCA or the PRA has given its approval under section 59 of the Act (Approval for particular arrangements) for the performance of a controlled function. There are two types of FCA controlled function:

(1) an FCA-designated senior management function, as detailed in SUP10C; and

(2) controlled functions which are performed under an arrangement entered into by an authorised firm, or its contractor (typically an appointed representative), in relation to a regulated activity, as detailed in SUP10A.

Before a firm makes an application for approval, it should be satisfied that the candidate is a fit and proper person. For guidance on criteria that a firm should use for assessing whether an FCA candidate is fit and proper (including the FCA rules referred to in SUP 10C.10.14G), see FIT.

**What is a senior management function?**

A senior management function is a function, relating to the carrying on of a regulated activity by the firm. Some senior management functions are required for every firm; others will depend on the nature of your business. Senior management functions have their own unique identification number. You can find a full list of all the senior management functions and an explanation of each one at: [www.handbook.fca.org.uk/handbook/SUP/10C/](http://www.handbook.fca.org.uk/handbook/SUP/10C/)

You should review the description of each senior management function and identify those that apply to the applicant firm.

The ‘Form A – Application to perform controlled functions including senior management functions’ can be found at: <https://www.handbook.fca.org.uk/handbook/SUP/10C/Annex3D.html>

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| 7 | EEA Notifications and Third Country Banking and Investment Groups |

EEA Notifications

We need to know about any connected firms outside the UK but within the EEA because we are required by FSMA to contact the relevant EEA Home State Regulators of these connected firms, as part of the application process.

Third-Country Banking and Investment Groups

BIPRU firm has the meaning set out in the FCA and PRA handbook as appropriate.

**Definition of third-country banking and investment group**

A third-country banking and investment group is a banking and investment group that is:

1. headed by:
   1. a credit institution;
   2. an asset management company;
   3. an investment firm; or
   4. a financial holding company;

that has its head office outside the EEA; and

1. not part of a wider EEA banking and investment group.

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| 8 | Fees |

The application fee is an integral part of your application. If you do not pay the appropriate fee in full with the completed application pack, we will not process your application.

For further information on fees, see FEES 3 Annex 1.

You should note the firm’s periodic fee may change as a result of this application. See [www.fca.org.uk](http://www.fca.org.uk) for further details.

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| 9 | Declaration and signatures |

This must be the person who is responsible for making the application. This should be a suitable person of appropriate seniority at the firm.