Credit Information Market Study Interim Report

Annex 6: Discussion paper on potential remedies

November 2022

Contents

1 Introduction and our approach

1. In this annex we discuss a range of measures that we believe would help to achieve our vision for the market and deliver better outcomes for firms and consumers. We have also set out our initial view on preferred implementation options and included specific questions for stakeholders. These questions are also summarised in Appendix 1.

Summary of potential remedies

2. We are considering measures in the four key areas below which we believe could be achieved through a combination of industry-led change supported by regulatory intervention:
   - **Industry governance** – reform industry governance arrangements and agree a set of priorities for the industry over the next 3 years to help deliver key measures and provide enhanced transparency and accountability (Chapter 2)
   - **Data quality** – measures to improve the coverage, quality and consistency of credit information to help deliver better consumer outcomes (Chapter 3)
   - **Consumer awareness and engagement** – support for consumers to improve awareness of credit information including easier ways to access and dispute information (Chapter 4)
   - **Competition and innovation** – enable greater competition and innovation, for example through potential changes to data access arrangements and more timely reporting of key metrics (Chapter 5)

3. The table below summarises the measures we are considering and our initial view on whether they should be implemented through industry-led change or regulatory intervention. However, we recognise that there may be alternative ways of achieving similar outcomes. We will therefore consider the proportionality and effectiveness of different implementation mechanisms in the light of stakeholder views.

4. We also acknowledge that some measures will require specialist input from industry and extensive technical development, with potential implications for decisioning and other operational processes. Some measures are also interlinked and subject to dependencies. Implementation of these measures may therefore need to be sequenced to mitigate risks and minimise costs.

5. Our eventual approach to the development, prioritisation and possible implementation of remedies will be informed by views from stakeholders. We therefore want to hear from stakeholders on the extent to which these measures could help to address the issues we have identified. We would also welcome suggestions on alternative ways to deliver improved outcomes through either industry-led change or regulatory intervention.

Table 1: Summary of potential remedies

Industry governance – reform of industry governance arrangements to help deliver key measures and provide enhanced transparency and accountability		
1	Reformed industry governance body	Industry-led with FCA input
Data quality – improving the coverage, quality and consistency of credit information to help deliver better consumer outcomes		
2A	Mandatory data sharing with designated CRAs	FCA rules
2B	Common data format	Industry-led with FCA input
2C	Designated CRA regulatory reporting to FCA	FCA rules
2D	Data contributor requirements (error correction and reporting satisfied CCJs)	FCA rules
Consumer awareness and engagement – support for consumers to improve awareness of and access to credit information		
3A	CRA/CIS signposting to statutory credit file	FCA rules
3B	Designated CRA single portal - access to statutory credit file	Industry-led
3C	Designated CRA single portal – streamlined dispute process	Industry-led
3D	Designated CRA single portal – streamlined NoC process and vulnerability markers	Industry-led
Competition and innovation – potential changes to foster greater competition and innovation		
4A	More timely reporting of key data to designated CRAs	Industry-led
4B	Reviewing data access arrangements under the PoR	Industry-led
4C	Improved CATO data with updated access arrangements	Industry-led

2 Industry governance reform

Remedy 1 – Reformed industry governance body

6. We acknowledge the important role that an industry-led governance body can play in the credit information market, particularly given the technical nature of credit reporting and complex interactions with commercial arrangements, legislative and regulatory requirements. However, as set out in the interim report, there is a general acknowledgement amongst many stakeholders that SCOR may be ineffective at driving further change in its current form.

7. Given the systemic importance of credit information, we consider that such a body should be able to act quickly and effectively to ensure that the risks and opportunities presented by the evolving credit information landscape are considered holistically and that decisions reflect the interests of a more representative group of stakeholders.

8. We also recognise that some concerns around SCOR may be intrinsically linked to the nature of industry data sharing arrangements, and that questions around these arrangements may now raise complex issues which cannot be readily addressed through industry consensus. This may imply a need for different decision-making processes and potentially greater regulatory oversight into key policy decisions around how credit information is used.

9. In view of the above we think that it is now appropriate to consider the future role of SCOR with a view to it being substantively reformed or replaced by a new credit reporting governance body ('CRGB'). The key drivers of this reform would be to:
   - provide the body with clearer objectives tied to consumer outcomes and a wider remit
   - make it more representative, transparent and accountable to consumers and the FCA
   - help deliver certain key remedies requiring significant industry co-ordination, for example development of a common data format, single consumer portal and potentially more timely reporting mechanisms
   - ensure the body is well placed to tackle emerging and future market developments that require cross-industry approaches or decisions

10. Our initial view is that a new credit reporting governance body, or a substantively reformed SCOR, could be effectively designed and implemented through voluntary industry-led change. However, we consider that this should be subject to input and agreement from relevant stakeholders, including the FCA. If voluntary changes cannot be agreed which reflect the desired outcomes we remain open to considering how a more formal regulatory solution could be implemented.

11. We set out below a blueprint for how we think a new credit reporting governance body might operate including new broader objectives, a new constitution and how it might be made more transparent and accountable.

12. We recognise that this blueprint would present a significant change from the nature of the current arrangements and require extensive commitment from industry participants to contribute funding and human resources to undertake targeted and

specialist work. It also implies deeper ongoing regulatory engagement between the body and the FCA.

13. Given the significance of these changes, we intend to seek to agree with industry and other stakeholders a phased approach to the development and implementation of the new body as set out in the Interim Report.

14. We have not considered the potential impact on non-FSMA regulated data contributors (eg utility and telecom companies) and their respective representatives at this stage but recognise that views from a wide range of stakeholders will need to be reflected in the design and implementation of the new body.

Q1: Do you agree that there is a need for a new credit reporting governance body with broader objectives that is more inclusive, transparent and accountable?

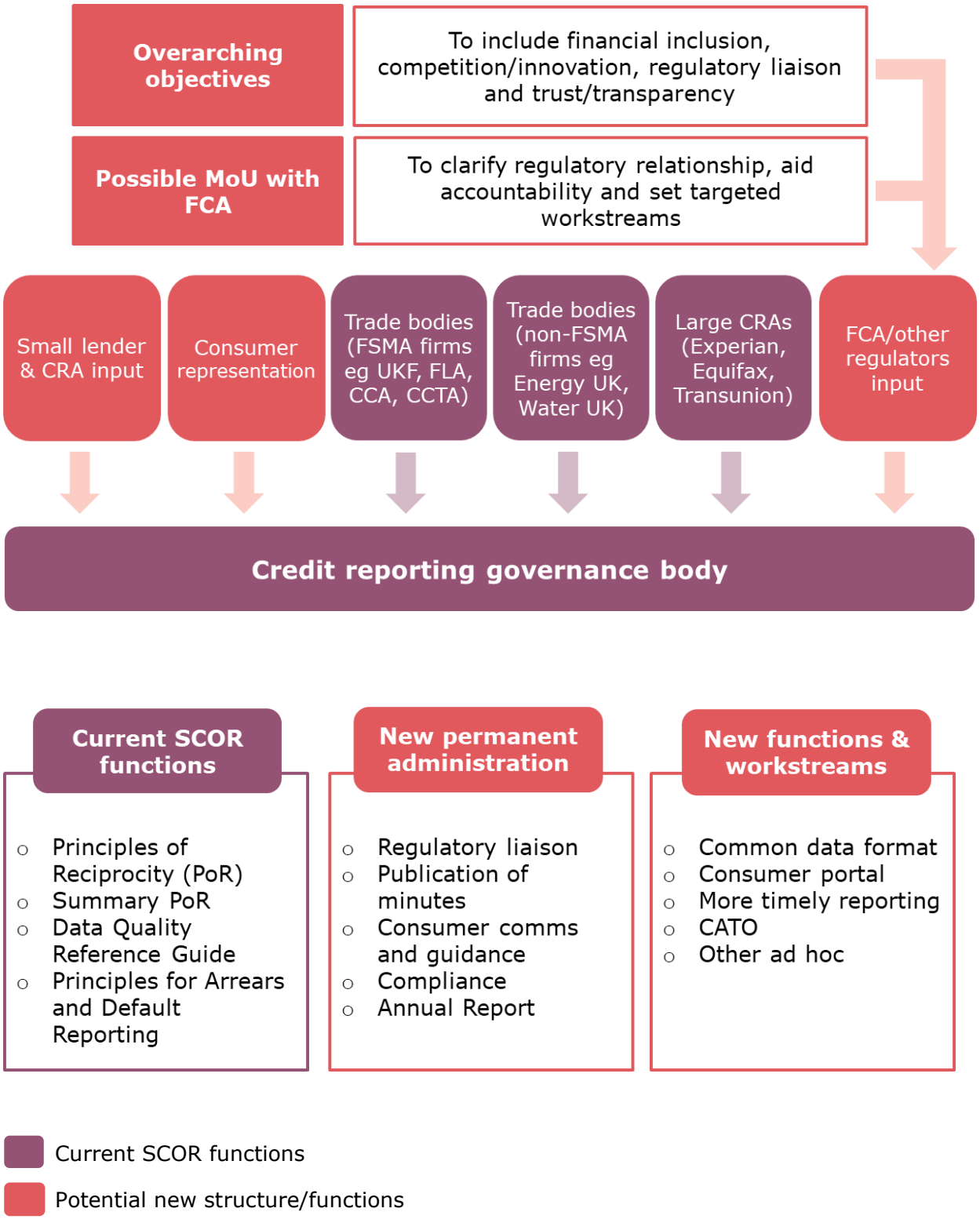
Q2: Do you agree that a new credit reporting governance body could be effectively designed and implemented through voluntary industry-led change?

A new 'Credit Reporting Governance Body' – blueprint for change

15. We set out below some of the high-level changes that we think should be reflected in the design and implementation of the new body, including the type of relationship we would expect it to have with regulators in the future. We recognise that further work would be needed in all these areas to determine the most appropriate approach but consider that this blueprint provides a useful framework within which to consider the nature and extent of change that we believe is necessary.

16. An illustration of how this new body might be structured is indicated below.

Figure 1: New body – Potential new structure (with changes in coral)



Objectives and remit

17. Given the importance of credit information to consumer outcomes and role it plays in helping to deliver public policy objectives, both within the retail lending sector and

beyond, we think that the new body should have a wider range of objectives which provide greater clarity on its role and aid accountability.

18. We consider that these are objectives to which the body itself would be bound but recognise that there may be other more bespoke objectives which may be relevant to particular data sharing arrangements or datasets. However, when considering policy or other decisions relating to these arrangements, we think it appropriate that the body have regard to these broader objectives.

19. Our suggested broader objectives for the body include:
    - **Financial inclusion** – to seek to enhance financial inclusion when considering changes to existing or new data sharing arrangements.
    - **Competition** – to ensure that governance and data sharing arrangements foster competition in the provision of credit information to lenders and other users.
    - **Innovation** – to encourage the development of innovative products and services from existing and new market participants.
    - **Regulatory liaison** – to participate in ongoing dialogue with regulators and agree to undertake targeted work to achieve specified outcomes.
    - **Trust and transparency** – to enhance consumer trust and understanding through improved transparency. Including publication of key documents and consumer communications/guidance.

20. While we consider that the body should have appropriate regard to these objectives when making decisions, it would also need to take account of relevant commercial, regulatory and legislative issues. We recognise that these issues may often raise complex questions and on occasion there may be tensions between certain objectives. Where this is the case, we think that the enhanced transparency measures set out below would provide wider visibility and understanding around these complex issues and help drive solutions where appropriate.

21. The current remit of SCOR is generally limited to the administration and development of the PoR and associated documents. However, the increasing complexity of the credit information landscape alongside other evolving commercial, regulatory and technological developments may now raise broader questions that can only be effectively addressed through industry-wide agreements or decisions. For example, this could include ethical questions around the use of information for new purposes, or the interpretation of an evolving data protection framework.

22. We therefore think that the new body should have a broader remit which is able to holistically consider issues relevant to how all credit information is shared and used within and beyond the retail lending sector. While the administration and development of the PoR forms a key aspect of that, we consider that a part of that broader remit should include all relevant datasets shared between FSMA-regulated data contributors and CRAs, such as current account turnover data (CATO).

23. The broader remit would also include issues relevant to some of the other remedy areas identified in this report, such as the development and administration of a common data format and implementation of more timely reporting mechanisms.

Constitution and decision-making

24. The rules for the operation of SCOR are currently set out in the PoR and include relevant matters such as functions, structure and membership. CRAs, trade associations and industry bodies must reach certain minimum threshold criteria to obtain membership and material changes to the PoR/SCOR generally require unanimous agreement from members.

25. We recognise that these arrangements seek to balance a complex range of interests and that the overriding aim is to ensure that personal data is shared in accordance with the PoR and relevant legislation. However, we have heard from some stakeholders that these arrangements may now unduly restrict participation from a more representative group of interested stakeholders and may hinder the ability of the body to respond quickly to emerging issues.

26. In view of the wider remit envisaged for the new industry body we therefore think that consideration should be given to how a wider group of interested stakeholders could participate and how decision-making processes could be made more efficient and transparent. We recognise that it may not always be appropriate for all participants to decide on certain matters and that there may on occasion be commercially sensitive issues which it would be inappropriate to discuss in a broader forum. However, on balance we consider that better and more appropriate outcomes could be achieved through this broader representation, which would also help improve transparency and understanding about the nature and role of credit information.

27. We set out below some broad principles around possible changes in these areas on which we would welcome stakeholder views.

28. We wish to see a more inclusive constitution, to ensure that:
    - the interests of consumers are adequately represented
    - there are no undue barriers to participation in the body for small CRAs
    - potential or existing data contributors who are not members of relevant trade associations or industry bodies are able to participate in an appropriate way

29. We wish to see more effective decision-making processes that:
    - ensures the interests of data contributors, CRAs and consumers carry equal weight
    - do not require unanimity
    - are more transparent

Accountability and transparency

30. SCOR currently hosts a website containing basic information but does not provide any other public information on its day-to-day activities or operation. We recognise that it has attempted to become more outward facing, for example through the recruitment of an independent chair. However, it does not currently appear to play a significant role in enhancing consumer understanding or in other public engagement activities. While there is ad hoc regulatory engagement on certain issues, there is also no broader accountability for its activities other than to the existing membership.

31. In view of the wider remit envisaged for the new industry body we therefore think that consideration should be given to how the new body could be made more accountable.

This approach envisages a more interactive and engaged relationship with the FCA, and potentially other regulators, than has previously been the case, recognising the important role that credit information plays in the financial services sector and beyond. It also reflects the potential approach to implementation of certain remedies identified in this report, which we consider should be taken forward primarily by the new industry body within agreed timescales. This would mean leveraging the expertise of industry specialists within a broader structure and remit that takes account of wider stakeholder interests and public policy objectives.

32. We think that it would be helpful to clarify the nature of this new relationship, along with any expectations around specific workstreams, in a Memorandum of Understanding (MoU) between the new industry body and the FCA. Such an MoU could specify a broader range of objectives for the body and set expectations around the nature and timing of engagement and reporting between the body and the FCA. This would help provide clarity about the role of the body and its interaction with the regulatory regime, as well as providing some external accountability.

33. In addition, we believe that consumer understanding and trust in the credit reporting framework could be significantly enhanced through greater transparency. We therefore think that the new body should publish information about its ongoing activities, including minutes of meetings and an annual report on how decisions and workstreams have contributed to achieving the broader objectives. This could also provide a formal mechanism for industry participants to highlight regulatory or legislative issues that may be adversely impacting good consumer outcomes.

Resources and funding

34. We recognise that these proposals envisage a wider role for the new body that would require an increase in resources and funding. SCOR is presently funded as agreed by members from time to time. In practice, we understand that facilities and resources are provided primarily by the 3 large CRAs with input from trade bodies including UK Finance and the FLA.

35. Given the nature and extent of the new role envisaged for the body we would expect that it would need to establish a new permanent administration to be able to effectively deal with administrative, policy and regulatory engagement issues. Our initial view is that a new body could be effectively designed and implemented by industry-led change, and that the necessary resources and funding of the new body would be a matter for industry to determine.

Q3: Do you agree with the potential 'blueprint' for the new industry body?

Q4: Do you agree that funding and resources for the new industry body should be a matter for industry to determine and provide?

Q5: Please indicate if there are any alternative ways that you think such a body could be made more representative, transparent and accountable.

3 Improving the quality of credit information

Remedy 2A - Mandatory data sharing with CRAs

36. In the Data Quality Annex we set out our findings in relation to the quality of credit information. Given the pivotal role that credit information plays in helping firms to assess risk and deliver broader public policy objectives we want to consider how regulatory intervention could help ensure that credit information is as comprehensive and consistent as possible. Comprehensive, high-quality and consistent credit information is important to market integrity and in helping to ensure that consumers receive fair outcomes.

37. We think that a mandatory reporting requirement for FSMA-regulated data contributors to share credit information with certain designated CRAs would reduce the scope for differences in coverage of key data, helping to ensure that users have a more accurate picture of a consumer's credit history and current indebtedness. This would also reduce the incidence of 'thin files' across the CRAs and may help improve the effectiveness of CRA 'matching' processes. It would also help improve transparency to consumers in respect of who their credit information is being shared with.

38. The effect of such a requirement would be to create a consistent 'core' credit information dataset comprising data provided by FSMA-regulated data contributors. It would not affect the provision of credit information from other data contributors or information obtained by CRAs from other sources.

39. A consistent 'core' credit information dataset would alter competition between designated CRAs, and may more strongly incentivise them to compete on the value-add from derived products and analytics. It may also help incentivise them to seek out new data sources to aid differentiation, driving further competition and innovation. It would also help firms to undertake more effective creditworthiness assessments, leading to a more competitive and efficient retail lending market.

40. Overall, given the importance of credit information to consumer outcomes - both in the retail lending market and beyond - we believe that the provision of accurate, consistent and comprehensive data to certain designated CRAs by FSMA-regulated firms should play an intrinsic role in the responsible provision of credit and debt services.

Q6: Do you agree with the principle of a mandatory reporting requirement to certain designated CRAs to establish a 'core' consumer credit information dataset?

Implementation issues

41. A mandatory reporting requirement for FSMA-regulated data contributors to share credit information with designated CRAs raises complex issues. These include the scope of such a requirement, what information should be shared and with whom, and how such a requirement would interact with existing industry arrangements.

42. There are also potentially complex interactions with legislative requirements, commercial arrangements and some other measures we are considering. However, our initial view is that a mandatory reporting requirement could be introduced in such a way so as to not disturb these arrangements and which enables firms to comply with existing legislative and regulatory requirements.

43. In particular, we do not think that a mandatory reporting requirement would in itself necessitate a change to the fundamental principle of reciprocity which underpins how credit information may be accessed from CRAs. Such a principle could continue to apply through the application of relevant industry agreements and may also continue to be required in relation to credit information users who would not be subject to any mandatory reporting requirement. While we discuss in Remedy 4B the rationale for industry considering the continuing relevance of this principle more broadly, we do not at this stage envisage that a mandatory reporting requirement would remove the general application of this principle.

44. We also recognise the importance of data protection legislation to the credit reporting framework and that firms are subject to a range of obligations and expectations when sharing personal data with CRAs. Firms would remain subject to these requirements while sharing credit information under a mandatory reporting requirement but would not be required to provide credit information in circumstances where this would be unlawful. We want to further consider the data protection implications of firms sharing credit information with designated CRAs under a mandatory reporting requirement, including how this might affect the lawful basis for processing data.

45. We discuss below some key high-level implementation issues and set out our initial view on possible implementation mechanisms.

Scope of requirement (CRAs)

46. We think that it would be necessary to introduce a regulatory framework which designates certain CRAs to whom credit information should be provided under a mandatory reporting requirement. Such a framework could operate in a way similar to that set out in the Small and Medium Sized Business (Credit Information) Regulations 2015, whereby CRAs are 'designated' by HM Treasury according to a number of criteria. Designation under these Regulations would remain separate from any designation framework set out in FCA rules.

47. We would envisage that designation under this framework would be a matter for the FCA, having regard to a number of objective criteria and other considerations. The designation framework would also need to set out the process for obtaining designation, the ongoing requirements on a designated CRA, as well as for de-designation. It may also be necessary to consider whether such a framework should allow for the pausing or suspension of reporting to designated CRAs in particular circumstances.

48. In addition, we think that designation under this framework should be linked to other obligations, including in relation to reporting certain information to the FCA to aid supervisory oversight. We would also expect designated CRAs to participate fully in the industry-led measures proposed below, although we remain open to considering whether more formal regulatory requirements could or should be linked to designation if necessary and appropriate.

49. At this stage, we would envisage that the designation criteria would primarily be linked to a sub-set of firms with Article 89B RAO permission for 'providing credit references', with certain additional designation criteria including:

- the ability to process bulk data
- robust processes which facilitate compliance with data protection and CCA requirements
- robust data security protocols
- robust financial and operational resilience
- the ability and willingness to participate in significant regulatory engagement and industry-wide initiatives

50. In addition to these criteria, consideration would also need to be given by the FCA to the proportionality of requiring credit information to be shared across multiple CRAs, as well as other data protection and market integrity implications. We would envisage that designated status would be assessed dynamically to take account of market developments and other relevant issues. We also recognise that designation of a small number of CRAs may have certain competition implications which we discuss further below.

Q7: Do you agree in principle with the proposal to establish a CRA designation framework?

Q8: Do you agree with the potential designation criteria? If not, what else should or should not be included?

Scope of requirement (data sharing with a broader range of CRAs)

51. We recognise that requiring the sharing of credit information with a small number of CRAs may strengthen the competitive position of those CRAs and may therefore have adverse implications for challenger CRAs. So we also want to consider whether and how any mandatory reporting requirement could or should be extended to a broader range of CRAs to help foster greater dynamic competition. This could mean including challenger CRAs that meet certain criteria in a designation scheme, supporting innovative new entry and strengthening competition.

52. This would involve lenders sharing credit information with a larger number of CRAs than at present. Sharing with a larger number of CRAs may raise questions around the most efficient mechanism for sharing information – for example rather than sharing information directly with CRAs it may be more efficient to share information through a single third-party entity which could act as a central repository and distributor of information. We recognise that this would represent a significant change from the nature of current arrangements but would be interested to hear views on the potential costs and benefits of this.

Q9: What might the competition implications be if only a small number of CRAs become designated CRAs?

Q10: Do you have views on the possible costs and benefits of including a broader range of CRAs within a designation scheme?

Scope of requirement (data contributors)

53. Our initial view is that a mandatory reporting requirement should apply to all firms involved in the provision or administration of regulated credit agreements or regulated mortgage contracts. However, there are various ways such a requirement could be structured. We set out some high-level options below on which we would welcome stakeholder views.
    - An 'absolute' requirement – this would involve all firms providing or administering regulated credit agreements or regulated mortgage contracts being required to share certain credit information across certain designated CRAs. The requirement would apply irrespective of whether the firm uses credit information or products from any of the designated CRAs.
    - A 'portfolio' approach – this would require firms who share credit information on a lending portfolio with at least one of the designated CRAs to share this credit information across all designated CRAs. This would not create an absolute requirement to share data with designated CRAs if, for example, the firm did not wish to use credit information or products from the designated CRAs and so did not need to contribute information under the reciprocity principle.
    - A 'prescribed product/activity' approach – this would involve firms offering particular types of product or who are engaged in particular types of credit or mortgage-related regulated activity being required to share certain credit information on those portfolios with designated CRAs. This could facilitate a more targeted sectoral approach, with potentially different or bespoke requirements for different products or sectors.

54. There may also be various combinations of the above approaches which could facilitate more targeted intervention. In addition, it may also be appropriate to consider whether certain 'de minimis' thresholds be introduced, beneath which a mandatory reporting requirement would not apply. For example, this could involve a threshold based upon the size/nature of the firm, or on the size of the lending portfolio. Such a de minimis threshold would not prevent firms from sharing credit information across any CRAs voluntarily.

55. We also do not think that it would be appropriate for designated CRAs to levy direct charges in relation to the receipt of credit information under a mandatory reporting requirement. While we recognise that designated CRAs will incur initial set-up costs to ingest data from new contributors, our initial view is that these should be borne by them given the ongoing benefits to their business model. However, we will be seeking to understand the likely size and nature of these costs through discussions with industry stakeholders.

56. We recognise that the Home Credit Market Investigation Order (2007) already sets out some requirements for home credit lenders in relation to the reporting of credit information to certain CRAs. We will take account of these requirements when considering whether and how to implement any mandatory reporting requirement for FSMA-regulated data contributors.

Q11: Do you have views on which types of regulated activity should be subject to a mandatory reporting requirement and on the further options set out above on scope?

Q12: Do you think it would be appropriate to introduce 'de minimis' reporting thresholds, if so how should these be defined?

Q13: Do you think designated CRAs should be prevented from levying direct charges to receive data under a mandatory reporting requirement?

Information to be shared

57. At a high-level, FSMA-regulated firms share credit information with CRAs that is either both positive and negative ('full information') or negative only (for example, when a default has occurred). While the majority of firms involved in the provision of retail credit share full information with CRAs, some involved in the provision of debt collection or debt administration may only share more limited negative information.

58. Where firms have decided to share only negative information, our initial view is that it would be disproportionate to require such firms to share full information, and that any mandatory reporting requirement should apply at the level of the information (ie full or negative only) that the firm is already contributing. However, such firms would be subject to a requirement to share that negative credit information across all designated CRAs. We would not anticipate that firms who currently share full information would move to sharing negative only information as a result of these measures.

59. Firms currently share a range of range of credit information with CRAs including 'core' credit performance data (in CAIS or INSIGHT formats), current account turnover data (CATO) and credit card behavioural data (BDS). As set out in Remedies 1 and 2B, we think there is a strong rationale for governance of all these datasets to be brought within the ambit of a reformed industry body, and that a common data format be introduced so that they can be reported consistently across industry. However, we recognise that these are complex issues which will take time to consider and address.

60. Our initial view is that it would be inappropriate for the FCA to prescribe in detail what information should be shared with designated CRAs. Such an approach may hamper innovation, and we think that industry will continue to be best placed to determine such matters under the ambit of a reformed industry governance body. However, we recognise that it may be beneficial to set out at a high-level the nature of information that would be subject to any mandatory reporting requirement, for example by reference to particular datasets or data formats.

61. In general terms we would expect that where a firm is able to share credit performance data, CATO or BDS with at least one designated CRA then it should be able to share such information across all designated CRAs. In practice, pending the potential development and introduction of a common data format, we would envisage that firms who currently share these datasets in a particular format should be able to continue to send that data in that same format across designated CRAs.

Q14: Do you agree that firms should be left to decide whether to share full or negative only credit information under a mandatory reporting requirement?

Q15: To what extent do you think the FCA should prescribe the type of information to be shared with designated CRAs under a mandatory reporting requirement?

Appropriate use cases for information shared under a mandatory reporting requirement

62. The introduction of a mandatory reporting requirement could also present an opportunity to clarify appropriate use cases for credit information shared by FSMA-regulated data contributors with designated CRAs.

63. The current framework for how credit information may be used reflects complex interactions between data protection requirements and industry data sharing arrangements set out in the Principles of Reciprocity. The 'Governing Principle' of the POR sets out that credit information may only be shared for the prevention of over-commitment, bad debt, fraud and money laundering, to support debt recovery and debtor tracing, with the aim of promoting responsible lending.

64. The complexity of these arrangements and associated decisioning processes may raise questions around whether it is sufficiently clear to consumers what credit information may be used for and when, and there be areas where greater clarity could be given to provide more certainty to consumers and market participants. There may also be areas where it might be appropriate to consider potential new use cases for credit information by FSMA-regulated data contributors and designated CRAs, or conversely areas where greater certainty might be provided about use cases that should not be permissible. We discuss potential new use cases for credit information in the context of reviewing the ongoing relevance of the underlying principle of reciprocity in Remedy 4B.

65. Our initial view is that the use cases set out by the current framework are broadly appropriate, and that the protections afforded by data protection legislation alongside industry data sharing arrangements generally provide consumers with a sufficient degree of clarity as to how their credit information might be used. However, we would welcome stakeholder views on whether more prescriptive requirements should be introduced around permissible use cases for credit information in the context of any new mandatory reporting requirement for FSMA-regulated data contributors.

Q16: Do you think that more prescriptive requirements should be introduced around permissible use cases for credit information shared by FSMA-regulated data contributors with designated CRAs? If so, what should these include?

Potential costs and benefits

66. As set out above, we think that establishing a comprehensive and consistent 'core' consumer credit information dataset could deliver significant potential benefits to firms and consumers. It could help to ensure that firms have a more accurate and comprehensive picture of consumers' financial circumstances, enhance consumer understanding, and help foster greater competition and operational efficiencies in the retail lending market.

67. Firms would incur some costs where they do not currently share credit information across multiple CRAs, and designated CRAs themselves may also incur some costs in ingesting credit information from new contributors. However, where firms already share credit information with at least one designated CRA, our expectation is that the direct marginal costs of providing this information to an additional one or two designated CRAs are likely to be negligible.

68. Currently, CRAs generally accept credit information in any format – this means that firms can send credit information in the same format across more than one CRA, minimising the additional costs. However, we recognise that there are other costs for data contributors – for example in relation to dealing with additional data queries from CRAs or consumers. Addressing these queries could help to improve the consistency and accuracy of the underlying information. However, it will also generate costs for firms, and we would welcome insight from stakeholders to enable us to assess the potential costs and benefits.

69. We recognise that any additional costs from sharing across all designated CRAs may be incurred disproportionately by smaller firms who may be more likely to only share information with 1 or 2 CRAs at present. However, we think it is important that consumer outcomes are not unduly affected by commercial decisions about who to share credit information with. While some additional costs may be disproportionately incurred by smaller firms, such firms may also be more likely to operate in higher-cost sectors where there is a higher proportion of vulnerable consumers. The benefits to consumers are also therefore likely to be greatest in these sectors. We want to better understand the nature and extent of these costs and benefits before deciding on potential implementation mechanisms.

Q17: Please provide evidence on the additional costs that might be incurred from mandatory data sharing, separately identifying any one-off and ongoing costs, and on the possible benefits that would result.

Remedy 2B - Common data format

70. Credit information is currently shared with CRAs in different data formats. The findings from the Data Quality Annex and the CRA Competition Annex indicate that different data formats can make switching between CRAs more difficult and can give rise to data inconsistencies between CRAs which could unduly affect consumer outcomes. We are also concerned that these different data formats may hinder the effective evolution of the reporting framework as they may exacerbate challenges around agreeing and co-ordinating complex technological change across industry. Different data formats can also lead to consumer confusion and complaints.

71. There are two main formats in which 'core' credit performance data is reported to CRAs. These are owned by Equifax (INSIGHT) and Experian (CAIS) and reflect the underlying structures of their respective databases. Data contributors generally choose to report in one of these formats, which are typically accepted by all CRAs who then 'convert' the data received to fit the structure of their underlying database. Current Account Turnover (CATO) data is also shared in different formats reflecting individual contractual relationships between PCA-providers and CRAs.

72. We recognise that there are similarities in these data formats and that current arrangements may work well for many data contributors and users. We also acknowledge that the CRAs have recently played a positive role in the development of new guidance on how to report deferred payment credit (DPC) products - also known as 'buy-now pay-later' (BNPL) - within the existing data reporting framework.

73. However, we think that there is now an opportunity to consider how a new common data format could be introduced alongside a reformed industry governance body and any mandatory reporting requirement. We recognise that such a change raises

complex issues and would require specialist industry expertise to consider technical implementation issues and any new reporting parameters. However, given the importance of credit information to consumer outcomes, we consider it vital that the credit reporting infrastructure records consumer circumstances consistently and appropriately and is able to evolve quickly and effectively while taking account of the interests of a wider group of stakeholders.

74. We consider that the key objectives of a common data format should be to improve the consistency and granularity of credit information held by designated CRAs, both to help firms assess risk more effectively and ensure fairer consumer outcomes. However, there are a number of specific issues that we also believe warrant further consideration as a part of the development of a common data format which we think should be informed by wider public debate.

75. In particular, we think that further consideration should be given to how borrowers in financial difficulty and other vulnerable circumstances are reflected in credit information. We have highlighted below a number of areas where we believe greater consistency could be achieved in the way that arrears, arrangements and defaults are reported to CRAs.

76. As the cost of living crisis evolves there are likely to be an increasing number of borrowers in financial difficulty and vulnerable circumstances, heightening the importance of these issues. In addition, the increasing complexity of the debt solution landscape – including the possible introduction of new schemes – raises questions about whether the current credit reporting infrastructure is sufficiently flexible to appropriately recognise consumers in different forms of bilateral or collective repayment arrangements and debt solutions.

77. We think that there is now an opportunity to think holistically about these issues to determine whether better outcomes could be achieved through changes in the way that certain events are reported to, and recorded by, CRAs.

78. We consider that development and implementation of a common data format should be achieved through industry-led change under a reformed industry governance body. We envisage that the common data format would include the 'core' credit performance data (currently reported in CAIS or INSIGHT format), CATO and BDS data, and should be recorded on a consistent basis by designated CRAs which would help facilitate the creation of a consistent 'core' consumer credit dataset. As we discuss further in Remedy 4C below, we think that this may also present an opportunity to consider possible improvements to CATO data alongside updated access arrangements in respect of that particular dataset. In addition, we think that appropriate consideration should be given to how data formats could be made more 'future proof', for example to provide increased flexibility for new product types and features or more timely reporting cadences in future.

79. We set out below our initial view on some of these issues on which we would welcome stakeholder views.

Q18: Do you agree with the proposal to establish a common data reporting format?

Borrowers in financial difficulty

80. How borrowers in financial difficulty are reflected in credit information materially affects how they are viewed from a risk perspective and helps to inform responsible lending decisions. The framework for reporting financial difficulty in credit information therefore significantly impacts consumer outcomes at point in time and into the future as consumers seek to financially rehabilitate. Borrowers in financial difficulty may often also be likely to exhibit characteristics of vulnerability, and how such consumers are treated is central to ensuring that they receive an appropriate degree of protection.

81. Financial difficulty may result in a wide range of different outcomes including missed payments, bilateral payment arrangements, refinancing, collective debt and insolvency solutions. The complexity of the credit reporting framework makes it difficult for consumers to understand the potential impacts of these different outcomes on their credit file and how they might be viewed by lenders in future. It is therefore important that borrowers in financial difficulty can be confident that credit information reflects their circumstances as accurately, consistently and comprehensively as possible.

82. While the current reporting framework is effective at recording the payment performance of consumers against their contractual terms, we are concerned that it may not always deliver consistent or appropriate outcomes for those who engage with lenders and agree bilateral or collective payment arrangements.

83. We therefore think that in developing a common data format, there is an opportunity to consider how payment arrangements and debt solutions are reflected in credit information. In particular, this should include whether the reporting framework could better incentivise consumers to engage with lenders when they are in financial difficulty and whether it could provide greater certainty about the longevity of impact on credit files.

84. However, we do not want to 'mask' financial difficulty - our overriding objective is to enhance the consistency and granularity of credit information, as this will help deliver the best outcomes for consumers.

Arrangements and debt solutions

85. Where borrowers in financial difficulty agree a temporary reduction in payments with their lender, this is typically reflected in credit information as an 'arrangement'. An arrangement can be for any period and indicates that a borrower is in financial difficulty but with an expectation that the account will revert to the agreed terms in future.

86. Different data reporting formats result in arrangements being recorded differently in credit information held by CRAs. This means that missed payments may or may not be recorded alongside an arrangement. There are also varying lender approaches. For example, some lenders may not report new missed payments alongside an arrangement where borrowers maintain reduced payments under that arrangement. These differences can affect consumer outcomes – particularly for those who are in the early stages of financial difficulty – and can be confusing for consumers.

87. While arrangements can provide useful contextual information to lenders while a borrower is in financial difficulty, the number of missed payments will typically take precedence in determining how a consumer is viewed by lenders at point in time or in the future. This means that those consumers who have agreed and maintained a payment arrangement with their lender may not always be appropriately isolated from those who have simply missed payments.

88. Many stakeholders have indicated that they consider the current framework lacks sufficient nuance to reflect the wide range of possible consumer circumstances, and that there is scope for enhancements which could deliver better outcomes for firms and consumers. However, we recognise that these are complex issues, and that there can be interactions with other operational processes including accounting and impairment models.

89. It is also important that the framework for reporting financial difficulty is as objective as possible and does not allow for undue discretion on the part of those reporting sensitive information which can have material impacts on consumer outcomes. It should be transparent and understandable to firms and consumers and provide confidence that consumer circumstances are recorded as accurately as possible. From an operational perspective, relevant information should be capable of being reported temporally without the need for retrospective reporting while being sufficiently flexible to accommodate a wide range of different product types.

90. However, we think that better outcomes could be achieved through a new approach to reporting arrangements which delivers more consistent, granular information and provides greater certainty to consumers about the longevity of impact on credit files where they maintain these arrangements. This approach should also facilitate greater consistency in the reporting of collective payment arrangements and debt solutions – for example DMPs and any new debt repayment schemes.

91. A suggested new approach for the reporting of arrangements under a common data format is set out below on which we would welcome stakeholder views.

Q19: Do you agree with the principle of a new approach to reporting arrangements to improve consistency and granularity?

Potential new approach

92. We think that the introduction of a more granular arrangement flag could help deliver a more representative view of consumers' circumstances when they experience a period of financial difficulty and engage with their lender. This would allow for more effective isolation of different cohorts that may present different risk profiles. For example, different flags could delineate consumers who are making zero/token payments, non-token payments or overpayments to clear arrears.

93. Alongside this, consideration could also be given to introducing a more granular range of separate flags to identify consumers who are engaged in different types of collective debt solutions or other initiatives (eg DMPs, DAS, possible new debt repayment schemes) as well as an 'exceptional circumstances' flag which could be deployed across industry at short-notice in the event of exceptional events. There may be benefits in enabling these flags to be reported alongside a more granular arrangement flag to provide additional contextual information where relevant.

94. In addition to the above, we consider that the reporting framework for bilateral arrangements and debt solutions would deliver a better balance between the interests of firms and consumers if performing non-token arrangements or debt solutions are reported against agreed rather than contractual terms. This means that new missed payments would only be reported during these types of arrangement where consumers fail to meet the agreed reduced payments.

95. Importantly, such consumers could be identified within the reporting framework through a more granular arrangement or debt solution flag – both during the period

of such an arrangement and for an agreed period thereafter. Our initial view is that it would be appropriate for such flags to remain visible on credit files for a period of 12 months after an arrangement or debt solution has come to an end. For those consumers who do engage with their lender and are able to maintain agreed reduced payments, this would mean that their credit file would not be impacted for 6 years in the same way as under the present system.

96. We do not envisage that such an approach would have any impact on how consumers who do not engage with their lender and miss payments have their circumstances reported.

97. While the approach of reporting performing arrangements against agreed terms is already adopted in some parts of the industry, we recognise that it would represent a significant change for many firms and have operational implications. It may necessitate greater reliance being placed on flags rather than missed payments in decisioning processes and prompt changes to the way that some firms assess the risk of different cohorts. However, on balance we think that it is appropriate that those who have engaged with their lender (or lenders) and maintained agreed reduced payments are more effectively isolated within the reporting framework from those who have missed payments.

98. We think there are number of other benefits of such an approach, including:

- greater consistency of approach across industry
- better incentives for consumers to engage with their lender (or lenders) and agree meaningful payment arrangements
- certainty for consumers about the length of impact on their credit file where they engage with their lender and maintain payment arrangements (flag removed after 12 months)
- better reflection of the customer/lender relationship where a performing arrangement is in place
- future flexibility for any exceptional circumstances, as a point-in-time flag could be deployed consistently across industry that has no long-term impact
- better isolation of customers who are engaged and making meaningful payments thus requiring lenders to 'take a view' on their relative risk

99. We acknowledge that these are complex issues, and that there are technical and operational implications that need to be considered further – including in relation to future decisioning processes and impairment models.

100. We also recognise that further consideration would need to be given to the possible treatment of zero/token payments and to the potential implications of delaying the point at which a default may eventually be reported where an arrangement or debt solution subsequently breaks down. However, many of these questions arise at present and may be more easily resolved in the context of a wider debate around new or revised reporting parameters for a common data format.

101. Overall, we think that the approach set out above would deliver more consistent and granular credit information, provide enhanced flexibility and better balance the interests of firms and consumers. It would also provide enhanced transparency and incentives for consumers in financial difficulty to engage with their lender, leading to better outcomes for all.

Q20: Do you agree with the potential new approach to reporting arrangements and debt solutions?

Consumers in vulnerable circumstances

Non-financial vulnerability markers

102. Borrowers in financial difficulty may often exhibit characteristics of vulnerability. How such consumers are treated is therefore central to ensuring that they receive an appropriate degree of protection.

103. We recognise that the credit reporting framework is primarily concerned with consumers' financial circumstances, and that the statutory process set out in the CCA for recording 'Notices of Correction' (NoC) on credit files provides a mechanism for consumers to record appropriate contextual information. This may include information relevant to non-financial vulnerability. However, many consumers appear to be unaware of the NoC process, and the volume of NoC recorded on credit files appears low in comparison to the proportion of consumers who may be expected to exhibit characteristics of vulnerability.

104. The NoC process is also unwieldy given the need to engage separately with each CRA where a consumer wishes to record a NoC on each credit file. More specific non-financial vulnerability markers which are binary in nature (eg a flag or flags denoting particular types of vulnerability) may enable lenders to more effectively ingest vulnerability information and design engagement strategies. For example, separate markers could indicate lack of mental capacity, those with addictions or who are subject to domestic or economic abuse.

105. We therefore want to consider whether it would be appropriate for consumers to be able to record non-financial vulnerability markers on credit files. Our initial view is that this could operate alongside the existing NoC process, and that it should be possible to record both vulnerability markers and NoC across designated CRAs in a streamlined way as discussed in Remedy 3D.

106. In addition, there may be advantages in providing lenders and certain other credit information users (for example in the debt advice sector) with the ability to record non-financial vulnerability markers directly on credit files, with appropriate consumer consent. However, we would not envisage that they would be under any obligation to do so.

107. We recognise that recording indicators of non-financial vulnerability on credit files may have implications that need careful consideration. For example, there may be risks if such consumers are deemed to be uneconomic to serve. However, appropriate parameters could potentially be agreed across industry about the appropriate use of such information that mitigates these risks. We welcome views from stakeholders on the possible implications of this proposal.

Q21: Do you agree that consumers should have the ability to record non-financial vulnerability markers and/or Notices of Correction across designated CRAs in a streamlined way?

Q22: Do you agree that lenders and other users should have the ability to record non-financial vulnerability markers across designated CRAs with appropriate consumer consent?

Credit 'freeze' markers

108. We have heard that some consumers may be using the NoC process in an attempt to restrict their access to credit, and that there may be occasions where consumers wish to restrict their access to credit for a variety of reasons. For example, this could include those who are subject to an addiction or economic abuse.

109. While we recognise that there are already processes in place to register contextual information and record instances of fraud, these processes may be difficult for some consumers to engage with and may not always achieve the effect desired by the consumer. We therefore think that it is appropriate to consider how consumers could be afforded greater control over their credit information through the ability to record a 'credit freeze' marker on credit files. This would provide a binary indication to lenders that no new credit accounts should be opened.

110. We would envisage that such a process could be implemented as a part of Remedy 3D, and that it would be beneficial if consumers were able to record such a marker across designated CRAs in a streamlined way. We do not think that it would be appropriate for lenders to have the ability to record such markers, given the potential implications for consumers' access to credit.

Q23: Do you agree that consumers should have the ability to record a 'credit freeze' marker across designated CRAs in a streamlined way?

Potential costs and benefits

111. As set out above, we think that establishing a comprehensive and consistent 'core' consumer credit information dataset could deliver significant potential benefits to firms and consumers. These include ensuring that firms have a more detailed picture of consumers' financial circumstances, enhanced consumer understanding, and a more competitive and efficient retail lending market.

112. However, we think that in practice this would be more difficult to achieve effectively without the introduction of a common data format. A common data format would also bring other benefits, including making switching between CRAs easier and facilitating a co-ordinated industry approach to improving the reporting infrastructure.

113. We recognise that designated CRAs and FSMA-regulated data contributors would incur costs in making changes to underlying infrastructure and systems. Other changes may also need to be made to the ways that information is ingested by firms and to related decisioning processes. We acknowledge that for some firms these costs may not be negligible, and we invite evidence on what these costs might be. However, together with the challenges of co-ordinating such changes across industry these issues may also be preventing the reporting infrastructure from evolving in ways which could deliver commercial benefits and better consumer outcomes over the longer-term.

114. We envisage that changes to data formats would be largely evolutionary in nature, such that they could be incorporated within existing change programmes over the medium-term. We also note that decisioning processes and scorecards are updated from time to time, such that any changes required as a result of the introduction of a common data format could be considered alongside these ongoing changes.

115. In view of these issues, we recognise that the development and implementation of a common data format would take some time, and that the overall costs could be mitigated by industry incorporating changes within existing programmes wherever possible. Any timeline for implementation of this measure would therefore be informed by the nature and extent of costs and benefits and practicalities of co-ordinating change across industry.

Q24: Please provide evidence on the additional costs that might be incurred from a common data format, separately identifying any one-off and ongoing costs, and on the possible benefits that would result.

Remedy 2C - Designated CRA regulatory reporting to FCA

116. CRAs play a pivotal role in the provision of credit information, and we want to help ensure that the information they provide is as accurate, consistent and comprehensive as possible. While we engage regularly with CRAs on relevant supervisory and policy issues, there are currently no bespoke requirements for CRAs to report sector-specific information to the FCA which could help aid supervisory oversight of the credit reporting framework.

117. The current arrangements may not provide us with early insight into emerging issues that could contribute to consumer harm. We therefore think that it is now appropriate to consider how a proportionate regulatory reporting framework for designated CRAs could be put in place. This would support some of the other potential measures and provide key information to the FCA about the quality of credit information, to help monitor the effectiveness of certain designated CRA and lender processes.

118. We envisage that these requirements would apply only to CRAs who may be designated to receive credit information under any mandatory reporting requirement described in Remedy 2A above. Requirements could be put in place through new rules in the FCA Handbook.

119. We set out below some key areas which we think it would be useful to monitor and propose to work with industry to develop an informative and proportionate suite of metrics which could help to monitor the impact of any new mandatory reporting requirement and provide insight into any ongoing data quality issues.

Q25: Do you agree with the proposal to establish a new regulatory reporting framework for designated CRAs?

Information on data contributors subject to a mandatory reporting requirement

120. If we decide to take forward the proposal to introduce a mandatory reporting requirement for FSMA-regulated data contributors we think that it would be appropriate to ensure that the FCA is able to effectively monitor the operation of such a framework through the collection of appropriate information from designated CRAs. For example, this might include information about the nature and number of key data contributors in particular sectors along with any other key information relevant to the operation of a mandatory reporting framework. We would envisage working with industry to consider how a proportionate and informative suite of metrics could be put in place to achieve appropriate regulatory oversight.

Data disputes

121. CRAs currently report complaints made by consumers to the FCA under DISP requirements (a 'DISP complaint). Consumers may also invoke the statutory process under section 159 of the CCA to correct credit information (often known as the 'data dispute' process) which are not reported to the FCA.

122. DISP complaints and data disputes are not mutually exclusive and may change in their categorisation over time. This framework, combined with the complexity of some disputes and number of parties involved, means that there are challenges in consistently identifying DISP complaints across industry. To ensure that the FCA has a holistic view of the extent and nature of complaints and data disputes being raised, we think that designated CRAs should be required to provide regular information to the FCA on the following issues:

- total number of data disputes received each month, including the average time taken to resolve them
- the number of those data disputes where data is either corrected, removed or left unchanged
- where data is corrected or removed, details of the typical reasons for this (eg CRA matching errors, errors made by data contributors)
- the identity of data contributors whose data is subject to the greatest proportion of error correction or data removal

123. We envisage that these requirements would operate alongside the current DISP requirements for reporting complaints.

CRA 'matching' processes

124. CRA matching processes play a crucial role in attributing credit information to individuals and therefore in ensuring that credit files present an accurate picture of an individual's financial circumstances. These processes are complex and matching is a difficult exercise given the absence of unique personal identifiers. The effectiveness of these processes can therefore significantly impact consumer outcomes, for example if credit information is incorrectly attributed to the wrong individual.

125. We have heard from both industry and consumer groups that matching errors are more likely to occur in relation to 'public data' (eg CCJs and insolvencies), primarily due to variances in the quality of these types of data (particularly in relation to the quality of personal identifier information).

126. We are therefore keen to explore with industry what more could be done to enhance the effectiveness of matching processes, particularly in relation to public data, and what reporting metrics or other changes might be put in place to help facilitate improvements in this complex area.

127. We acknowledge that these are complex issues requiring further consideration and welcome views from stakeholders on how a proportionate and informative CRA regulatory reporting framework might be put in place.

Q26: Do you have views on the potential areas identified above for a designated CRA regulatory reporting regime?

Potential costs and benefits

128. We recognise that the proposals above would involve costs for designated CRAs in relation to the collection and provision of information to the FCA. While these costs may not be negligible, we think that this information is broadly that which may already be known to CRAs or could be derived through relatively small changes to existing processes.

129. A CRA reporting framework could deliver significant benefits in terms of the effectiveness of supervisory oversight – both of CRAs and FSMA-regulated data contributors. It would also help facilitate insight into systemic or emerging issues in the credit information sector and help us to monitor the effectiveness of certain measures proposed in this report.

Q27: Please provide evidence on the additional costs that might be incurred from the potential new regulatory reporting framework for designated CRAs, separately identifying any one-off and ongoing costs, and on the possible benefits that would result.

Remedy 2D - Data contributor requirements (error correction and reporting satisfied CCJs)

130. We have found that consumers sometimes find it challenging to dispute errors in their credit files across CRAs, and that they are often unaware of the need to ensure that where a County Court Judgment is satisfied proof of this is provided to the relevant Court. These issues can affect the accuracy of credit information held by CRAs.

131. We believe that the provision of accurate, consistent and comprehensive data to CRAs by FSMA-regulated data contributors should play an intrinsic role in the responsible provision of credit. The processes that data contributors put in place to ensure the accuracy of data, both when it is first provided to CRAs and where it is subsequently queried by CRAs or consumers, are a central part of this.

132. We recognise that data contributors and CRAs have sophisticated processes in place to help identify errors, and that elimination of all errors in complex processes involving many different parties is unrealistic. However, alongside any mandatory reporting requirement introduced under Remedy 2A, we think that it would be appropriate to set clearer expectations for FSMA-regulated data contributors in relation to data diligence standards.

133. We think that it would be helpful for firms to consider how these potential measures may interact with their obligations under the Consumer Duty, particularly in relation to whether existing processes deliver good consumer outcomes. However, we also wish to explore with stakeholders whether it would be helpful to consider specific FCA rules to address these points, or whether the application of the Consumer Duty is now sufficient to deliver improved consumer outcomes across these areas. In the light of feedback received we will consider the need for specific FCA rules.

Lender data provision to designated CRAs

134. When providing credit information to CRAs, we think that data contributors should exercise an appropriate standard of care and diligence. While we recognise that the vast majority of credit information provided by data contributors is likely to be

accurate, some errors are identified by the CRAs at the point of ingestion and subsequently by consumers.

135. There are existing Handbook provisions in SYSC and CONC which are relevant to the systems and controls that firms put in place. However, to set clear expectations and aid supervisory oversight we think that it may be helpful to introduce a specific requirement relevant to the provision of credit information to designated CRAs. This could include, for example, guidance or expectations around checks to be undertaken prior to data submission and on regularly reviewing the efficacy of reporting processes in the light of root cause analysis where errors are identified by CRAs or consumers.

Error investigation and correction

136. Where consumers invoke the statutory process under section 159 of the CCA to correct credit information on their credit file (often known as the 'data dispute' process) CRAs typically revert to the relevant lender to establish whether data should be corrected, removed or left unchanged. Consumers may also approach their lender directly where they have identified credit information that they believe to be incorrect.

137. Under the 'data dispute' process, CRAs have 28 days to inform a consumer whether data has been corrected, removed or left unchanged. We have heard that lenders can sometimes take significantly longer than this to investigate data disputes and do not respond to CRAs within this period. While disputed data may be 'suppressed' during this period, consumers may still be harmed if their credit file does not provide an accurate view of their financial circumstances because data is 'suppressed' or is otherwise incorrect.

138. We therefore think that it may be appropriate to introduce specific requirements that set clear expectations around how quickly we expect data contributors to investigate and resolve data disputes. Our initial view is that data contributors should respond to data dispute queries raised by CRAs or consumers within 14 days to help ensure disputes can be resolved within the 28-day period set out in section 159 of the CCA.

139. Where errors are identified, we would expect data contributors to ensure that any corrections or removals are made across any CRAs where relevant data has been provided. However, to provide clarity and reassurance to consumers that errors which are common across different CRAs are appropriately rectified we think that it may be helpful to introduce a specific requirement to make this expectation clear.

Reporting satisfied CCJs to the Courts

140. County Court Judgments (CCJs) are an important source of public data for CRAs and typically play a significant role in lender decisioning processes. CRAs obtain CCJ data from Registry Trust Ltd, a not-for-profit organisation that maintains the register of Judgments, Orders and Fines. An outstanding CCJ can have a significant impact on an individual's ability to obtain credit. However, a CCJ that has been paid in full is only marked as satisfied on the public register (and therefore on credit files) if proof of payment has been provided to the Courts.

141. Many consumers are unaware of this process, and the absence of data confirming that a CCJ is satisfied can affect the accuracy of credit information held by the CRAs. We understand that there has been a fall in CCJ satisfaction levels in recent years, and that there are significant regional variations. This may indicate that many consumers whose CCJs have been satisfied are not recording this with the Courts. Many

consumers may only come to realise the impact of this when being subsequently declined for credit.

142. Given the potential impact on consumer outcomes, we think that it is appropriate that those parties taking out the CCJ bear responsibility for ensuring that records are updated with the Courts in a timely manner. In our Consumer Duty publication we set this out as an example of good practice. However, given the potentially significant impact of this issue, to provide clarity and reassurance to consumers we think that it may be helpful to introduce a specific requirement to make this expectation clear.

143. We recognise that such a requirement would only apply to FSMA-regulated firms who obtain CCJs. However, we hope that other firms operating outside of our perimeter will adopt similar processes as a matter of good practice.

Q28: Do you have views on the potential requirements for FSMA-regulated data contributors, including whether they are necessary in the light of firms' obligations under the Consumer Duty?

Potential costs and benefits

144. Our initial view is that any additional costs incurred by firms as a result of these measures are likely to be negligible. They may also broadly reflect expectations that could be inferred from existing regulatory requirements and the Consumer Duty.

145. We understand that any new requirement to report satisfied CCJs to the court will primarily impact those firms engaged in debt collection and debt administration activity, and that some firms engaged in these activities already report satisfied CCJs to the courts. Given that proof of payment will originate from the creditor (or owner), we think that the costs of reporting satisfied CCJs to the Courts are likely to be negligible. There is no specific fee for reporting satisfied CCJs to the Courts.

146. We consider that there are likely to be benefits from these measures through enhanced firm conduct, more accurate credit information and reducing the need for consumers to navigate complex administrative processes with different parties.

Q29: Please provide evidence on the additional costs that might be incurred from the potential requirements for FSMA-regulated data contributors, separately identifying any one-off and ongoing costs, and on the possible benefits that would result.

4 Supporting consumers to improve awareness of and access to credit information

147. We have found that the complexity of the credit information landscape, including consumer confusion around the roles of credit files and credit scores, may be inhibiting consumers from taking action to check the accuracy of underlying information, see the Consumer Engagement Annex for further information. We think that consumer awareness and engagement could be significantly improved by a range of measures which help consumers to access and dispute credit information held by the CRAs.

Remedy 3A - CRA/CISP signposting to statutory credit file information (SCRs)

148. Almost half of consumers (43%) in our sample were unaware that their credit information is available for free through a statutory process. In addition to this lack of awareness, we are also concerned that consumers may be discouraged from accessing their statutory credit file information (ie Statutory Credit Report (SCRs)) when it would be in their best interests to do so. This may mean that consumers are unable to identify and dispute mistakes in their credit information, potentially adversely impacting their future eligibility for credit. We are also concerned that some consumers may inadvertently sign-up to related subscription services that are focused on the provision of credit scores or credit broking services.

149. Under Principle 7 'communications with clients' "a firm must pay due regard to the information needs of its clients and communicate information to them in a way which is clear, fair and not misleading". Existing principles are now being augmented by the Consumer Duty which means firms must consistently focus on consumer outcomes and support them to make effective decisions in their interests. We would therefore encourage CRAs to consider our proposals alongside the Consumer Duty in order to assess whether current processes, including in relation to how consumers are signposted to SCRs, deliver good outcomes.

150. We want consumers to:

- be aware that they can apply for a free SCR from CRAs
- be able to easily access their SCRs in a timely way and have the option to do so clearly presented to them in a straightforward and accessible way
- be clear that related subscription services, whether or not free from direct charges, are not the only option available as a means to access their credit information

151. In view of the issues identified above we want to ensure consumers are more aware of the availability of SCRs and can access this information as easily as possible.

152. To enhance consumer awareness about the existence of SCRs we think that CRAs **should more prominently signpost** to the availability of credit information for free through the statutory process. Such signposting should help ensure that consumers are provided with more consistent messaging about the availability of this information.

153. We think it would be helpful for CRAs to consider how information is currently provided to consumers about the availability of SCRs in the context of their obligations under the Consumer Duty, particularly regarding the Duty's consumer understanding outcome. This sets out our expectations that firms should support their customers by helping them make informed decisions about financial products and services. We wish to consider whether the application of the Consumer Duty is now sufficient to deliver improved consumer awareness in this area, or whether specific FCA rules are needed.

154. Any new rule could be implemented in different ways, for example as a high-level requirement or by prescribing specific wording that should be prominently displayed to consumers on CRA's websites. We also recognise that the most effective way of signposting consumers to this information could evolve over time, as the process for accessing SCRs evolves. For example, it may be influenced by the development of a single portal to access SCRs described in Remedy 3B below.

155. In practice, our initial view is that such signposting could be effectively achieved through the prominent display of a short paragraph on key parts of CRA websites detailing the availability of and means to access information through the statutory process.

156. In addition, to help ensure that consumers do not inadvertently sign-up to subscription services that may not necessarily meet their particular needs or circumstances, we think firms providing credit information services (CISPs) **should prominently signpost** to the availability of credit information for free through the statutory process.

157. We also encourage firms providing credit information services (CISPs) to consider their obligations under the Consumer Duty, particularly regarding the Duty's consumer understanding outcome. As with the measure set out above relating to CRAs, we wish to consider whether the application of the Consumer Duty is now sufficient to deliver improved consumer awareness in this area, or whether specific FCA rules are needed.

158. As with the potential measure for signposting by CRAs, any new rule could be implemented in different ways and may also be influenced by the development of a single portal for consumers to access their SCR as described below.

159. Overall, we consider that these measures will help ensure that consumers are provided with prominent and consistent information about the availability of their credit information through the statutory process no matter which part of the credit information ecosystem they are engaging with.

160. While additional subscription-based services provided by CRAs and CISPs may provide benefits to consumers, we think that it is important to address this key information asymmetry between firms and consumers so that consumers are better informed and are able to make effective decisions in their interests. We also think that measures to improve consumer awareness of SCRs could help drive and strengthen incentives for CRAs/CISPs to innovate and focus on how the added value of their subscription-based services can deliver benefits for consumers.

161. We recognise that CRAs and CISPs can be commercially incentivised to encourage consumers to sign-up to related subscription-based services, and that the potential measures could have an impact on revenues derived from these services. We want to consider these implications further to help inform our final approach and welcome views from stakeholders on these measures including the possible costs and benefits.

Q30: Do you agree that CRAs and firms providing credit information services (CISPs) should be required to prominently signpost to the availability of credit information through the statutory process?

Q31: To what extent do you think that specific new requirements in this area are necessary in the light of firms' obligations under the Consumer Duty?

Q32: Do you have views on whether such a requirement should be at a high-level or whether information to be provided to consumers should be prescribed?

Q33: Please provide evidence on the additional costs that might be incurred from the potential requirements for CRAs and CISPs to prominently signpost to the availability of credit information through the statutory process, separately identifying any one-off and ongoing costs, and on the possible benefits that would result.

Remedy 3B – Designated CRA single portal - access to statutory credit file

162. Consumers may not be aware that their credit information is generally held by 3 large CRAs, and that the information each CRA holds on them may be different. Because each CRA has different processes for consumers to request and access SCRs, consumers have to provide separate information to each CRA. This can be time consuming and difficult for consumers to engage with, although we recognise that CRAs need to have appropriate processes in place to ensure data is secure and mitigate against fraud. However, these processes, including the need to access them separately through different CRA websites, may have the effect of reducing consumer engagement and ultimately access to credit information.

163. To help simplify the process by which consumers access SCRs, we are therefore proposing that designated CRAs jointly develop a **single consumer portal** which **streamlines access to credit information through the statutory process**. This could work in a complementary way with Remedy 3A – where consumers are **prominently signposted** to the single portal which facilitates easier access to credit information through the statutory process.

164. We recognise that such a portal could be designed in a number of ways and would need to take account of the existing legislative framework relevant to how credit information is accessed by consumers. It would also need to take account of issues relevant to data security and fraud. However, we consider that more streamlined processes could be put in place which remain compliant with these requirements.

165. As a first step, we think that the single portal could act as a single reference point for consumers to access credit information held by the designated CRAs. This would help make it clearer to consumers that their credit information is held by separate/different CRAs and that there may be differences in the information held. Such a portal might initially provide consumers with the ability to click through to the appropriate parts of designated CRA websites in a single step.

166. We would not envisage that such a process would entail the portal itself holding personal data. However, we are also interested in exploring whether there is scope for identity verification processes to be simplified to reduce the need for consumers to go through 3 separate processes for requesting their SCRs. We recognise that this would require collaboration from the designated CRAs on an appropriate mechanism and may raise questions around data protection and security. However, streamlining the process for consumers to access their SCRs could also reduce the time that the process takes and enhance engagement.

167. We are also interested in exploring whether some current processes that require consumers to provide hardcopy documentation can be replicated securely in an online environment. This could help to reduce the degree of friction in the process and help ensure that consumers are able to obtain their SCR in a timely way.

168. A single portal could also help enhance consumer understanding around the nature and role of credit information by providing factual information and hosting key documents or Q&A material. We recognise CRAs already host a range of information for consumers on their own websites, but there may be benefits in streamlining access to this through a single portal. This might include information such as the CRA Information Notice (CRAIN) which is a single privacy notice jointly developed by the 3 large CRAs. There is also a wide range of related information for consumers available online, such as through Money and Pensions Service (MaPS) and the ICO. It may also be useful for the single portal to provide links to these other sources of consumer information, which may help reduce search costs for consumers and aid transparency.

169. We recognise that currently there is no prescribed format for the presentation of a credit information provided under the statutory process. The presentation of this information differs between CRAs and some presentational elements could potentially lead to better consumer understanding than others. The different presentation of this information may create challenges for consumers to understand, engage with and compare their credit information and may exacerbate consumer confusion even where data is common. Enhanced consumer comprehension could make it easier for them to identify and correct any errors.

170. Therefore, as part of development of a single portal, we also want to explore whether it would be desirable for an alignment of approaches between the designated CRAs when presenting SCRs to consumers, for example through having greater consistency in presentation of key information and metrics which enables consumers to more easily compare their information across SCRs.

171. Given that many consumers may become aware of the single portal through the 'signposting' Remedy 3A described above, we think that it would be inappropriate for the single portal to provide links or cross-selling to any credit information subscription-based services or other credit-related products.

172. Our initial view is that a single consumer portal to help facilitate consumer access to SCRs in a streamlined way could be effectively achieved through industry-led change. We recognise this would represent a significant change from current arrangements and would require industry resource and expertise to successfully implement, particularly from the designated CRAs who we think could play a lead role in the development and operation of the portal. However, as a part of the potential reforms to industry governance arrangements, we are also considering new broader objectives including around enhancing consumer understanding and trust. It may therefore be

appropriate for the industry governance body to also have a role in the development and operation of the single portal alongside the designated CRAs.

173. We recognise that these are complex issues that would need to be considered through discussions with a number of parties but think that there is an opportunity to significantly enhance consumer understanding and engagement in this area.

174. Overall, we want consumers to be able to access their credit information with the minimum amount of friction, subject to appropriate data security protocols being in place. As a minimum, we think that a single portal through which consumers could enter into the processes to access their credit information held by designated CRAs would be beneficial. However, we would also welcome views on the other potential implementation options described above, including what operational or other issues they might raise.

Q34: Do you agree in principle that a single portal could help consumers to access and engage with their credit information?

Q35: Do you think it would be desirable to introduce a single process for consumers to gain access to credit information held by all designated CRAs? What operational or other implications might this raise?

Q36: Do you think that a single portal could play a positive role in enhancing consumer understanding by providing factual information about credit information and hosting key documents?

Q37: Do you think that consumers would benefit from greater consistency in the presentation of key information and metrics in the SCR (to allow easy comparison between SCRs)?

Q38: Do you agree that there should be no links or cross-selling to credit information subscription-based services or other credit products from the single portal?

Q39: Do you think that the new industry governance body should have a role in the development and operation of a single portal?

Possible costs and benefits of a single portal to access SCRs

175. As set out above, we think that establishing a single portal for consumers to access their SCRs from the designated CRAs could deliver significant benefits including enhanced consumer access and engagement with credit information.

176. We recognise that the development of a single consumer portal to facilitate consumer access to SCRs in a streamlined way would require coordination across the designated CRAs. We also recognise that designated CRAs would incur development costs which could include IT build costs, ongoing maintenance and potential compliance costs in relation to ongoing legislative and regulatory change. The costs, resource and level of collaboration required for a single portal would likely vary depending on the extent to which the single portal streamlines operational processes which are presently undertaken separately by CRAs.

177. We want to consider these implications further to help inform our final approach and welcome views from stakeholders on the possible costs and benefits.

Q40: Please provide evidence on the additional costs that might be incurred from a single portal to access statutory credit file information, separately identifying any one-off and ongoing costs, and on the possible benefits that would result.

Remedy 3C – Designated CRA single portal – streamlined dispute process

Consumers find it difficult to navigate the disputes process

178. In our consumer research we heard that consumers found it onerous to navigate the data dispute process and therefore difficult to correct any errors in their credit information. Consumers were also unclear where the responsibility for correcting errors lay and that they potentially had to engage separately with the 3 large CRAs to correct any errors.

179. There are practical issues that consumers face when disputing data across all 3 large CRAs, including that they need to access their credit information through 3 separate processes and potentially initiate 3 separate data disputes processes. As CRAs are unable to determine the accuracy of information provided by data contributors, we have heard that consumers often find themselves going back and forth between CRAs and lender(s) to ascertain the root cause of errors, which can be costly and time consuming.

180. Between May 2018 to April 2019 there were on average around 60,000 data disputes a month received by the 3 large CRAs combined. These are aggregated numbers for the 3 large CRAs, but there are differences between the volumes of data disputes received by CRAs.

181. We therefore want to explore how the **single consumer portal** described above in Remedy 3B could be further developed to **streamline the data disputes process**.

182. We recognise there are incentives for CRAs to encourage and resolve disputes since it improves the overall quality of the data they hold. CRAs also need to ensure that processes are compliant with the statutory data dispute process set out in the CCA. We also acknowledge that the complexity of the credit information landscape means that it may often not be straightforward to identify the source of any particular error or omission.

183. Where data contributors identify an error in data provided to one CRA, there is no explicit requirement on them to notify other CRAs of the same error where they have provided the same data (although we understand that in practice some data contributors do so). Some errors may also result from the challenges in matching information to individuals, which may not directly arise from errors in information provided by data contributors.

184. Given these issues, we think that there is an opportunity to consider how a single consumer portal could help streamline the data dispute process, particularly where data is common across CRAs. We would expect there to be greater commonality of data provided by FSMA-regulated data contributors across the designated CRAs following the introduction of any mandatory reporting requirement under Remedy 2A

above. This could help contribute to the overall effectiveness of a streamlined data dispute process and is also relevant to Remedy 2D described above which discusses new requirements for FSMA-regulated data contributors to investigate and correct errors in a timely way.

CCA statutory disputes process

185. Section 159 of the CCA (correction of wrong information) prescribes a process by which individuals, small partnerships and unincorporated bodies, can dispute credit information held by CRAs. It also contains provision for individuals, partnerships or unincorporated bodies to add a 'notice of correction' (NoC) to their credit file, including a dispute process for the CRA to apply to the 'relevant authority' for an order where the CRA considers it would be improper for it to publish the notice of correction. The "relevant authority" for the purposes of this dispute process is the FCA where the objector is a small partnership or an unincorporated body and the ICO where the objector is an individual. An individual objector may also apply to the ICO for an order if it has not received a notice from the CRA within the required time confirming it intends to comply with the notice correction.

186. In summary, the dispute process requires that the CRA shall, within 28 days of receiving a notice from an individual that they consider an entry incorrect, either:

a. remove the entry from the file
b. amend the entry
c. take no action

and if the notice states that the agency has amended the entry it shall include a copy of the file so far as it comprises the amended entry.

187. We acknowledge that a streamlined data dispute process would potentially interact with legislative requirements in respect of data access (GDPR and DPA) and dispute processes (CCA), but our initial view is that a more streamlined processes could be put in place which remains compliant with these requirements. However, we recognise that there might also be other operational or legal implications that will require consideration by industry experts.

188. We set out below some possible implementation options for discussion.

a. A 'data handshake' process could be implemented where designated CRAs would take additional steps during their inquiry process to establish whether a potential error is likely to be replicated across other designated CRAs. This process would rely on data contributors providing information to CRAs about the nature and timing of contributions made to other CRAs. We note this may raise potential data protection and competition implications which would require further consideration.
b. Where the designated CRA, following inquiries made of the contributor, either removes or amends data, it could invoke the handshake process and inform the other CRAs. As an additional safeguard, contributors should also be required to inform other CRAs where they have identified a common data reporting error. Alternatively, where the contributor makes its own data correction directly with CRAs this could also be made across the 3 CRAs.
c. In relation to possible errors involving public data or from other sources, it is likely that designated CRAs will be able to make a unilateral determination about

the likelihood of potential error replication (eg because of erroneous public data). In such cases it is suggested that they invoke the handshake process and inform the other designated CRAs.

d. Where the designated CRA identifies that it has made an error in processing, it is possible that this could be something isolated to that CRA (eg because of the nature of the matching algorithm) and/or a result of underlying inaccurate data which has been identified that has caused the matching error. In such cases the designated CRA could have discretion around whether to invoke the handshake process, depending on the extent to which the error can be attributed to their own processing or otherwise.

189. Given the technical complexities of these issues and range of different parties involved, our initial view is that a streamlined data dispute process would be best delivered through industry-led change. We recognise that it may be necessary and desirable to sequence implementation of this measure pending the development of the single portal which would initially provide a single point of access to credit information held by designated CRAs. Given the broader objectives and role envisaged for the new industry governance body, it may also be appropriate for it to play a role in considering how a more streamlined data dispute process could be implemented.

190. We welcome views from stakeholders on these issues and the possible implementation options.

Q41: Do you agree that there should be a streamlined process for disputing and correcting errors in credit information held across designated CRAs?

Q42: Do you have views on the potential effectiveness of the implementation options described above?

Q43: Are there any alternative options that might help deliver a more streamlined processes for disputing and correcting credit information in the absence of a single portal?

Potential costs and benefits of a more streamlined data disputes processes

191. We recognise that as additional aspects are added to any single portal established under Remedy 3B, the technical and operational complexities (including IT development costs) are likely to increase. There could also be increased ongoing administration and maintenance costs.

192. However, a more streamlined data dispute process could help mitigate potential harm arising from consumers dropping out of the process to raise disputes, or where errors are corrected at only one CRA despite being common across other CRAs. A more streamlined process could also potentially reduce time and effort for the consumer to correct errors by reducing the need to engage with multiple processes.

193. A more streamlined process could therefore be welfare enhancing overall, and also help to reduce the cost of dealing with data disputes over the longer-term for both firms and consumers. However, we want to consider the potential costs and benefits further to help inform our final approach and welcome views from stakeholders on these issues.

Q44: Please provide evidence on the additional costs that might be incurred from the potential streamlined data dispute process, separately identifying any one-off and ongoing costs, and on the possible benefits that would result.

Remedy 3D – Designated CRA single portal – streamlined Notices of Correction (NoC) process and vulnerability markers

Streamlined Notices of Correction (NoC) process

194. The statutory process set out in the CCA for recording 'Notices of Correction' (NoC) provides a mechanism for consumers to record appropriate contextual information on credit files. This may include indicators of non-financial vulnerability. However, many consumers appear to be unaware of the NoC process, and the numbers of NoC recorded on credit files appears low in comparison to the proportion of consumers who may be expected to exhibit characteristics of vulnerability.

195. Where consumers wish to record a NoC on each credit file, they need to engage separately with each CRA. Therefore, NoC may not be recorded consistently across the CRAs even where the issue may be common or relevant to credit information held by each CRA. Consumers may also wish to simply place a contextual statement on their credit files about their financial or other circumstances which may not directly relate to any disputed underlying credit information.

196. Between May 2018 and April 2019 there were on average around 4,800 NoC per month recorded across the 3 large CRAs combined. The number of monthly NoC recorded varies significantly between CRAs and is significantly lower than the average monthly number of data disputes that do not result in data being removed or corrected. While we may expect some variation between CRAs due to different coverage of credit information, and we would not necessarily expect data disputes to result in the need to record a NoC, these variations suggest that the NoC process may be challenging for consumers to engage with and could be delivering inconsistent outcomes, particularly where there is a need to record a NoC across all CRAs.

197. Given these issues, we think that as a part of the development of the single portal discussed in Remedy 3B above consideration should be given to the introduction of a **streamlined process for consumers to record Notices of Correction across designated CRAs in a single step**.

198. We recognise that this proposal would likely be dependent on the single portal proposal discussed in Remedy 3A above being in place first. We also acknowledge that there are interactions with the data dispute process set out in the CCA. However, our initial view is that a more streamlined NoC processes could be put in place which remains compliant with these requirements.

Non-Financial Vulnerability Markers (NFVM) and 'credit freeze' markers

199. As set out in the discussion above on Remedy 2B, we also want to consider further the implications of consumers being able to directly record binary indicators of non-financial vulnerability and 'credit freeze' markers on credit files. We believe this could significantly enhance consumers' engagement with their credit information and provide

additional contextual information to lenders to inform customer engagement and forbearance strategies.

200. If these proposals are taken forward, we think that the process could operate alongside a streamlined NoC process described above, so that **consumers are able to record non-financial vulnerability and credit freeze markers across designated CRAs through a single portal**. We recognise that such a process would be dependent on the introduction of the single portal described in Remedy 3B above.

201. As with the other proposals relating to a single portal, given the technical complexities of these issues, our initial view is that such a process would be best delivered through industry-led change. We also recognise that it may be necessary and desirable to sequence implementation of this measure pending the development of the single portal and common data format.

202. As discussed in Remedy 2B, we recognise that the implications for consumers of such a process would need careful consideration to avoid any unintended consequences. However, we also want to consider the technical and operational implications that might arise in relation to the implementation of such a measure through a single portal.

203. We welcome views from stakeholders on the possible implications of the proposals to enable consumers to record NoC, non-financial vulnerability and credit freeze markers across designated CRAs through a single portal.

Q45: Do you agree in principle that consumers should be able to record NoC, non-financial vulnerability and credit freeze markers across designated CRAs through a single portal?

Q46: What operational, technical or other implications might such a process raise?

Q47: Are there any alternative options that might help deliver a more streamlined processes for recording NoC in the absence of a single portal?

Possible costs and benefits of recording non-Financial Vulnerability (NFVM) and credit freeze markers through a single portal

204. As with the proposal to streamline the data dispute process, we recognise that providing this type of functionality through a single portal would increase the technical and operational complexities (including IT development costs). There could also be increased ongoing administration and maintenance costs

205. However, as set out above, we think that these proposals could deliver potentially significant consumer benefits and enhance engagement. These benefits are likely to be most effectively realised if consumers are able to interact with credit information held by all designated CRAs through a single process that minimises the scope for confusion and duplication, while ensuring that appropriate contextual information is recorded across all designated CRAs in a consistent way where necessary and appropriate.

206. If taken forward, we recognise that this proposal would likely need to be implemented after the various other single portal proposals described above. However, we want to

consider the implications of this proposal further to help inform our final approach and welcome views from stakeholders on the possible costs and benefits.

Q48: Please provide evidence on the additional costs that might be incurred from enabling consumers to record NoC, non-financial vulnerability and credit freeze markers across designated CRAs through a single portal, separately identifying any one-off and ongoing costs, and on the possible benefits that would result.

5 Supporting competition and innovation

Remedy 4A – More timely reporting of key data

207. The credit reporting framework is generally structured around a monthly reporting cycle. This aligns with payment cycles for traditional credit products but means that credit information can be outdated at the time it is used. The emergence of new products with higher usage frequencies and shorter repayment schedules may now raise a significant question around whether reporting to CRAs on a monthly basis remains appropriate.

208. Consequently, we think that there is now an opportunity to consider whether more timely reporting of certain key data to designated CRAs could help facilitate a more accurate and up-to-date view of consumers' existing credit commitments.

209. We recognise that there would be significant challenges associated with moving to more timely reporting cadences across the whole of the industry and that careful consideration would need to be given to the potential costs and benefits of such a change. We also recognise that the potential costs and benefits of more timely reporting may differ according to the nature and term of the product.

210. However, there may be scope for incremental improvements to be made to the current framework which could deliver significant benefits to firms and consumers. For example, this might include the reporting of a more limited range of key data on a daily, or weekly, basis for particular account types. Key data points might include new and closed accounts, changes to account balances and any early delinquency.

211. To consider these issues further, we are proposing that the new industry body undertakes further analysis to assess the potential costs and benefits of more timely reporting of key data and publishes a report on its findings. This analysis should include input from all relevant stakeholders, including those involved in the provision of new and emerging product types, such as the DPC sector. We would envisage that such a report should include:

- indicative costs and benefits of reporting certain key data to designated CRAs on a daily or weekly basis across different product types/sectors
- what key data points would be likely to deliver optimal outcomes having regard to proportionality and technical feasibility
- a summary of views of all relevant stakeholders
- possible implementation options including indicative timescales

212. Our initial view is that developments of this nature would be best delivered by industry-led change, which leverages appropriate industry expertise and takes account of the needs of credit information users and potential impacts on consumers. We recognise that industry has previously made some progress in this area, particularly through encouraging more timely reporting in the high-cost short term credit (HCSTC) sector. However, there may be co-ordination challenges to achieving a consistent approach to more timely reporting across industry without either the new industry body or the regulator playing a more active role to help foster such change and innovation.

213. The possible introduction of a mandatory reporting requirement under Remedy 2A also presents an opportunity to consider whether it would be appropriate to adopt a more prescriptive regulatory approach in relation to more timely reporting to designated CRAs. However, we recognise that these are complex issues which require industry expertise to help assess potential costs and benefits. The findings of the proposed industry analysis will therefore help inform whether any regulatory intervention in this area is necessary or appropriate.

214. We welcome views from stakeholders on our approach to this issue.

Q49: Do you agree in principle that more timely reporting of key data to designated CRAs could deliver net benefits to firms and consumers?

Q50: Do you agree with our suggested approach of encouraging industry-led change in this area?

Remedy 4B – Reviewing data access arrangements (PoR)

215. Access to credit information is currently determined by the principle of reciprocity, such that access to credit information is provided where a contributor provides information of the same kind. This principle has helped to prevent free riding from those who would otherwise be unwilling to contribute credit information that they hold and helped ensure that a 'critical mass' of credit information has been collected by CRAs. How credit information is accessed and used by data contributors and others also has complex interactions with data protection legislation and commercial arrangements.

216. The introduction of a new regulatory framework around the reporting of credit information therefore presents an opportunity to consider the continuing relevance of the underlying principle of reciprocity. There may be potential benefits – for both firms and consumers – if credit information were able to be used for a wider range of purposes, and therefore by a wider a range of users, than is currently permissible. However, we recognise that use of credit information for a wider range of use purposes has data protection implications and that decisions about what should or should not be permissible can be finely balanced.

217. We therefore think that this issue ought to be considered holistically by industry, with appropriate consumer representation, to determine whether the current approach delivers the best possible outcomes for consumers taking account of their reasonable expectations about how their information might be used. This issue is also related to the question discussed above in Remedy 2A around whether prescriptive requirements should be set on permissible use cases for information shared with designated CRAs under a mandatory reporting requirement.

218. To consider this issue further, we are therefore proposing that the new industry body undertakes further analysis to assess the continuing relevance and appropriateness of the underlying principle of reciprocity, particularly in the context of an environment where credit information is provided to designated CRAs under a mandatory reporting requirement. We would envisage that the new industry body **publishes a report on its findings** which considers:

- the continuing relevance and appropriateness of the underlying principle of reciprocity, including where credit information is provided to designated CRAs under a mandatory reporting requirement
- indicative costs and benefits of alternative access arrangements
- summarises the views of relevant stakeholders

219. We also welcome views from stakeholders on these issues.

Q51: Do you think that the underlying principle of reciprocity would remain relevant and appropriate where credit information is provided to designated CRAs under a mandatory reporting requirement?

Q52: Do you agree with our suggested approach of encouraging industry to consider this issue with input from all relevant stakeholders?

Remedy 4C – Improved CATO data with updated access arrangements

220. Current account turnover data (CATO) is governed by separate arrangements administered by UK Finance. While access to this dataset also broadly reflects the underlying principle of reciprocity, the effect of this is to restrict access to granular CATO data to those contributors who offer personal current accounts (PCAs). More effective assessment of affordability by more lenders could potentially be achieved if access to granular CATO data were made available to non-PCA providers.

221. We have also heard that CATO data shared by PCA-providers with CRAs can often be calculated on different bases, with varying levels of granularity depending on the specific arrangements between PCA-provider and CRA. We also understand that a significant minority of CATO data relates to PCAs are that unable to be shared with other lenders because of the nature of the privacy notices that were issued to consumers at the time the PCA was opened.

222. We recognise that these are complex issues that require further consideration, particularly in relation to the costs and benefits associated with potentially re-issuing privacy notices for PCAs which cannot currently be shared. However, our initial view is that it would be beneficial to consider how greater consistency and granularity could be achieved in relation to the sharing of CATO data, and that better consumer outcomes could be delivered through making granular CATO data available to non-PCA providers.

223. We therefore consider that there is scope for improvements in this area which focus on the reporting of more granular and consistent CATO data alongside updated access arrangements for non-PCA providers. We think that these issues could partly be addressed through inclusion of CATO data within a new common data format considered under Remedy 2B.

Q53: Do you agree that granular CATO data should be made available to non-PCA providers? What implications might this have?

Q54: Do you agree that there is scope to enhance the consistency and granularity of CATO data? If so, how might this best be achieved?

6 Questions for feedback

224. We would like to hear stakeholder views on the effectiveness, proportionality and phasing of the potential remedies before we develop specific proposals and assess the costs and benefits in more detail. Appendix 1 at the end of this annex contains a list of the specific questions on which we would be grateful for feedback by 24 February 2023. You can send your response to these questions using the online response form on our website.

225. We will make all responses available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure. Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

Next steps

226. We will consider feedback on our findings and potential remedies and envisage publishing a Final Report in 2023 Q3. If we decide to progress FCA rules on the measures set out in the Final Report, it is likely that a Consultation Paper will follow.

Appendix 1: List of questions for feedback

Remedy 1 – Industry Governance reform

Q1: Do you agree that there is a need for a new credit reporting governance body with broader objectives that is more inclusive, transparent and accountable?

Q2: Do you agree that a new credit reporting governance body could be effectively designed and implemented through voluntary industry-led change?

Q3: Do you agree with the potential 'blueprint' for the new industry body?

Q4: Do you agree that funding and resources for the new industry body should be a matter for industry to determine and provide?

Q5: Please indicate if there are any alternative ways that you think such a body could be made more representative, transparent and accountable.

Remedy 2A – Mandatory data sharing with CRAs

Q6: Do you agree with the principle of a mandatory reporting requirement to certain designated CRAs to establish a 'core' consumer credit information dataset?

Q7: Do you agree in principle with the proposal to establish a CRA designation framework?

Q8: Do you agree with the potential designation criteria? If not, what else should or should not be included?

Q9: What might the competition implications be if only a small number of CRAs become designated CRAs?

Q10: Do you have views on the possible costs and benefits of including a broader range of CRAs within a designation scheme?

Q11: Do you have views on which types of regulated activity should be subject to a mandatory reporting requirement and on the further options set out above on scope?

Q12: Do you think it would be appropriate to introduce 'de minimis' reporting thresholds, if so how should these be defined?

Q13: Do you think designated CRAs should be prevented from levying direct charges to receive data under a mandatory reporting requirement?

Q14: Do you agree that firms should be left to decide whether to share full or negative only credit information under a mandatory reporting requirement?

Q15: To what extent do you think the FCA should prescribe the type of information to be shared with designated CRAs under a mandatory reporting requirement?

Q16: Do you think that more prescriptive requirements should be introduced around permissible use cases for credit information shared by FSMA-regulated data contributors with designated CRAs? If so, what should these include?

Q17: Please provide evidence on the additional costs that might be incurred from mandatory data sharing, separately identifying any one-off and ongoing costs, and on the possible benefits that would result.

Remedy 2B – Common data format

Q18: Do you agree with the proposal to establish a common data reporting format?

Q19: Do you agree with the principle of a new approach to reporting arrangements to improve consistency and granularity?

Q20: Do you agree with the potential new approach to reporting arrangements and debt solutions?

Q21: Do you agree that consumers should have the ability to record non-financial vulnerability markers and/or Notices of Correction across designated CRAs in a streamlined way?

Q22: Do you agree that lenders and other users should have the ability to record non-financial vulnerability markers across designated CRAs with appropriate consumer consent?

Q23: Do you agree that consumers should have the ability to record a 'credit freeze' marker across the designated large CRAs in a streamlined way?

Q24: Please provide evidence on the additional costs that might be incurred from a common data format, separately identifying any one-off and ongoing costs, and on the possible benefits that would result.

Remedy 2C – Designated CRA regulatory reporting to FCA

Q25: Do you agree with the proposal to establish a new regulatory reporting framework for designated CRAs?

Q26: Do you have views on the potential areas identified above for a designated CRA regulatory reporting regime?

Q27: Please provide evidence on the additional costs that might be incurred from the potential new regulatory reporting framework for designated CRAs, separately identifying any one-off and ongoing costs, and on the possible benefits that would result.

Remedy 2D – Data contributor requirements (error correction and reporting satisfied CCJs)

Q28: Do you have views on the potential requirements for FSMA-regulated data contributors, including whether they are necessary in the light of firms' obligations under the Consumer Duty?

Q29: Please provide evidence on the additional costs that might be incurred from the potential requirements for FSMA-regulated, separately identifying any one-off and ongoing costs, and on the possible benefits that would result.

Remedy 3A – CRA/CISP signposting to statutory credit file

Q30: Do you agree that CRAs and firms providing credit information services (CISPs) should be required to prominently signpost to the availability of credit information through the statutory process?

Q31: To what extent do you think that specific new requirements in this area are necessary in the light of firms' obligations under the Consumer Duty?

Q32: Do you have views on whether such a requirement should be at a high-level or whether information to be provided to consumers should be prescribed?

Q33: Please provide evidence on the additional costs that might be incurred from the potential requirements for CRAs and CISPs to prominently signpost to the availability of credit information through the statutory process, separately identifying any one-off and ongoing costs, and on the possible benefits that would result.

Remedy 3B – Single portal – access to statutory credit file

Q34: Do you agree in principle that a single portal could help consumers to access and engage with their credit information?

Q35: Do you think it would be desirable to introduce a single process for consumers to gain access to credit information held by all designated CRAs? What operational or other implications might this raise?

Q36: Do you think that a single portal could play a positive role in enhancing consumer understanding by providing factual information about credit information and hosting key documents?

Q37: Do you think that consumers would benefit from greater consistency in the presentation of key information and metrics in the SCR (to allow easy comparison between SCRs)?

Q38: Do you agree that there should be no links or cross-selling to credit information subscription-based services or other credit products from the single portal?

Q39: Do you think that the new industry governance body should have a role in the development and operation of a single portal?

Q40: Please provide evidence on the additional costs that might be incurred from a single portal to access statutory credit file information, separately identifying any one-off and ongoing costs, and on the possible benefits that would result.

Remedy 3C – Single portal – streamlined disputes process

Q41: Do you agree that there should be a streamlined process for disputing and correcting errors in credit information held across designated CRAs?

Q42: Do you have views on the potential effectiveness of the implementation options described above?

Q43: Are there any alternative options that might help deliver a more streamlined processes for disputing and correcting credit information in the absence of a single portal?

Q44: Please provide evidence on the additional costs that might be incurred from the potential streamlined data dispute process, separately identifying any one-off and ongoing costs, and on the possible benefits that would result.

Remedy 3D – Single portal – streamlined Notice of Corrections (NoC) and vulnerability markers

Q45: Do you agree in principle that consumers should be able to record NoC, non-financial vulnerability and credit freeze markers across designated CRAs through a single portal?

Q46: What operational, technical or other implications might such a process raise?

Q47: Are there any alternative options that might help deliver a more streamlined processes for recording NoC in the absence of a single portal?

Q48: Please provide evidence on the additional costs that might be incurred from enabling consumers to record NoC, non-financial vulnerability and credit freeze markers across designated CRAs through a single portal, separately identifying any one-off and ongoing costs, and on the possible benefits that would result.

Remedy 4A – More timely reporting of key data

Q49: Do you agree in principle that more timely reporting of key data to designated CRAs could deliver net benefits to firms and consumers?

Q50: Do you agree with our suggested approach of encouraging industry-led change in this area?

Remedy 4B - Updated data access arrangements (PoR)

Q51: Do you think that the underlying principle of reciprocity would remain relevant and appropriate where credit information is provided to designated CRAs under a mandatory reporting requirement?

Q52: Do you agree with our suggested approach of encouraging industry to consider this issue with input from all relevant stakeholders?

Remedy 4C - Updated data access arrangements (CATO)

Q53: Do you agree that granular CATO data should be made available to non-PCA providers? What implications might this have?

Q54: Do you agree that there is scope to enhance the consistency and granularity of CATO data? If so, how might this best be achieved?