FINANCIAL CONDUCT AUTHORITY

Policy Statement

PS26/1

Regulation of Deferred Payment Credit (unregulated Buy Now Pay Later): Feedback to CP25/23 and final rules

February 2026

This relates to

Consultation Paper 25/23 which is available on our website at www.fca.org.uk/publications

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This Policy Statement sets out our approach to the regulation of Deferred Payment Credit (DPC), which has been more commonly known as Buy Now Pay Later (BNPL).

DPC refers to an interest-free credit product, repayable in 12 or fewer instalments in 12 months or less and which is currently exempt from regulation.

We refer to the product as DPC as this is the name given to it in the legislation that will bring it into regulation.

In addition, we already have rules for other regulated credit agreements with 'buy now pay later offers', for which we use the term BNPL. These are distinct from DPC.

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Chapter 1

Summary

1.1 On 14 July 2025, the Government made legislation to bring Deferred Payment Credit (DPC), more commonly known as Buy Now Pay Later, into our regulation from 15 July 2026 (Regulation Day).

1.2 On 18 July 2025, we published CP25/23. This set out our proposed approach to regulating DPC. The consultation closed on 26 September 2025, and we received 45 responses.

1.3 In this Policy Statement (PS), we summarise the feedback and our response, alongside our final rules.

Who this affects

1.4 This PS will be of interest to:

- DPC lenders
- consumers who use DPC
- debt advisors
- consumer groups and debt charities
- merchants and other credit brokers who offer DPC as a payment option
- industry groups and trade bodies
- the wider consumer credit industry

The wider context of this policy statement

Bringing DPC into regulation

1.5 DPC is interest-free credit which finances the purchase of goods or services and that is repayable in 12 or fewer instalments within 12 months or less. It is currently exempt from regulation. This means that lenders offering DPC, and brokers who carry out credit broking of DPC products, do not currently have to be authorised by us. They do not have to comply with our rules nor most of the requirements of the Consumer Credit Act (CCA).

1.6 The DPC market has grown significantly in recent years, from £0.06bn in 2017 to over £13bn in 2024. According to our 2024 Financial Lives Survey (FLS), 20% of UK consumers (10.9 million adults) used DPC in the 12 months leading up to May 2024.

1.7 There are concerns that borrowers may not be getting enough information about their DPC agreements and that they may not be able to afford their repayments. Our analysis shows they are more likely to be in financial difficulty than the general population.

1.8 Given the potential risks of harm and the significant growth in the market, the Government legislated to bring DPC lending into our regulation.

1.9 The Government made the Financial Services and Markets Act 2000 (Regulated Activities etc.) (Amendment) Order 2025 on 14 July 2025. This set out that DPC will become regulated on 15 July 2026.

1.10 The Government originally intended that merchants who broker DPC agreements and are not domestic premises suppliers would remain exempt from regulation. However, domestic premises suppliers would be brought into regulation as regulated credit brokers. Domestic premises suppliers are businesses who sell, offer to sell or agree to sell goods or offer to supply or contract to supply services in people's homes.

1.11 On 16 June 2025, the Government revised its position. It has since made the Financial Services and Markets Act 2000 (Regulated Activities etc.) (Amendment) (No.2) Order 2025. The effect is that all merchants who broker DPC agreements, including those who are domestic premises suppliers, will remain exempt from regulation.

Our consultation

1.12 In CP25/23, we set out our proposals to mitigate the potential harms that DPC lending can cause.

1.13 However, we recognise that DPC can be useful for consumers. It is a way to budget and pay for goods and services over time. It can also be a more affordable way to borrow, as it is interest-free. Additionally, it can facilitate smoother e-commerce customer journeys.

1.14 We want a proportionate approach to regulation. In line with our Strategy, our proposals looked to help consumers navigate their financial lives while supporting innovation and sustained economic growth.

1.15 Our proposals aimed to use the Consumer Duty (the Duty) where possible, rather than introducing new rules. However, we proposed some new rules and guidance, where necessary, to make our expectations clear.

How it links to our objectives

Consumer protection

1.16 Under our regulation, DPC lenders will need to operate to high standards and deliver good consumer outcomes.

1.17 DPC lenders will need to enable consumers to make informed decisions.

1.18 Our changes will also reduce the risk of unsustainable DPC borrowing. DPC lenders will need to undertake a proportionate creditworthiness assessment before each DPC agreement is taken out.

1.19 DPC borrowers will have more protection when things go wrong. DPC lenders will need to provide borrowers with support and, where appropriate, forbearance when they are approaching, or in, financial difficulty. Consumers will also be able to complain to the Financial Ombudsman.

Competition

1.20 Our final rules and guidance will support competition in consumers' interests by providing a robust regulatory framework. Our regime will help consumers to better understand DPC products. Such transparency could give consumers more choice by driving firms to innovate and compete to offer new and better products.

1.21 Our approach seeks to align with rules in place for other regulated fixed-sum credit products, where necessary and appropriate.

Secondary international competitiveness and growth objective

1.22 We believe that our final rules and guidance provide consumers with an appropriate degree of consumer protection. However, we consider that they will also advance our secondary international competitiveness and growth objective. We acknowledged in our CP that there could be a reduction in DPC transactions because of our proposals. For example, from firms needing to undertake creditworthiness assessments. We set out that this might lead to a short-term reduction in consumption by limiting the debt consumers take on.

1.23 However, we consider that our final proportionate approach to regulation will:

- Deepen consumers' trust and confidence in the market, with some consumers possibly more willing to use DPC products.
- Ensure that DPC lending is sustainable.
- Provide regulatory certainty, while making sure that DPC lenders can innovate and compete.

1.24 We anticipate our final approach will mean that DPC remains widely available. Our approach involves material costs for firms. But we consider it will also give rise to substantial benefits as set out in our cost benefit analysis (CBA).

The Consumer Duty

1.25 The Duty is a core part of our approach. In particular, the consumer understanding and support outcomes.

1.26 Our CP proposals reflected how far we believed the Duty could deliver our policy objectives. We concluded that some new rules and guidance were needed to clarify our expectations. Stakeholder responses on whether they thought the Duty alone could deliver our objectives are set out later in this PS.

What we are changing

1.27 After carefully considering feedback, we are broadly making the rules and guidance we consulted on. However, we have made some minor changes to the draft instrument. This is to make sure the rules and guidance work as intended and our expectations are clear. We do not consider the changes to the rules and guidance as consulted on are significant for the purposes of s.138I(5) FSMA 2000. We also do not consider that they have an impact on the compatibility statement in CP25/23.

Conduct standards

1.28 In Chapter 2 we confirm we are:

- Applying most of our existing conduct rules and guidance in the Consumer Credit Sourcebook (CONC) to DPC.
- Making new rules for DPC lenders to provide product information to a borrower before they enter a DPC agreement. We have made some small changes to the rules that we consulted on. In particular, to make sure consumers are given 'key product information' that is most important to their decision making.
- Making new guidance to remind firms of their obligations under the Duty's consumer understanding and consumer support outcomes.
- Making new rules requiring firms to provide information to DPC borrowers who have missed a repayment, and to give notice to the customer before taking certain action. We have made some minor changes to the rules we consulted on. These will require DPC lenders to provide information about free debt advice in certain circumstances. We have also clarified what information firms should provide to consumers who have missed payments.
- Applying our existing creditworthiness rules to DPC lending, including to agreements of less than £50.

Application of the wider Handbook

1.29 In Chapter 3 we confirm we are applying:

- Key Handbook requirements beyond CONC to DPC lenders.
- Existing regulatory reporting requirements to DPC lenders, including Product Sales Data (PSD) and aggregate regulatory returns, with transitional provisions for when firms will need to submit PSD returns.

Dispute resolution

1.30 In Chapter 4 we set out that we are:

- Applying our Dispute Resolution: Complaints Sourcebook (DISP) rules on complaint handling to DPC.
- Expanding the Compulsory Jurisdiction (CJ) of the Financial Ombudsman to DPC activities.

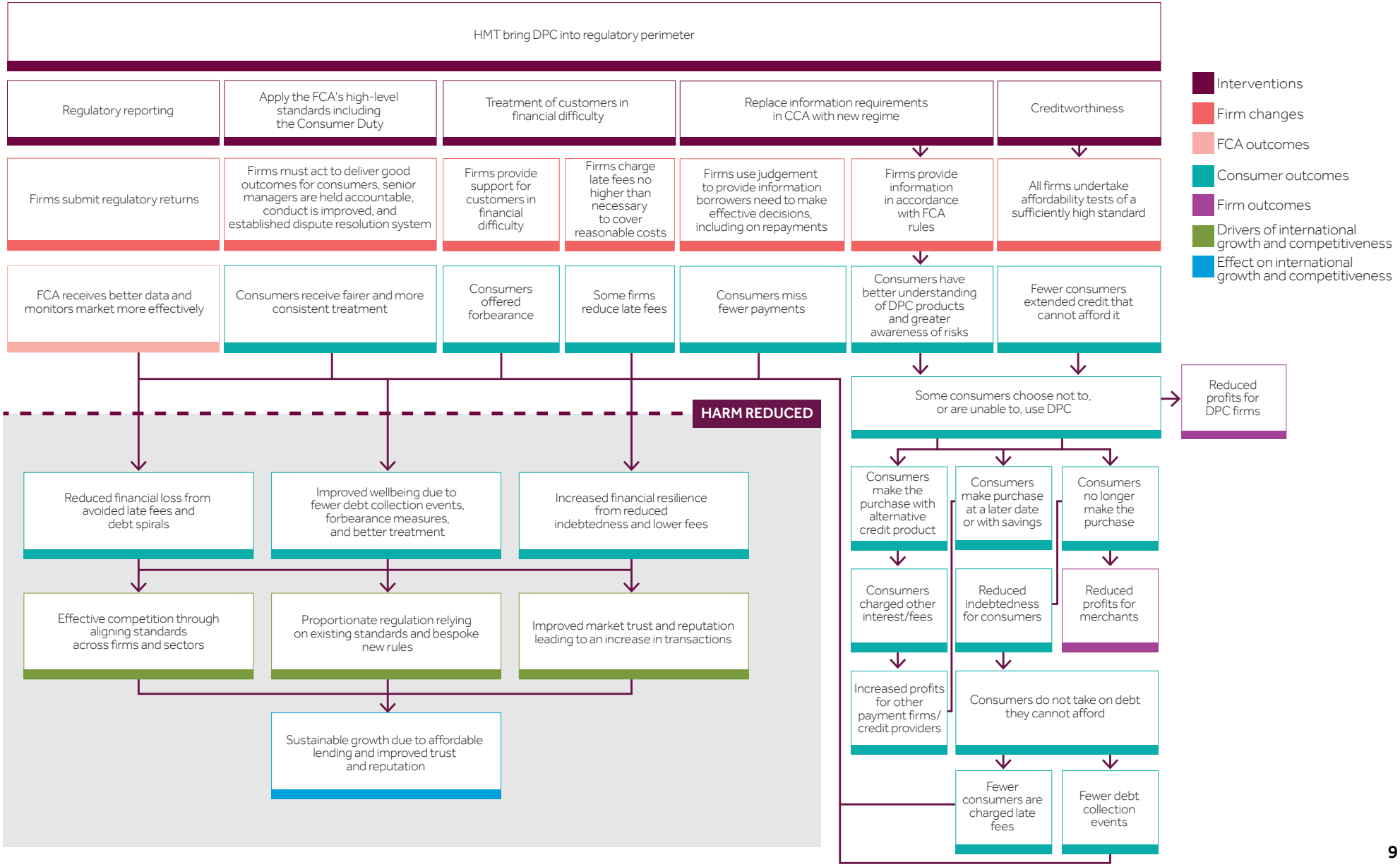
- Not expanding the Financial Ombudsman's Voluntary Jurisdiction (VJ) to cover DPC activities by a respondent from a European Economic Area (EEA) or Gibraltar establishment.
- Suspending our complaints reporting rules for complaints arising from DPC activities for firms while in the Temporary Permissions Regime (TPR).
- Not extending compensation by the Financial Services Compensation Scheme (FSCS) to DPC activities, in line with most other consumer credit activities.

Authorisation

1.31 Chapter 5 confirms how we will authorise firms undertaking DPC activity who do not currently hold the necessary consumer credit permissions and how the TPR will operate.

Outcome we are seeking

1.32 The causal chain below shows the outcomes we want to achieve:


HMT bring DPC into regulatory perimeter
Regulatory reporting
Apply the FCA's high-level standards including the Consumer Duty
Treatment of customers in financial difficulty
Replace information requirements in CCA with new regime
Creditworthiness
Firms submit regulatory returns
Firms must act to deliver good outcomes for consumers, senior managers are held accountable, conduct is improved, and established dispute resolution system
Firms provide support for customers in financial difficulty
Firms charge late fees no higher than necessary to cover reasonable costs
Firms use judgement to provide information borrowers need to make effective decisions, including on repayments
Firms provide information in accordance with FCA rules
All firms undertake affordability tests of a sufficiently high standard
FCA receives better data and monitors market more effectively
Consumers receive fairer and more consistent treatment
Consumers offered forbearance
Some firms reduce late fees
Consumers miss fewer payments
Consumers have better understanding of DPC products and greater awareness of risks
Fewer consumers extended credit that cannot afford it
HARM REDUCED
Some consumers choose not to, or are unable to, use DPC
Reduced profits for DPC firms
Reduced financial loss from avoided late fees and debt spirals
Improved wellbeing due to fewer debt collection events, forbearance measures, and better treatment
Increased financial resilience from reduced indebtedness and lower fees
Consumers make the purchase with alternative credit product
Consumers make purchase at a later date or with savings
Consumers no longer make the purchase
Effective competition through aligning standards across firms and sectors
Proportionate regulation relying on existing standards and bespoke new rules
Improved market trust and reputation leading to an increase in transactions
Consumers charged other interest/fees
Reduced indebtedness for consumers
Reduced profits for merchants
Increased profits for other payment firms/ credit providers
Consumers do not take on debt they cannot afford
Sustainable growth due to affordable lending and improved trust and reputation
Fewer consumers are charged late fees
Fewer debt collection events
Interventions
Firm changes
FCA outcomes
Consumer outcomes
Firm outcomes
Drivers of international growth and competitiveness
Effect on international growth and competitiveness

1.33 Our rules will make sure consumers are:

- Given information that equips them to understand their obligations, rights and protections under a DPC agreement.
- Able to understand the potential risks of the DPC product.
- Able to borrow sustainably and affordably, miss fewer repayments and consequently be charged fewer late fees.
- Given appropriate support if they are approaching, or are in, financial difficulty.

1.34 We expect consumers to benefit from improved wellbeing by reducing arrears and debt collection events, and experiencing better treatment when in financial difficulty. We discuss benefits to consumers in CP25/23 Annex 2: Cost Benefit Analysis (CBA).

1.35 We want to work with firms to see the market continue to thrive. At the same time, we want an environment where consumers have confidence in their DPC agreements and receive good outcomes throughout the product lifecycle.

1.36 Our proportionate approach will make sure firms will continue to be able to offer DPC widely, so that it can be accessed if lending is sustainable. It will also encourage firms to innovate and compete effectively in consumers' interests.

Measuring success

1.37 We will carry out supervisory work to assess how firms are meeting the new requirements. We will seek to understand firms' governance and oversight, product design and customer journeys as well as review the emerging outcomes for consumers and the market. Where possible, we will use information gained through the authorisations process in our supervisory work to avoid duplication and reduce firm burden.

1.38 To measure success, we will:

- Monitor the impact of our proposals using data from a variety of sources. This includes the FLS, regulatory returns such as PSD from firms, and supervision and authorisation activities, including through the supervisory work outlined above.
- Review data on firm and Financial Ombudsman complaints to understand how firms have implemented these proposals and how they are affecting consumers.
- Monitor how our proposed rules interact with the Duty in practice.

Summary of feedback and our response

1.39 We received 45 consultation responses from DPC firms, the wider consumer credit industry, consumer organisations, consumers and charities.

1.40 Overall, there was broad support for our proposals. DPC lenders generally welcomed our focus on delivering an outcomes-based regime. However, there were requests for greater clarity on our expectations in some areas. Consumer groups were also generally

supportive. But some called for us to take a more prescriptive approach in some parts of the customer journey. Across stakeholder groups, there was a desire to maintain access to DPC.

1.41 We detail the feedback and our responses in Chapters 2-6.

Equality and diversity considerations

1.42 In CP25/23 we said we did not consider that our proposals would materially impact any of the groups with protected characteristics under the Equality Act 2010. We asked stakeholders whether they agreed.

1.43 Thirty-three respondents fed back on this and we provide details in Chapter 6. However, some of this feedback did not relate to groups with protected characteristics under the Equality Act 2010. Our assessment, that the proposals will not have a material impact on groups with protected characteristics, remains unchanged.

Environmental, social & governance considerations

1.44 In developing this PS, we have considered the environmental, social and governance (ESG) implications of our proposals and our duty under ss.1B(5)(a) and 3B(1)(c) of FSMA to have regard to the need to contribute towards the Secretary of State achieving compliance with the net-zero emissions target under s.1 of the Climate Change Act 2008 and environmental targets under s.5 of the Environment Act 2021.

1.45 Three stakeholders raised potential links between DPC use and sustainability. We recognise there are links between consumers' purchasing choices and environmental sustainability. As set out in the CBA, we expect our regulation will reduce the number of transactions carried out compared to the baseline scenario. This may lead to reduced consumption than if DPC had otherwise remained unregulated. It could contribute to net zero and environmental targets by reducing environmental impacts from manufacturing and distributing goods, for example.

Next steps

1.46 To prepare for Regulation Day, DPC lenders will need to consider our final rules and make the necessary changes to their systems and controls.

1.47 Any firm without the necessary consumer credit permissions that wishes to continue DPC lending after Regulation Day must notify us for TPR registration, if eligible. We will open the window for notifications for the TPR on 15 May 2026, 2 months before Regulation Day. We are already engaging with firms we expect to register for the TPR through our Authorisations pre-application programme. Firms with questions can contact us at deferredpaymentcredit@fca.org.uk, or be routed to the team via our pre-application support service (PASS) or other wider support services.

1.48 We want to support firms in embedding good practices. Ahead of Regulation Day, we will continue to engage with DPC firms who we expect to enter the TPR and apply for

authorisation to understand their approaches and support them in implementing our requirements.

1.49 Any firm that does not currently hold the necessary consumer credit permissions and does not register for the TPR will not be permitted to enter new DPC agreements after Regulation Day. It will be a criminal offence to enter into such agreements without permission from this date onwards. However, any firm will continue to be able to service DPC agreements taken out before Regulation Day, as these agreements will remain unregulated.

Chapter 2

Conduct Standards

2.1 This chapter summarises stakeholder feedback to the key conduct standards we proposed applying to DPC.

2.2 In addition to applying most of our existing conduct standards for credit-related regulated activities in CONC, we consulted on:

- New rules to require DPC lenders to disclose certain information before a consumer takes out a DPC agreement.
- New rules requiring firms to communicate with a customer when they miss a DPC repayment, or when the firm intends to take certain action against them.
- New guidance to remind firms of their obligations under the Duty.
- Applying our existing principles-based rules and guidance on creditworthiness at CONC 5.2A.

Information requirements

2.3 We consulted on new DPC product information rules that would require firms, before entering an agreement with a customer, to:

- Proactively give certain information in a prominent way (key product information).
- Give, or make available, other specific pieces of information to a customer (additional product information).

2.4 We did not propose specific requirements on how firms should present the product information. Instead, we proposed new guidance linking the product information rules to the Duty, and to the clear, fair and not misleading rule and general requirements in CONC 3.3. In particular, under this guidance we proposed that firms should consider how they communicate with their customers and provide information in a way that supports customer understanding. However, we also proposed a rule that clarified the meaning of making information available for the purposes of the proposed product information rules.

2.5 We proposed some modified requirements for the provision of information to a guarantor of DPC lending, and for DPC agreements that are taken out orally at a distance.

2.6 We also consulted on a rule that would require firms to give a DPC borrower both a copy of the agreement and the key and additional product information in a durable medium immediately after a DPC agreement has been entered into.

2.7 We asked:

Question 2: **Do you agree that our proposed rules for provision of information before entering a DPC agreement are appropriate?**

Question 3: **Do you think that reliance on the Duty could deliver our policy objectives for information provided before an agreement instead? If so, how?**

2.8 Stakeholders generally supported the need for consumers to be provided with appropriate and timely information that would support their decision making.

2.9 All DPC lenders supported the general approach to product information. However, they were concerned that some of the proposed information required in the key product information would be disproportionate. Specifically, firms were concerned about the requirement to include information about rights of withdrawal and access to the Financial Ombudsman, as well as an explanation about continuous payment authorities.

2.10 DPC lenders felt these pieces of information were not relevant to consumers' decision-making on whether to enter a DPC agreement. They thought that requiring firms to give this information could lead to consumers being presented with too much information. This could distract them from information that was most pertinent to their decision-making. This view was shared by 3 trade associations, and 2 mainstream consumer credit lenders.

2.11 There was broad support from consumer representatives for our intended outcomes from product information. However, some thought that our proposed rules should be more prescriptive, either on the format or on the content of information which should be proactively given to consumers, or both. Some consumer representatives also suggested that further types of information should be included in the key product information. For example, the availability of support and debt advice. A small number of consumer stakeholders suggested that the rules should require firms to explain that DPC is a form of credit.

2.12 There were also some calls for our rules to provide for additional friction in DPC transactions. One stakeholder thought FCA rules should replicate the CCA's provisions that have been disapplied for DPC, to create a level playing field with other regulated credit products.

2.13 A trade association queried whether the proposed rules had been subject to any consumer testing. A different trade association suggested that our proposed rules on DPC agreements involving guarantors were unnecessary given the current lack of those types of product in the market.

2.14 An academic thought the rules should contain requirements on the disclosure of environmental impacts of DPC borrowing.

2.15 Two DPC lenders and 2 trade associations requested greater clarity on our expectations about the provision of product information. They also requested clarity about our proposal for a copy of the agreement to be provided in a durable medium immediately after an agreement has been made.

2.16 Stakeholders did not generally think that reliance on the Duty alone could deliver our policy objectives. They identified value in additional rules specific to DPC which provide certainty for both consumers and firms.

2.17 One DPC lender thought that reliance on the Duty could achieve our objectives, provided that firms are held accountable for the outcomes. Another thought that we should use guidance which supplements the Duty to achieve our objective rather than new rules in CONC.

Our response

We are implementing our rules largely as proposed in CP25/23. We think it is important that consumers are given certain information before they take out a DPC agreement, so that they can make good decisions about whether the product is appropriate for their needs.

However, we are making minor changes to the key product information to ensure it focuses on content which is most important for consumers' decision making. This includes what their obligations will be under the agreement, and the key risks of the product.

So, we are removing the requirement for firms to include:

- The existence of any rights to withdraw from or cancel the agreement, to complete payments ahead of time, and to refer a complaint to the Financial Ombudsman.
- An adequate explanation of what a continuous payment authority is and how it works.

We recognise that this information is less likely to form a key part of consumers' decision making. However, it is still important overall. So, this information will be included in the additional product information, which firms must either give, or make available, to a consumer before the agreement is entered into. Requiring firms to give this information as part of the key product information could result in consumers receiving excessive information and limit their ability to make good decisions.

However, we still think that consumers should be made aware that they have rights under a DPC agreement. So, we are requiring a new piece of information to be included in the key product information. This will highlight that information about certain rights is set out in the additional product information.

We are also making a small amendment to the piece of key product information which would require a lender to indicate whether it will obtain information from a credit reference agency (CRA) before deciding whether to proceed with the agreement. We are amending this so that a firm must indicate whether it will (where this is known), or otherwise may, obtain information from a CRA. We recognise that key product information is most likely to be given before a firm undertakes a creditworthiness assessment. So, it may be before the firm knows with certainty whether it will obtain information from a CRA as part of that assessment.

We do not intend to provide any additional guidance about the provision of information in a durable medium. This term is defined for the purposes of our rules in the Handbook glossary. In addition, in our CP, we signposted our existing clarification for firms on the meaning of durable medium. This sets out that many forms of media are capable of meeting the criteria of a durable medium so long as it:

- Allows information to be addressed personally to the recipient.
- Enables the recipient to store the information in a way that is accessible for future reference and for a period of time adequate for the purposes of the information (storability).
- Allows the unchanged reproduction of the information stored (reproduction).

The clarification on our website provides some examples of what can constitute a durable medium. Firms should consider these examples, together with our glossary term, when considering how they will provide copies of the agreement and the key and additional product information in a durable medium immediately after a DPC agreement has been entered into.

DPC lenders typically require a payment to be made by the customer at the point of entry into the agreement. This payment may not constitute credit under the agreement. We want to remind firms that, as part of the key product information, they will be required to give consumers information about the:

- Amount of credit to be provided under the agreement.
- Number, frequency and amount of payments to be made under the agreement.
- Cash price of the goods and/or services that the agreement is financing.

Where firms take an initial payment at the start of the agreement, they must consider whether that payment constitutes part of the credit advanced under the agreement when giving those pieces of information.

We also want to remind firms of their obligations under the Duty. We are not prescribing how firms present product information. However, firms should have regard to the new guidance we are making on supporting customer understanding in CONC 4.2A.10G. They should also have regard to our July 2022 guidance, which sets out how firms should comply with their obligations under the Duty. We want firms to

ensure that product information is presented in a way that makes sure consumers have sufficient understanding of the potential risks of a DPC agreement.

Firms must also comply with CONC 4.2A.8R when making information available to a customer under our DPC product information rules.

Information provided during an agreement

2.18 We consulted on guidance which reminds firms of their obligations on consumer understanding and consumer support under the Duty when communicating with customers during a DPC agreement.

2.19 We asked:

Question 4: **Do you agree that our proposed guidance for provision of information to customers during a DPC agreement is appropriate?**

2.20 DPC lenders supported our proposed approach. They felt it was proportionate and would support flexible and tailored communications. One trade association representing the wider consumer credit industry was also supportive, but thought that we should provide greater clarity on our expectations and examples of good practice.

2.21 There was some cautious support from some consumer representatives. But most expressed a preference for a more prescriptive approach. They were concerned that our proposed guidance placed too much reliance on firms using their own judgement. Some of these stakeholders thought that we should include requirements in rules. This included on repayment reminders and how DPC lenders present information to their customers in apps. One debt advice charity thought we should provide clarity on the intent and purpose of our new guidance.

2.22 A consumer representative expressed concern that there was currently no way for consumers to view all their DPC borrowing across all lenders. This stakeholder suggested an agreements dashboard could help provide an overview of their DPC agreements and due dates, which could reduce the risks of overborrowing or missed payments.

Our response

We are proceeding with the guidance we proposed.

As we set out in the CP, we want firms to consider how they can best give their customers information, or make it available to them, to maximise their understanding about their DPC borrowing. We do not think a more prescriptive approach or specific examples of good practice would be proportionate or appropriate. We recognise that there are a range of DPC business models. So we want to provide sufficient flexibility for firms to deliver good customer outcomes across DPC products.

Information to DPC borrowers who have missed repayments

2.23 We proposed new rules requiring firms to:

- Communicate with a customer as soon as possible after they have failed to make a contractual payment under a DPC agreement.
- Give a customer reasonable notice before it terminates a DPC agreement or takes steps to enforce a term of the agreement by demanding earlier payment of any sum, treating any right conferred on the debtor by the agreement as terminated, restricted or deferred, or enforcing any security.

2.24 We did not propose any requirements on how, or through what medium, a firm should make these communications. Our proposed rules also did not generally prescribe the content of these communications. Instead, we set out in our CP that we wanted firms to use their own judgement, to support consumer understanding and deliver effective support in line with the Duty. We also highlighted the need for firms to consider the relevant requirements in CONC 7.

2.25 However, for communications on missed payments, we proposed that firms must set out together:

- Information that enables the consumer to understand which DPC agreement a missed repayment communication refers to.
- A notification about any sums which have become payable under the agreement and remain unpaid (including late fees, and any late fees that remain outstanding from any previous missed repayments under that agreement).
- Any immediate or future adverse consequences for the borrower from missing the repayment and, where relevant, any steps the borrower can take to alleviate those consequences.

2.26 We asked:

Question 5: **Do you agree that our proposed new rules on providing information to DPC borrowers who have missed a repayment are appropriate?**

Question 6: **Do you agree that our proposed new rules requiring firms to give notice before taking certain actions are appropriate?**

Question 7: **Do you think that reliance on the Duty could deliver our policy objectives for our proposed new rules on firms' communications to DPC customers who have missed a repayment or where a firm intends to take certain actions instead?**

2.27 Stakeholders generally supported our proposals. Some, including a DPC lender and some trade associations, requested greater clarity about our expectations on the timings of when notices should be given. Others, particularly consumer representatives, suggested that the rules should prescribe the periods in which firms should send these communications to borrowers.

2.28 A trade association queried whether it was proportionate for our rules to require a firm to communicate when a borrower had missed a single repayment. Another trade association and 2 lenders thought that the rules' requirements on what information firms should provide in the communications were too prescriptive.

2.29 Some consumer representatives thought that our rules should be more prescriptive, with requirements on both the form and content of these communications. Some of these stakeholders also thought the rules should require firms to send copies of our arrears and default information sheets to consumers.

2.30 Several consumer representatives thought that the rules requiring firms to notify the borrower about missed payments and to give notice before taking certain action should require firms to give information to the borrower about free debt advice. Some of these stakeholders also thought that the rule requiring firms to give notice before taking action should require firms to communicate the customer's right to apply for a time order. Conversely, a trade association said that referring customers to their right to apply for a time order is unnecessary as there is no evidence that time orders are currently used by consumers who use regulated credit.

2.31 A consumer representative and a debt advice charity thought that notices should be provided by letter as a backup in addition to any communications via electronic means.

2.32 A DPC lender requested clarity on whether our rules for missed payment notices would require firms to list all potential future adverse consequences of a consumer missing a payment. They noted that this could be disproportionate.

2.33 Stakeholders (including some DPC lenders) generally did not think reliance on the Duty alone could deliver our objectives. They thought that as the Consumer Duty is outcome-focused, its rules do not require firms to behave in a consistent way and rules would provide consistency on when firms communicate with borrowers who may be in financial difficulty. A DPC lender, a mainstream lender and 2 trade associations thought that the Duty would be sufficient, possibly supplemented by guidance. Another DPC lender thought that the Duty alone could deliver our objectives, although it stated that such an approach may not lead to consistent outcomes.

Our response

We are proceeding with the approach consulted on with some minor amendments.

Broadly, we want firms to use their judgement about the information in communications to borrowers about missed payments. Our new guidance in CONC 7.20.2G supplements the new CONC 7.20.1R. It sets out that firms should consider in particular the circumstances in which the firm applies any charges for missed payments, and in which the firm reports missed payments to CRAs. This guidance reminds firms to consider what we consider to be the most significant short-term impacts that could arise from a customer missing a payment.

In our CP we also set out that firms would need to consider other relevant requirements in CONC 7. These include, in particular, CONC 7.3.13AG. This sets out that firms should make available to customers in, or approaching, arrears or in default, timely, clear and understandable information which:

- Takes into account the individual circumstances of the customer.
- Is sufficient to enable the customer to understand their financial position in relation to their debt, including how it is reported to their credit file.
- Is sufficient to enable the customer to understand their options in relation to their debt. This includes the potential impact of any forbearance or other support on their overall balance and how it will be reported to the customer's credit file.

The outcome we want is for firms to consider the specific circumstances around a missed payment. We want customers to be given the most pertinent information about their current financial situation for that agreement. So, it may not be proportionate or appropriate for a notice about a first missed payment to contain all potential future adverse consequences. For these types of communications, it will likely be more appropriate to encourage the consumer to take action to remedy the situation.

Conversely, if a notice related to a missed payment on the third instalment of a DPC agreement, and where the previous two instalments had been missed and remained unpaid, then firms will need to consider what information about potential adverse outcomes to include, so the notice reflects the customer's individual circumstances and helps them to understand their financial position in relation to the debt.

We recognise that our rules could be interpreted as requiring a firm to provide all the potential adverse consequences of a missed payment in all circumstances. We do not think this would be appropriate. We have made a change to CONC 7.20.1R to clarify that communications about missed payments do not necessarily need to explain all the potential future adverse consequences. Instead, a firm would need to provide sufficient information about:

- Any adverse consequences for the customer arising out of the missed payment.
- Any other adverse consequences for the borrower that the firm considers are likely to arise out of the missed payment.

We have also made a further change. This requires firms to signpost to free and impartial money guidance and debt advice, and effectively communicate the potential benefits of accessing it, when giving a customer who is in arrears notice required under our rules before:

- Terminating a DPC agreement; or
- Taking steps to enforce a term of the agreement by demanding earlier payment of any sum, treating any right conferred on the debtor by the agreement as terminated, restricted or deferred, or enforcing any security.

We expect that a consumer will be in financial difficulty by the time that a firm intends to take these actions. Where a customer is in arrears, we think requiring firms via our rules to provide information about debt advice will provide additional certainty. This is in line with our view that consumers who access debt advice are likely to get better outcomes. It does not preclude a firm from informing a customer about money guidance and debt advice before this point. Firms should consider our guidance in CONC 7.3.7AG, as there will be other situations where it will be appropriate to provide this information.

We are not prescribing the medium through which firms should communicate under our new rules in CONC 7. However, firms should consider what mediums are most likely to support consumers making effective decisions and the extent to which consumers have engaged with previous communications.

We are also not changing our approach to the timings of these communications. Firms will be required to communicate with a borrower as soon as possible after they have failed to make a payment by the time it has fallen due. We think the meaning of this language is clear.

Firms will be required to provide reasonable notice to the borrower before taking any of the actions in CONC 7.20.3R(2). Firms should use their judgement to consider what is reasonable, having regard to the individual circumstances and would need to be able to justify the amount of notice given.

While not raised by stakeholders, we are making a minor change to our approach so that DPC lenders will not be required to notify a guarantor when a borrower has missed a payment under a DPC agreement. We do not think it would be proportionate for a DPC lender to communicate with a guarantor in these circumstances. It also brings DPC in line with other regulated agreements, where there are no requirements under the CCA for firms to provide a guarantor with notices of sums in arrears or notices of default sums.

Creditworthiness

2.34 We consulted on applying our existing creditworthiness rules in CONC 5.2A to DPC lending. We highlighted that these rules have been designed to cater for a wide range of credit products and to provide proportionate protection for customers in a variety of financial circumstances.

2.35 We set out that, under these rules, DPC lenders will need to undertake a creditworthiness assessment for each DPC transaction, but that there were various approaches that could be considered for use.

2.36 We also proposed that our creditworthiness rules would apply to small-sum DPC agreements of £50 or less.

2.37 We asked:

Question 8: **Do you agree that applying our current creditworthiness rules and guidance to DPC lending is appropriate?**

Question 9: **Do you have any views on the extent to which our approach to creditworthiness might inadvertently restrict access to DPC for customers who could afford it?**

Question 10: **Could we achieve appropriate outcomes if we relied substantively on the Duty instead (most notably the obligation to avoid causing foreseeable harm to consumers) rather than the creditworthiness rules in CONC 5.2A?**

Question 11: **Do you agree with our proposal to apply our creditworthiness rules to DPC agreements of any value, or do you have views as to alternative approaches to small sum lending (including relying on the Duty)?**

2.38 There was near universal support for applying our current creditworthiness rules to DPC, including to agreements below £50.

2.39 Consumer representatives considered that applying our rules would reduce the risks of unaffordable DPC lending. DPC firms noted the flexible, outcomes-based nature of CONC 5.2A should enable a proportionate approach to their creditworthiness and affordability assessments.

2.40 Respondents did not generally think that we could achieve appropriate outcomes if we relied on the Duty instead of applying our creditworthiness rules. They noted that CONC 5.2A would lead to greater consistency and a degree of clarity of our expectations.

2.41 However, there were requests from different respondent groups for us to provide greater certainty about our expectations under CONC 5.2A. Particularly, on smaller

value agreements, lending multiple times to the same customer and lending to those with 'thin' credit files such as younger consumers or recent migrants.

2.42 DPC lenders were primarily concerned that, without further clarity, they might be required to undertake assessments that are disproportionate to, in their view, DPC's relatively low affordability risk. Some suggested that additional guidance, for example, on what firms are not required to do in certain circumstances, might be helpful. Otherwise, some creditworthy consumers might be denied credit where assessments were overly rigorous. They were concerned that if there was misalignment with regulatory expectations this could lead to complaints about affordability. There were also concerns about consistency of Financial Ombudsman decisions, if complaints were escalated (and the consequential case fees), and how proportionality might be interpreted for interest-free small sum lending. .

2.43 Some consumer representatives also thought that we should provide more guidance or case studies. Some were concerned that firms may lend unaffordable sums without us providing clearer expectations. Others thought that firms may take a more cautious approach to creditworthiness assessments, leading to restrictions on access to DPC for customers who would be able to afford to borrow. One debt advice charity took an alternative view, considering that properly conducted creditworthiness assessments would not restrict access to consumers who can afford to repay. They highlighted that the proportionality and flexibility of the rules should help to avoid restricting access.

2.44 A trade association suggested we should introduce rules and guidance which would set minimum requirements for compliance, but which would also encourage firms to adopt more robust creditworthiness assessments in certain scenarios.

2.45 A CRA suggested the lack of mandatory reporting of DPC to CRAs was a primary driver of potential restrictions on access to DPC. While noting that firms were likely to be required to report their DPC lending to CRAs as part of the remedies of the Credit Information Market Study, it suggested that DPC lenders should report to the main CRAs ahead of that in the spirit of the Duty.

2.46 A consumer representative queried whether applying our current rules would lead to a large number of searches being recorded on consumers' credit files and the possible impacts of this on access to credit.

2.47 Several consumer representatives suggested that it would be important that we monitor the effect of applying our creditworthiness rules, so that we could build an understanding of the impact on access to DPC.

Our response

We are proceeding with applying our existing creditworthiness provisions in CONC 5.2A to DPC lending. We believe this will raise standards in this market, while giving firms enough flexibility to tailor their assessments.

We do not believe that additional guidance or case studies are necessary to help firms deliver the outcomes we seek. Existing rules and guidance, for example at CONC 5.2A.20R, 21G and 22G, set out the approaches

firms should take in their creditworthiness assessments. For example, in setting out relevant factors that firms must/may have regard to, whether certain factors might point to a more rigorous assessment being required and setting out the nature and type of information firms should consider. When applying CONC 5.2A, firms should use their judgement, making sure they can show the depth of individual assessments undertaken is both proportionate and appropriate.

An example of where CONC 5.2A allows firms to use their judgement is around the determination or estimation of income and expenditure. Where it is obvious in the circumstances of a particular case that there is no material affordability risk, a firm need not assess income and expenditure (CONC 5.2A.15R - 18G). This existing flexibility may be relevant for DPC agreements which are interest-free and typically lower value than other credit products. However, this will depend on the individual circumstances of the customer and the case.

To rely on this flexibility, firms would need to show that it was obvious there was no material affordability risk in the circumstances of a particular case. Our requirements on policies, procedures and record keeping are relevant here (CONC 5.2A.33R).

Firms might be able to rely on internal and/or third-party data in determining whether it is obvious there is no material affordability risk. This could include a combination of:

- Relevant lending data where the firm has previously extended credit to the customer.
- Credit history.
- Use of and headroom across open credit lines.
- Other factors and information sources available to the firm.

Where, for example, there are signs that advancing the credit may pose a material affordability risk, the firm will need to determine or estimate the customer's income and expenditure. This could include where a customer has recent adverse credit history or where the firm has previously lent to that customer and they have missed payments, even if later brought up to date. It could also include situations where a customer has several performing DPC agreements with the firm, but the level of repayments could indicate a material affordability risk.

Conversely, where, for example, a customer's servicing history is strong, and having regard to the recency and sufficiency of previously assessed affordability, a lender would be able to take this into account in determining whether it is obvious in the particular case that there is no material affordability risk – and if so, the lender would not need to assess a customer's income and expenditure.

Our existing guidance allows for firms to have regard, where appropriate, to information gathered in previous dealings with the customer (CONC 5.2A.23G). For instance, this would include previous creditworthiness assessments, and their recency, including where a customer has taken

out DPC agreements. Firms will need to consider the nature and extent of those previous assessments, the length of time that has elapsed since they were undertaken, and the level of further borrowing proposed.

We recognise that there are challenges in lending to customers with no or 'thin' credit files. This challenge is not specific to DPC lending. While we do not want to see access to a low-cost and relatively low risk product unduly constrained, firms will still be required to take proportionate steps to assess a customer's creditworthiness. This includes where a firm is only prepared to enter into DPC agreements of relatively small value until such a time that a thin credit file customer's track record becomes more proven. As outlined in CP25/23, we know that Open Banking is being used by some lenders to bridge gaps between a customer's credit file and the assessment of whether a loan is affordable. Depending on individual circumstances, such approaches can be compliant with CONC 5.2A.

On reporting to CRAs, while our rules do not require lenders to report, many DPC firms do report to some CRAs as part of reciprocal arrangements to access CRA data for use in their assessments. We consider that reporting DPC products to CRAs is important to help provide visibility of DPC use across the DPC sector and to the wider retail lending market.

It is true that DPC is often characterised by high-frequency lending, which in turn would lead to a higher number of active agreements being lodged on a customer's credit file. Currently, where DPC is reported to CRAs, it is recorded under a separate 'account type' which means it can be separated from other forms of credit. This can help facilitate bespoke approaches to how DPC is reflected in CRAs' products or analysis and prospective lenders' creditworthiness assessments. As always, a prospective lender will need to consider whether it has sufficient information with which to enter into a regulated credit agreement.

We agree that it is important to monitor the effects of our creditworthiness provisions - and our approach to regulation more broadly – in terms of firm compliance, customer outcomes, and access to the product. We have a good amount of baseline data gathered from firms as part of our cost benefit analysis. The introduction of regulatory reporting, as well as questions around access to DPC in our FLS that we will include from 2026 onwards, will give us a rich picture of how the market is serving customers. We will also be engaging with firms pre- and post-implementation as we work towards a common aim of delivering a thriving, sustainable market.

Chapter 3

Application of the wider Handbook

3.1 This chapter summarises the feedback to our proposals on how the wider Handbook will apply to DPC lenders.

3.2 We consulted on applying:

- Principles for Businesses (PRIN), Threshold Conditions (COND), General Provisions (GEN), Systems and controls (SYSC), the Senior Managers and Certification Regime (SM&CR) and all other relevant Handbook provisions including the Supervision Manual (SUP) and the Enforcement Guide (EG).
- Existing regulatory reporting requirements.

Wider Handbook provisions

3.3 We highlighted the following key areas in the wider Handbook that we proposed to apply to DPC:

- PRIN, which contains the fundamental obligations that FCA regulated firms must meet at all times, including the Duty.
- COND, which sets out guidance on the requirements firms must satisfy to become and remain authorised.
- GEN, which includes rules covering the administrative duties that apply to the firms we regulate.
- SYSC, which explains how firms must organise and manage their affairs.

3.4 We also highlighted the SM&CR. This aims to promote safety and soundness, reduce harm to consumers and strengthen the functioning of the market by making financial services professionals individually accountable to their employers and to the regulators. It also aims to make sure all financial services staff meet expected standards of conduct.

3.5 We explained that, in line with the Government's legislation, firms in the TPR that are not authorised for another activity will not be a SM&CR firm. So, the SM&CR will not apply to them for as long as they hold a temporary permission. Firms that are already authorised for other activities but enter the TPR for a DPC activity, will be subject to transitional arrangements that effectively disapply the SM&CR for their DPC activities until they become fully authorised for them. We also noted consultations being undertaken by the Treasury, the FCA and the PRA to streamline the SM&CR while improving its efficiency and effectiveness.

3.6 We asked:

Question 12: **Do you agree with our proposal for applying high level standards and all other relevant Handbook provisions to DPC lenders?**

3.7 There was wide support for our proposals across stakeholders.

3.8 A DPC lender and a trade association called for us to provide as much clarity as possible on any changes to SM&CR, so that affected firms could prioritise resources on relevant parts of SM&CR. Another DPC lender recommended making sure that firms in the TPR should not benefit from prolonged exemptions. Also, that appropriate transitional support should be offered to new entrants who may be less familiar with our expectations.

3.9 A debt advice charity thought we should more clearly set out our expectations on firms' responsibilities under the Duty to not exploit, and to take due account of, behavioural bias and consumer vulnerability. This stakeholder also suggested there was a need for greater clarity about the fair value of late fees, and queried whether DPC firms' current late fees reflected firms' reasonable costs in collecting them.

Our response

We are implementing our proposals as planned.

We recognise that the Treasury has recently consulted on proposals to streamline the SM&CR and this may present uncertainties for DPC lenders who seek to become authorised during a period of change.

If changes are announced to the SM&CR during the TPR, we will help DPC lenders who are planning to become authorised to understand what requirements they will be subject to under SM&CR, and when. We may consider a 'Modification by consent' approach where appropriate (and where the legal tests under FSMA are met), which could be used to temporarily waive any Handbook requirements. Information on this is on our website.

We already have guidance for firms about customers' behavioural biases and possible vulnerabilities under the Duty. For example, PRIN 2A.2.3G provides examples of where a firm would not be acting in good faith. This includes by seeking inappropriately to manipulate or exploit retail customers for example, by manipulating or exploiting their emotions or behavioural biases to mislead them. It also includes taking advantage of a retail customer or their circumstances, for example any characteristics of vulnerability, in a manner which is likely to cause detriment.

Similarly, PRIN 2A.2.10G sets out that avoiding causing foreseeable harm to retail customers includes making sure no aspect of a firm's business involves unfairly exploiting behavioural biases displayed or characteristics of vulnerability held by retail customers.

In FG 22/5 we recognised that the Duty does not remove consumers' responsibility for their choices and decisions. However, we noted that firms must understand and take account of behavioural biases and how vulnerability characteristics can impact consumer needs and decisions. In that guidance we also set out that firms should act in good faith and avoid designing or delivering communications in a way that exploits consumers'

information asymmetries and behavioural biases. We noted examples where we have seen consumer harm arise where communications encourage customers to make decisions without full possession of relevant information, and provided examples of good and poor practice.

We have previously provided guidance about firms' obligations under the Duty, as well as examples of good and poor practice. So we do not think it is necessary to provide further clarification. We want firms to exercise good judgement, both at the product design stage, and throughout their engagement with individual customers.

Regulatory reporting

3.10 We consulted on applying our existing regulatory reporting requirements to DPC firms, including transaction-level PSD returns. We proposed applying regulatory reporting requirements that currently apply to firms with lending permissions to fully authorised DPC firms, but not to firms' DPC activity while operating in the TPR.

3.11 To ease the implementation burden, we also proposed transitional provisions for when firms would need to submit PSD returns to us – both for fully authorised firms and for firms exiting the TPR.

3.12 We also consulted on applying our aggregated returns in line with existing reporting schedules from Regulation Day to fully authorised DPC lenders, consistent with other regulated credit firms. We proposed not requiring firms in the TPR to submit any aggregated returns until they are fully authorised. This would be apart from where a TPR firm is already required to submit any of these returns because of a Part 4A permission it already holds.

3.13 We asked:

Question 13: **Do you agree with our overall approach to regulatory reporting? If not, why not?**

Question 14: **Do you agree that DPC should be subject to PSD returns? If not, what alternatives are there to requiring firms to submit PSD returns to meet our intentions?**

Question 15: **Do you agree that we should collect regular, predictable transaction level data? If not, why not? And how would you propose mitigating the risks of not collecting regular, predictable transaction level data?**

Question 16: **Are there areas where firms may need longer implementation times? If so, how do you propose to mitigate any risks posed by a delay in firms providing us with data?**

3.14 There was broad support amongst respondents to our proposals for DPC to be subject to our existing reporting requirements, including PSD returns.

3.15 A DPC lender and a trade association queried the proportionality of our proposed approach. The lender noted that the burden of reporting PSD, in combination with the wider costs of regulation, could have a material impact on the viability of that firm's product.

3.16 There were also some suggestions that current PSD returns may be particularly burdensome for smaller firms. Some stakeholders suggested that these firms should instead be required to submit aggregated summaries, or that PSD returns for these lenders should be tailored to focus on metrics which would provide us the most insight of areas of potential consumer harm.

3.17 There was broad support for tailored implementation dates to give firms time to prepare their systems and processes to provide PSD. But some stakeholders raised concerns that these proposals could lead to an unlevel playing field that benefits firms in the TPR. Some consumer representatives suggested that firms who are already authorised for consumer credit lending should report sooner than our proposed timelines if they were capable of doing so.

Our response

Overall, we received broad support for our proposals to apply our existing regulatory reporting requirements, including the PSD returns. This consistent dataset will enable us to understand consumers' financial lives and the performance of these loans. This will, in turn, allow us to identify the risk of consumer harm and maintain market integrity.

Only one DPC firm noted material ongoing costs associated with our proposals. Our CBA estimated higher one-off costs, as firms prepare their systems and processes ahead of their first return. But we are not persuaded that the firm's estimated ongoing costs would be spent solely on a quarterly reporting requirement.

Some respondents argued for aggregate or simplified returns instead of PSD returns for smaller firms. However, PSD reporting requirements only apply once a firm breaches one of the de minimis thresholds in a given year. Specifically, either £2m in new advances or £2m in outstanding balances. We believe maintaining the £2m thresholds is proportionate to the risk of harm and provides consistent data to support our supervision of credit markets. These de minimis limits were increased following feedback to our consultation that proposed PSD reporting for all regulated credit agreements (CP23/21 and PS24/3). We do not believe it appropriate to set different de minimis levels for different credit products.

We believe that our proposed timelines for implementing the PSD returns, including more time for TPR firms, remain proportionate. As we anticipate only a small number of firms to enter the TPR, we will remain agile and responsive to any risks posed by poor conduct. Should we need

information, which could include some transaction-level data, we will request this.

We also believe it is appropriate to give firms already holding relevant Part 4A permissions some additional time after Regulation Day before they submit their first PSD regulatory returns for regulated DPC agreements to enable them to adapt their systems accordingly.

Where any firm is concerned that it will be unable to comply with our regulatory reporting requirements in time, they should contact us through our usual supervisory routes. In doing so, a firm should provide details on the steps it has taken to prioritise compliance, the issues that it is experiencing, the reasons for those and a clear plan as to when these would be resolved.

Chapter 4

Dispute resolution

4.1 This chapter summarises the feedback we received on our proposals:

i. To apply our complaint handling rules and guidance, as set out in the Dispute Resolution: Complaints Sourcebook (DISP) to DPC lending, including rules allowing complaints arising from DPC activities to be referred to the Financial Ombudsman.
ii. Not to extend the Financial Services Compensation Scheme (FSCS) to DPC activities.

4.2 We consulted on:

- Applying complaint handling requirements set out in DISP 1 to DPC activities to make sure complaints are dealt with promptly, consistently and fairly.
- Bringing firms carrying out DPC activities within the Compulsory Jurisdiction (CJ) of the Financial Ombudsman, as set out in DISP 2.
- Bringing in complaints outside the scope of the CJ within the Financial Ombudsman's Voluntary Jurisdiction (VJ) so that it covers complaints about DPC activities from an EEA or Gibraltar establishment carried on by respondents signing up to the VJ.
- Suspending our complaints reporting rules for firms in the TPR for complaints arising from DPC activities.
- Not extending the FSCS to DPC activities, consistent with the approach to most other consumer credit activities.

4.3 The section of this chapter relating to Financial Ombudsman's jurisdiction is issued jointly by the FCA and the Financial Ombudsman.

Applying DISP 1 complaints handling requirements to DPC activities

4.4 We consulted on applying all the complaints handling rules in DISP 1 to complaints arising from acts or omissions of FCA authorised firms in carrying on DPC activities.

4.5 We asked:

Question 17: **Do you agree with our proposal to apply our rules in DISP Chapter 1 to DPC complaints?**

4.6 Stakeholders supported our proposals to apply these rules to complaints against authorised persons carrying on DPC activities. They welcomed the handling of DPC complaints being consistent with other regulated consumer credit products.

4.7 While supportive, one DPC lender suggested that firms which are not currently authorised may need tailored onboarding guidance. They asked us to provide those

firms with transitional arrangements for applying DISP 1. This stakeholder also suggested that it would be helpful for us to publish guidance or case studies on how DISP 1 applied to DPC in practice.

Our response

We remain of the view that we should apply our complaint handling rules and guidance in DISP 1 to DPC activities as consulted on.

We do not think it is necessary to publish guidance or case studies on how DISP 1 will apply in practice to DPC or that it would be appropriate for there to be transitional arrangements relating to the complaints handling requirements in DISP 1. We want consumers' complaints to be treated consistently across the market by all DPC lenders, including those with temporary permission, from Regulation Day. The existing guidance in DISP 1 is comprehensive and is designed to support firms in their handling, recording and reporting of complaints and examples are provided to help, where relevant.

Financial Ombudsman Service

4.8 The FCA consulted on extending the Financial Ombudsman's CJ to complaints arising from DPC activities that would be captured as complaints about regulated consumer credit lending activities, which are already within the Financial Ombudsman's CJ. This would include complaints relating to DPC activities undertaken by firms in the TPR.

4.9 The Financial Ombudsman also consulted on expanding the VJ so that it could cover complaints about regulated DPC activities which are carried on by VJ participants on or after Regulation Day from an EEA or Gibraltar establishment.

4.10 The FCA also mentioned it would separately consult on its approach for the Financial Ombudsman General Levy as part of its annual consultation on fees policy. This consultation (CP25/33) confirms that for the Financial Ombudsman General Levy, DPC activities will sit within the existing industry block for credit-related activities. It also sets out the FCA's proposals for FCA fees for DPC firms.

4.11 It was also mentioned that the Financial Ombudsman would consult on its case fee and the CJ and VJ levies for 2026/27 as part of its plan and budget at the end of 2025.

4.12 We asked:

Question 18: **Do you agree with:**

- **The FCA's proposals to extend the Financial Ombudsman's CJ to DPC activities?**
- **The Financial Ombudsman's proposals to exclude preregulation DPC activities from the VJ?**
- **The Financial Ombudsman's proposals to expand the scope of the VJ to cover DPC activities carried on after Regulation Day from an EEA or Gibraltar establishment?**

If you disagree with the proposals, please provide details in your response.

4.13 Stakeholders generally supported extending the Financial Ombudsman's CJ to complaints arising from DPC activities and felt it was essential to maintain consumer protection and confidence in the sector. A small number of consumer representatives thought the scope of the VJ should be expanded to include DPC complaints about acts or omissions that took place before Regulation Day. Those respondents felt this would provide greater consumer protection through wider ombudsman coverage.

4.14 Several stakeholders, particularly DPC lenders, expressed strong concerns about the proportionality of the current maximum £650 Financial Ombudsman case fee in comparison to the typical low value of DPC agreements. Some of these stakeholders suggested that the level of case fee could lead to perverse outcomes. For example, incentivising DPC lenders to settle complaints when they were without merit to avoid escalation to the Financial Ombudsman. Some stakeholders raised concerns that the viability of the product could be affected, particularly if large volumes of complaints were raised by professional representatives.

Our response

On extending the Financial Ombudsman's CJ to DPC activities, the FCA has decided to proceed with the approach as consulted on. We can confirm that the Financial Ombudsman's CJ will only cover complaints about regulated DPC agreements entered into on or after Regulation Day and where the DPC activities have been carried on from an establishment in the UK.

On the Financial Ombudsman's VJ, the Financial Ombudsman has considered the responses alongside other feedback from the joint FCA/Financial Ombudsman modernising the redress system consultation and stakeholder engagement. Taking into account all of the feedback, the Financial Ombudsman considers that its VJ should only be made available where there are clear benefits to consumers and industry.

The Financial Ombudsman is also mindful that, were the VJ to be made available, it is highly unlikely that it would be used in practice. This is

because there are likely to be very few firms operating from an EEA or Gibraltar establishment who would be providing DPC products to UK consumers. Rather, any firm that offers DPC is highly likely to be within the Financial Ombudsman's CJ and in many cases be providing other regulated activities that are within its CJ.

Given this very limited expected benefit, the Financial Ombudsman does not believe it is consistent with its priorities to offer its VJ for DPC.

So, the Financial Ombudsman will not make the VJ available to either (i) cover complaints relating to the provision of DPC before the introduction of the new regulated activity; or (ii) to cover complaints relating to DPC activities carried out on or after Regulation Day from an EEA or Gibraltar establishment.

The Financial Ombudsman will be making changes to its VJ rules and standard terms to make sure the DPC provisions are not mirrored in the VJ.

The FCA and the Financial Ombudsman acknowledge the concerns expressed by stakeholders about the proportionality of the Financial Ombudsman case fee to the low average value of DPC agreements. We note this possibility is not unique to DPC – there are, for example, other regulated products for which compensation awards may in some cases be low compared to the value of the case fee. Additionally, there may not always be a direct correlation between the cash price of a product and the complexity of the complaint.

The Financial Ombudsman has previously consulted on differentiated case fees by product type but concluded this was not feasible. In a more recent consultation paper 'Financial Ombudsman Service Evolving Our Funding Model' the Financial Ombudsman proposed options to change its charging structure to charge differentiated fees either by reference to the stage at which the complaint is resolved, by reference to the outcome of the complaint, or both. These options could help address proportionality concerns where, for instance, the complaint is resolved early or not upheld. The proposals and any feedback will be reviewed further by the Financial Ombudsman, with any recommendation to be included in the Financial Ombudsman 2027/28 plan and budget consultation due in November 2026.

The FCA and the Financial Ombudsman also acknowledge respondents' concerns that there might be large volumes of DPC complaints from professional representatives. We do not think DPC is likely to generate claims at a mass scale given that it is interest free and the scope and quantum of potential financial compensation is limited. The case fee charged by the Financial Ombudsman to professional representatives is also expected to help limit referrals of poorly evidenced complaints to the Financial Ombudsman.

Complaints reporting

4.15 We consulted on suspending reporting requirements for complaints arising from DPC activities received by firms operating in the TPR. This would include firms in the TPR for DPC activities even if they already hold a Part 4A permission for other regulated activities. Reporting requirements for complaints arising from DPC activities would start once the firm gets full Part 4A permission to carry on DPC activities.

4.16 We asked:

Question 19: **Do you agree with the FCA's proposals to suspend complaints reporting rules for complaints arising from DPC activities for firms in the TPR until they become fully authorised?**

4.17 Stakeholders generally supported our proposal, recognising that it would reduce the regulatory burden during the transition to full authorisation. However, 3 DPC lenders and 3 consumer representatives expressed concerns and stated that reporting should not be delayed as complaints data is a vital early warning of potential consumer harm. Some respondents suggested that a simplified or light touch reporting could be applied during the TPR. One stakeholder also proposed that our complaints reporting rules should only be disapplied for smaller firms in the TPR.

Our response

We believe that it would not be appropriate to impose complaints reporting rules for firms in the TPR. We think it is important to allow firms in the TPR sufficient time to familiarise themselves with the new regime and the regulatory requirements expected of them. To reduce the burden on them during this time, we are taking a proportionate and tailored approach by removing the requirement to report complaints arising from DPC activities until they are fully authorised.

As a result, we are implementing our proposals as planned. We anticipate only a small number of firms to enter the TPR. So, as part of the authorisations process, we will engage with firms to understand how they are handling and recording complaints and we will remain responsive to any risks posed by poor complaints handling. Once these firms are fully authorised and no longer in the TPR, they will be required to report to us all DPC complaints received while in the TPR in their first complaints return. This will help us in assessing, through this data and supervisory work, how these firms are complying with regulatory requirements.

We also stated in CP25/13 that we were consulting on a new approach for complaints reporting. This new approach was confirmed in PS25/19, and will apply for complaints data from 1 January 2027. The new complaints return forms published in PS25/19 (as shown at Part 2 of Annex E of the Deferred Payment Credit Instrument 2026) will apply to complaints from 1 January 2027.

Authorised firms (not in the TPR) will need to start reporting DPC complaints using the currently applicable consumer credit return (CCR) complaints reporting form for complaints received about regulated DPC agreements from Regulation Day up to and including 31 December 2026. The timing of the first complaints reporting submission in this case will depend on the firm's Accounting Reference Date (ARD). If the firm's ARD is 31 December 2026, it would only need to submit 1 return under the current CCR complaints reporting form. If the firm has an ARD on or after Regulation Day but before 31 December 2026, it will need to submit 2 complaints reporting returns using the current CCR complaints reporting form.

The first complaints reporting for authorised DPC firms under the new form will be expected in July 2027. It will cover complaints received in the first half of 2027 (1 January to 30 June 2027) given the new 6-monthly reporting periods. Firms in the TPR will not need to report complaints until they are fully authorised and the complaints form they will need to submit will depend on the date they become authorised.

DPC firms should familiarise themselves with the updated requirements for complaints reporting in PS25/19 noting that we will:

- Work with firms throughout the implementation period for the new complaints return. This includes through usability testing with firms across different markets, and of varying business model, size, etc (see 3.8 and 3.9 of PS25/19).
- Share further details of the new return as early as possible, so firms can be ready to collect the required data in the first reporting period. This includes informing firms, through our RegData Notice Board, when the Data Reference Guides for the new return are available.
- Support firms in transitioning to the new complaints reporting process, including to monitor any issues that arise and help address them.

Compensation Sourcebook (COMP) and access to the Financial Services Compensation Scheme (FSCS)

4.18 As set out in our CP, FSCS cover is not available for civil claims arising from consumer credit activities. This is because we consider that there are limited risks that consumers would lose money in these markets. We did not propose any changes, so DPC activities will remain outside the scope of the FSCS's cover.

4.19 We asked:

Question 20: **Do you agree with our proposal not to extend FSCS cover to DPC activities consistently with the approach to other consumer credit activities? If not, please provide details on why you think DPC should be treated differently.**

4.20 Stakeholders generally agreed with our proposals. A small number of consumer representatives thought that FSCS cover should be extended for consumer credit activities more broadly. Some of these stakeholders referred to examples of firm failures where consumers did not receive compensation due from the lender.

Our response

We are proceeding with the approach we consulted on and will not extend FSCS cover to DPC activities.

We note some stakeholders' views that FSCS cover should be extended to cover consumer credit activities in general. But as consumer credit firms do not hold client money or assets, their activities are unlikely to give rise to a significant loss to consumers. Instead, consumers are more likely to owe money to the lender. Further, we do not consider the availability of such protection for consumer credit would influence consumer confidence in this sector, in the way we consider FSCS cover likely does for other sectors. We reiterated our position on FSCS cover in the consumer credit market in a letter to the Treasury Select Committee in 2019.

Chapter 5

Authorisation

5.1 This chapter summarises the feedback on our proposed approach to firms undertaking DPC activity who do not currently hold the necessary consumer credit permissions (or whose consumer credit permissions would not enable them to undertake regulated DPC activity) and how the TPR will operate.

5.2 We set out that, in line with the Government's legislation, firms would be eligible to enter the TPR when they meet the following criteria:

- They were carrying on a DPC activity at the 'initial commencement date' of the Government's legislation (15 July 2025).
- They have notified us of a desire for registration for the TPR before Regulation Day.
- They have paid the relevant registration fee (which we consulted on in CP25/33).

5.3 We proposed that eligible firms who want to be registered to enter the TPR will need to provide us with:

- Evidence that they were carrying on DPC activity at the 'initial commencement date' of the Government's legislation (15 July 2025).
- Their firm's details including their registered office, principal place of business and any trading names.
- Details of the firm's controllers and senior managers.

5.4 We also set out our proposed timelines for registering for the TPR: that notification for registration for the TPR would open 2 months before Regulation Day and close 2 weeks before Regulation Day.

5.5 Our CP noted that firms in the TPR would be able to apply for full authorisation within a 6-month window following Regulation Day. Our CP also set out the circumstances in which a firm's temporary permission would end and confirmed the timescales for the Supervised Run Off regime (which was established by the Government's legislation) where this applies.

5.6 Finally, we set out that we would display details of firms registered for the TPR on our website, and that TPR firms would need to include a tailored disclosure about their regulatory status in marketing or other materials.

5.7 We asked:

Question 21: **Do you agree with our proposals for the TPR?**

5.8 Stakeholders generally supported our proposals or did not express concerns. However, some consumer representatives reiterated their views that our DISP complaints reporting rules should not be disapplied for firms in the TPR. Some stakeholders emphasised that we should make sure firms in the TPR comply with our rules, and

that they should show clear progress to meeting the requirements to become fully authorised.

5.9 One DPC lender thought that firms in the TPR should be subject to the same conduct regulation as DPC lenders that are currently authorised. This stakeholder also thought it was important that we make clear to consumers which firms will be operating in the TPR, and that we should act swiftly if those firms fail to meet our expectations. Another respondent thought that DPC lenders should provide information to their customers to help them clarify the regulatory status of DPC agreements, so that they can understand the implications for the rights and protections that will be available for them.

5.10 A DPC lender disagreed with our proposals, setting out concerns that it would result in competitive disadvantages for DPC lenders that are currently authorised for consumer credit activities.

5.11 A trade association asked whether currently authorised consumer credit lenders would have to apply for any additional permissions to provide DPC.

5.12 More broadly, a stakeholder raised concerns that agreements taken out before Regulation Day would remain unregulated and suggested that firms should treat those agreements as though they were regulated.

Our response

We are proceeding with the proposals set out in the CP.

Firms in the TPR will need to comply with our rules from Regulation Day. However, a small number of rules will be disapplied as firms transition into the new regime for DPC, in particular for firms operating with a temporary permission.

We will engage closely with firms in the TPR on a regular basis as part of the authorisation and supervisory process. This will enable us to monitor their conduct, assess compliance with our rules, and take action under our existing powers where necessary.

The Government has made legislation to exempt domestic premises suppliers who broker DPC agreements from regulation. This legislation also includes provisions which confirm that firms who currently hold relevant permissions for consumer credit lending can enter into regulated DPC agreements post-Regulation Day (subject to any relevant limitation or requirement in place immediately before Regulation Day).

The Government's legislation makes clear that agreements taken out before Regulation Day will remain unregulated.

As we set out in the CP, we will display details of firms registered for the TPR on our website. Where firms are required to make disclosures about their regulatory status in their marketing and other materials, they will need to make it clear that they hold a temporary permission in line with our rules. Together, these will help to make sure that consumers understand the regulatory status of firms.

The date of Regulation Day is set in legislation. In line with the proposals in the CP, notification for registration for temporary permission will open 2 months before Regulation Day and close 2 weeks before Regulation Day.

We will, in due course, and in good time before notification for registration for the TPR opens on 15 May 2026, publish Directions on the process for notification. In line with the Government's legislation, the Directions will:

- Specify the way in which a firm will need to notify us of its desire to be registered for the TPR.
- Confirm the opening and closing dates for notifying.
- Confirm the amount of the fee payable under FCA rules. In CP25/33, we proposed that firms would need to pay a Category 1 fee to register for temporary permission.
- Specify the information a firm must provide in connection with its notification.

In CP25/33, in addition to the information referred to in paragraph 5.3, we proposed that firms provide the following information when notifying a desire for registration. This will allow us to calculate the periodic fee and certain levies respectively:

- A projection of annual income for future DPC activities.
- Projections of the value of their DPC lending.

The Directions will specify full details of the information that firms will need to provide and how a notification will need to be given. This information will allow us to confirm firms' eligibility for temporary permission and therefore whether they can enter the TPR. If so, the information will also allow us to, for example, accurately display them on the Financial Services Register, contact them and/or their representatives.

Firms preparing to enter the TPR should begin planning early to ensure operational readiness for Regulation Day. In particular, firms should:

- Make sure they are fully compliant with the Consumer Duty from Regulation Day. This includes demonstrating fair value, delivering customer support and overall delivering good outcomes for retail customers, as well as the other rules they will need to comply with.
- Note that temporary permission is not indefinite. Firms will be able to apply for full authorisation before the end of the 6-month window directly following Regulation Day. Firms that do not apply within this window will lose their temporary permission.
- Where they elect to apply for full authorisation, engage fully with the process including the Authorisations programme to support such firms doing so. This will assist firms providing higher quality applications that can be assessed in a timely manner. Firms can contact the Authorisations DPC team directly at deferredpaymentcredit@fca.org.uk or be routed to it via our wider PASS and other services.
- Be prepared to engage with our supervisors as they carry out work with fully authorised firms and those with temporary permission, on topics

such as creditworthiness assessments, complaints handling, and the fair treatment of customers in vulnerable circumstances (this is not an exhaustive list).

- Make sure they notify us of any material changes to their business model, ownership, or location during the TPR period.
- We want to support firms affected by this change. We urge any firm that believes it may need to use the TPR, and who we have not already engaged with, to review our website and contact us at deferredpaymentcredit@fca.org.uk if it has any questions.

Chapter 6

Equality and diversity and cost benefit analysis questions

6.1 This chapter outlines our response to the feedback on the views we set out and questions we asked in CP25/23 on equality and diversity issues, and the cost benefit analysis.

Equality and diversity issues

6.2 We asked:

Question 1: **Do you agree that our proposed rules will not have a material impact on groups with protected characteristics?**

6.3 Most stakeholders either agreed that our proposed rules will not have a material impact on groups with protected characteristics, did not provide feedback to this question, or did not express an opinion either way. Some stakeholders thought our proposals would have a positive impact.

6.4 Several stakeholders noted that some consumers could lose access to DPC due to the application of our creditworthiness rules. Some stakeholders thought that this could disproportionately impact those who do not have a history of borrowing and who have a 'thin' credit file, particularly younger borrowers. Conversely, other stakeholders thought there would be benefits for some of these consumers, by preventing them from taking on too much debt.

6.5 A small number of consumer representatives disagreed with our assessment. These stakeholders noted the different levels of DPC use among certain groups with protected characteristics compared to the general population. They thought we could improve outcomes for groups with protected characteristics if we took a more interventionist approach. However, these responses did not provide detail on how such an approach would improve outcomes, nor say which groups with protected characteristics would benefit.

Our response

We welcome, and have carefully considered, the feedback we received on equality and diversity issues that may arise from our proposals.

However, this has not changed our assessment in CP25/23 that the proposals will not materially impact any of the groups with protected characteristics under the Equality Act 2010.

Our approach to DPC regulation seeks to improve outcomes for all DPC borrowers. We acknowledge that certain consumers may no longer be able to access DPC as a result of our creditworthiness rules. However, we believe this will help protect consumers from taking on unsustainable debt and will be a net benefit for them.

We recognised in Chapter 2 that there are challenges in lending to customers with no or 'thin' credit files and that certain cohorts of consumers may have no, or little, history of credit use, but this is not specific to DPC lending. Our approach to creditworthiness provides firms with flexibility to undertake proportionate creditworthiness assessments.

We will monitor the ongoing impact of our final rules on groups with protected characteristics using insights from our Financial Lives Survey.

Cost benefit analysis

6.6 In CP25/23, we set out our cost benefit analysis (CBA) of our proposals.

6.7 The Government has legislated to bring DPC lending under the FCA's regulation, and has decided not to apply the provisions of the CCA requiring the provisions of information to consumers. Inside our regulatory perimeter, we are proposing to apply many of the same rules to DPC lenders as we apply to other consumer credit firms, only creating bespoke rules where necessary to deliver appropriate consumer protection in the absence of certain CCA requirements.

6.8 Table 1 below summarises the quantified and unquantified costs and benefits of our proposals, to consumers and different types of firms that was included in the CP. The primary costs arise from an expected reduction in transactions relative to a scenario in which DPC lending remains unregulated. This reduction reflects lower revenues for both merchants and DPC providers following the introduction of creditworthiness assessments and new information disclosure requirements. We note that although the alternative scenario that we have modelled is DPC remaining unregulated – the Government has decided through legislation to bring this into regulation.

6.9 We estimated that the most significant benefits would accrue to consumers, driven by an anticipated increase in wellbeing due to fewer debt collection events, as well as a reduction in late fees paid.

6.10 In our CBA, we acknowledged broader uncertainties around how the market may evolve, including differing macroeconomic conditions. To reflect this, our modelling allows for DPC growth to vary substantially across the different baseline scenarios, capturing a wide range of plausible outcomes. We recognised that costs and benefits would fall unevenly across and between firms and consumers, and accounted for this in our sensitivity analysis.

6.11 Having reviewed the consultation responses, we have not identified or received any new evidence that would justify revising our estimates.

Table 1: Summary of costs and benefits

		Benefits	Costs
Total	One-off		£18m
	Ongoing	£180m	£222m
	10-years (PV)	£2,412m	£2,743m
Consumers	Reduction in late fees, due to creditworthiness and information requirements	£408m	
	Increase in wellbeing, due to creditworthiness	£1,423m	
	Avoidance of problem debt & reduced indebtedness, due to fewer transactions	**Unquantified:** By requiring affordability checks and clearer disclosures, the number of DPC agreements that consumers enter, particularly those who cannot afford to, is expected to fall. This should lead to lower risk of overlapping debts, and reduce the incidence of missed payments, late fees and debt-collection events. As a result, consumers are less likely to accumulate unsustainable credit, improving their financial resilience and reducing the risk of long-term debt stress.	

		Benefits	Costs
	Greater regulatory protections, due to application of FCA rules	**Unquantified:** Bringing DPC into our regulatory framework will give consumers access to core protections, including clearer disclosures, proportionate affordability assessments, fair treatment in arrears, and access to the Financial Ombudsman. Applying the Consumer Duty and conduct rules ensures that firms must communicate in ways that consumers can understand, helping to mitigate future harms and support consumers approaching or in financial difficulties. In conjunction, these measures strengthen safeguards throughout the credit journey, helping to improve consumers' confidence in using DPC products.	
	Loss of access, due to creditworthiness assessments		**Unquantified:** Introducing proportionate creditworthiness and affordability assessments may mean that some consumers who previously used DPC will no longer meet the lending criteria or may face delays in being approved. This could reduce access to short-term credit for consumers with thin credit files, variable incomes, or existing financial pressures. While this mitigates the risk of unaffordable borrowing, it may also limit consumers' ability to smooth expenditure or manage short-term cash-flow needs, potentially requiring them to delay purchases or seek alternative forms of credit that may be unregulated, or dip into their savings.

		Benefits	Costs
DPC firms	Compliance costs, due to applying FCA rules		£204m
	Reduction in merchant fees, due to fewer transactions		£929m
	Reduction in late fees, due to creditworthiness and information requirements		£243m
Merchants	Loss in profits, due to fewer transactions		£1,367m
	Reduction in transaction fees, due to alternative payment methods used	£582m	
Other payment and credit firms	Displaced transaction fees, due to consumers switching products	**Unquantified:** As some consumers who are no longer eligible for DPC may switch to alternative credit products, other payment and credit firms may benefit from increased transaction volumes. This can lead to higher fee income for these firms, particularly where consumers move to products with established fee or merchant-service structures. The shift in consumer spend could therefore reallocate revenue from DPC providers to other firms operating within the regulated payments and credit market.	

Our response to feedback on the CBA

6.12 We asked:

Question 22: **Do you agree with our assumptions and findings as set out in this CBA on the relative costs and benefits of the proposals contained in this consultation paper? Please give your reasons and provide any evidence you can.**

Question 23: **Do you have any views on the cost benefit analysis, including our analysis of costs and benefits to consumers, firms and the market?**

6.13 We received a total of 20 responses to questions 22 and 23. Responses predominantly came from trade associations, lenders and consumer groups.

Baseline and counterfactual assumptions

6.14 Several respondents questioned the assumptions used to construct our baseline. Concerns included:

- That the CBA does not fully capture how regulation could change consumer and firm behaviour – for example through increased trust, or innovation – and suggested that a relatively static baseline means these behavioural responses are not fully reflected in the comparison with the regulatory scenario.
- The baseline may overstate future DPC market growth, particularly given macroeconomic uncertainty. Others questioned the use of international comparators.

Our response

The CBA acknowledged that bringing DPC products into our regulatory perimeter may affect behaviour and discussed qualitatively the potential for increased trust to influence use. The CBA also acknowledged that uncertainty over the future macroeconomic environment makes it difficult to predict the DPC market's trajectory.

As these effects are inherently difficult to predict or quantify with confidence, we considered a wide range of potential growth scenarios. This broad range reflects uncertainty about how regulation may interact with broader market developments. Moreover, the low-growth scenario is deliberately conservative, given that many costs scale with transaction volumes. Adopting this cautious approach ensures we do not overstate the net benefits of regulation. Given the limited evidence base and the interdependence of these factors with wider market trends, using a broad sensitivity range is the most proportionate and robust way to reflect the issues highlighted without overstating the precision of the analysis.

Market structure and competition

6.15 Respondents generally welcomed the decision to regulate DPC, noting it would help level the playing field among credit providers and improve consumer protection. But some raised concerns about concentration in the DPC market, and the risks of our intervention in relation to that. Concerns included:

- The risk that regulation disproportionately impacts smaller DPC firms, through comparatively higher compliance costs.
- That firms' ability to absorb the costs of regulation may vary by business model. One respondent noted the potential for costs to vary between, for example, full-service credit providers and pure DPC firms, and highlighted the role of cross-subsidy from other regulated products in absorbing compliance cost.
- That the CBA had not adequately considered larger DPC firms' market power.
- That exempting merchants who offer their own DPC agreements from regulation (as opposed to offering DPC through third-party lenders) creates an uneven playing field. One DPC lender argued that large retailers, especially those with substantial balance sheets, can offer unregulated credit at scale, potentially undermining regulated providers and consumer protections.

Our response

The CBA acknowledged compliance costs are likely to vary significantly by firm size. The CBA explicitly segmented firms by size and applied different cost assumptions to large, medium and small lenders. While we expect all firms in scope of our proposals to be above the £2m PSD reporting thresholds, our ongoing requirements have been designed to be proportionate. For example, by introducing staggered implementation dates for reporting to reduce burdens on firms once DPC agreements become regulated credit agreements and/or when a firm becomes fully authorised.

We recognise concerns that smaller firms may find it harder to absorb fixed elements of compliance cost. We explicitly recognised in the CBA that the DPC market is highly concentrated, with the 3 largest firms accounting for over 90% of the market by volume. The competition assessment discussed that DPC is a two-sided market with strong network effects, high set-up costs and economies of scale, all of which can give incumbents advantages and create risks of market power.

We note, however, that while differences in ability to absorb additional costs could, in principle, contribute to further consolidation, other factors point in the opposite direction. By bringing DPC within the regulatory framework and applying consistent consumer protection standards, we will reduce differences in regulatory treatment between DPC and other forms of consumer credit. This reduces opportunities for regulatory arbitrage and supports more comparable standards across consumer credit markets. Moreover, as discussed in paragraph 304 of the CBA, alignment with the wider credit market may also encourage entry from firms already operating in other regulated credit sectors,

who can leverage their existing compliance capabilities. Such entry could offset some of the consolidation risks by introducing additional competitive pressure.

In the short term, introducing the regime may create some competitive advantage for DPC lenders who currently offer other regulated products. They already have systems in place that non FCA-authorised firms will need to implement. To account for this, we separately estimate the costs of the new regime to authorised and non-authorised firms. As 1 respondent noted, there may be additional differences in costs not captured here if, for example, the ability to subsidise between products affords already authorised firms additional savings. While this is plausible, its impact depends on whether cross-subsidisation is commercially viable and actually undertaken by firms. We do not have enough evidence to assess either the feasibility or the scale of such effects in a consistent way across providers.

The Government has chosen to continue to exempt DPC agreements provided directly by merchants from the scope of our regulation. We recognise the concern that large retailers with substantial balance sheets may be able to offer unregulated credit at scale, potentially creating competitive pressure on regulated DPC providers and weakening consumer protections if activity migrates outside the perimeter. The CBA discussed the risk that some providers may seek to move to white-label or merchant-funded structures to exploit the exemption. We noted that this may be constrained by the need for merchants to have sufficient scale, risk appetite and operational capacity to take on credit risk themselves. The Treasury has also stated in its response to the consultation on the Regulation of Buy Now Pay Later that it will closely monitor the merchant-provided credit sector and respond accordingly 'if significant change or potential consumer harm is detected' (p.10).

The DPC market is already highly concentrated, so it is important to monitor how the new regime affects competition. We will do this through supervisory engagement and analysis of firm-level data (including PSD reporting) to track changes in market shares, entry and exit, and firms' business models. If this monitoring indicates that regulation is contributing to increased concentration or reduced competitive pressure, we will consider the appropriate regulatory response. In line with our Rule Review Framework, if the data and evidence collected suggests that regulation is not working as intended or certain harms persist, we will consider whether to take further actions to address this, including reviewing in greater depth.

Harms not considered

6.16 Respondents identified several harms they believed warranted greater consideration in the CBA:

- Unregulated DPC can contribute to over-consumption, and the CBA should give more weight to the feelings of regret associated with impulse buying. One respondent suggested that such behaviours are driven by the embedded finance design and seemingly frictionless digital journeys of DPC products. Consumer bodies explained the negative externalities associated with this, such as increased financial distress, mental health issues, with resulting pressure on public services.
- Several respondents discussed the potential for DPC use to result in environmental harm, with reference to research that a high proportion of DPC purchases, especially in the fashion space, are returned, contributing to waste and unsustainable consumption patterns.
- Some respondents emphasised distributional impacts, and provided evidence that vulnerable groups, such as those with low incomes, are more likely to use DPC for essentials and are at greater risk of harm.
- Respondents argued that relying digital channels for disclosures and account management information could disadvantage those with limited digital access or literacy. This may mean some consumers are less able to manage DPC agreements or access key information.
- One respondent raised the risk that the use of AI-driven or algorithmic credit assessments by DPC providers may introduce bias.

Our response

The CBA discussed features of DPC – some that are inherent, and some that are frequently seen in product design – that exploit consumers' behavioural biases, and lead consumers to spend more than they had intended. We cited research from Citizens Advice (2021), which 'found that 26% of DPC users had regretted making a purchase using the product and that 37% of these spent more than they could afford' (p. 76, CP25/23). Under the new regime, DPC providers will be subject to pre-contractual information requirements and requirements to undertake creditworthiness assessments, which are intended to improve consumer understanding of the risks of DPC borrowing, and thereby reduce this harm.

We acknowledge there are negative externalities associated with using DPC, including the environmental impact of returning goods. However, as we lack data on returns rates (both for DPC and for other comparable purchase methods) and the environmental cost of this, we do not consider it reasonably practicable to quantify this harm. So, we are unable to estimate any environmental benefits that may arise as a result of regulating the provision of DPC.

DPC is disproportionately used by demographic groups that are more likely to experience financial harm. The CBA highlighted that DPC users are likely to be less financially resilient and live in deprived areas. This

increases their vulnerability to problem debt. Our analysis explicitly takes this greater risk of harm into account. We applied distributional weightings to the estimated benefits in our sensitivity analysis – with the intention of reflecting the higher relative value that low-income consumers place on their income in our understanding of the impact of regulation. This approach ensures that the greater potential benefits of regulation for higher-risk groups are captured within our assessment.

As most DPC transactions take place online, we assumed that digital exclusion is unlikely to be a factor hindering consumer understanding of key information.

We agree that DPC harm is unevenly distributed across consumer groups and have discussed this explicitly in our CBA. In our monitoring of the impact of regulation, we will consider how regulation has affected outcomes in different consumer groups. In line with our Rule Review Framework, if the data and evidence collected suggests that regulation is not working as intended or certain harms persist, we will consider whether to take further actions to address this, including reviewing in greater depth.

We recognise that DPC providers may use AI or algorithms to undertake creditworthiness assessments. We do not have sufficient evidence on the tools DPC providers will use to assess this risk, and it is not unique to DPC. However, we will consider this risk in our monitoring of the impact of our rules. In line with our Rule Review Framework, will decide on that basis if any further intervention is warranted.

Monitoring and evaluation

6.17 Respondents provided a range of feedback on our approach to monitoring and evaluating the new regulatory regime:

- Broad support for our commitment to ongoing monitoring and evaluation.
- Emphasis on the importance of robust data collection, particularly transaction-level and complaints data, to assess the real-world impact of the rules.
- Calls for regular post-implementation reviews to ensure the intervention delivers intended consumer benefits, does not inadvertently restrict access to credit for vulnerable groups, and remains proportionate for firms.
- Suggestions to publish key metrics and findings, consult with stakeholders on emerging issues, and be prepared to adjust requirements in response to evidence of unintended consequences or market developments.

Our response

The 'Monitoring and evaluation' section of the CBA sets out how the FLS, information from CRAs, and regulatory returns data will be used to monitor the impact of our final rules.

We do not explicitly commit to a post-implementation review in our CBA, but we do commit to actively monitoring the DPC market on an ongoing basis, to ascertain the impact of our intervention on firms and consumers. To remain flexible in our responses, we are not being prescriptive about monitoring metrics.

Compliance costs

6.18 Respondents also raised concerns about the cost implications of the rules for certain business models. Their views included:

- The rules will be particularly costly for high-volume, low-value lenders. They highlighted that the cost of undertaking creditworthiness checks and providing disclosures does not decrease with the size of the loan, potentially threatening the sustainability of low-margin products.
- Some respondents felt our CBA underestimated these compliance costs, particularly for smaller or digital-first firms. They noted that increased operational burdens may be passed on to merchants and, ultimately, consumers through higher fees or reduced product availability.
- Caps on late fees could limit firms' ability to recover costs.
- The current flat £650 Financial Ombudsman case fee, which often exceeds the value of individual DPC loans, could incentivise early settlement of complaints regardless of merit. This would distort complaint handling and further erode margins.
- Finally, one firm raised concerns that our CBA had underestimated the ongoing costs associated with the proposed regulatory reporting requirements.

Our response

Respondents suggested that some compliance costs scale with the volume of transactions. For the same aggregate transaction value, those costs are likely to be higher for a firm who issues a large number of small value loans than for a firm who issues a smaller number of higher value loans. Ongoing costs which will scale with volume in the way described include the costs associated with rules on:

- The provision of information before and during an agreement.
- Creditworthiness assessments.
- Getting information from CRAs when firms do not have sufficient data to undertake a creditworthiness assessment that meets regulatory standards.

Respondents raised the risk that for the high-volume, low-value lenders with small profit margins, the impact of these rules together could raise unit costs in such a way as to threaten the viability of their product.

We sought to understand how the impact of our regulation would vary across different types of firms through our data request. We received information on compliance costs for the 3 largest DPC firms and 7 smaller authorised DPC firms. For confidentiality reasons, we did not include in the CBA specific cost information provided by the 3 largest firms, but included them in our summary figures. We did not receive cost estimates in response to our survey from smaller unauthorised firms, and therefore relied on external evidence and our standardised costs model.

In our CBA, we assumed the following for the costs of complying with requirements on the provision of information before and during an agreement:

- One-off costs to firms of 'ensuring their current informational journey meets the requirements of our new regime. This will involve conducting gap analysis, setting up the appropriate IT systems, training employees to understand the new regime, and potential legal and external consultancy fees' (p. 108, paragraph 213).
- Ongoing costs to firms 'to ensure that they are communicating with customers effectively, undertake monitoring of outcomes, and regularly update their customer journey and communications' (p.108-109, paragraph 214).

We assumed in this instance that there are no ongoing unit costs associated with providing information before and during an agreement as this information is provided by automated systems.

We made the following assumptions for our estimates of the costs of complying with the requirement to undertake creditworthiness assessments. We said:

- On one-off costs: 'Firms may need to change their systems and processes following the application of our creditworthiness rules to ensure that they are meeting our requirements, for example by setting up processes to check whether borrowers have a bad credit history or are currently in arrears on other debt' (p.111, paragraph 231).
- On one-off costs: 'Firms may incur one-off costs, mainly pertaining to gap analysis and IT development costs for conducting affordability and creditworthiness checks before lending and setting robust systems and controls, if they do not already have these in place' (p.112, paragraph 232).
- On ongoing costs: 'We expect firms to also face ongoing costs in ensuring that their processes are up to date' (p.112, paragraph 232).

As with the costs of complying with requirements on information provision, our understanding is that because creditworthiness assessments would be undertaken by automated systems, the marginal cost associated with assessing an additional agreement is

negligible. Instead, we assumed that firms incur ongoing costs related to maintaining and updating the relevant systems.

We adopted an alternative method for estimating the costs associated with contacting CRAs, which firms may incur if they lack sufficient data in-house to conduct a creditworthiness assessment that meets regulatory standards. Our data request responses indicated that each inquiry involved a fixed unit cost, which we incorporated into our methodology accordingly. Our methodology, as set out in the CBA, was:

- 'First, from our transaction-level data, we estimate the number of customers applying for a transaction in each 3-month period from 2018-24, reaching 8.7m in Q3 2024' (p. 113, paragraph 236).
- 'Second, we estimate the number of new customers over the 10-year appraisal period from the average new customers added from 2019-24, 4-5m, assuming that this increase continues but growth decays at 5% per annum as per the trend we have seen in this period' (p. 113, paragraph 236).
- 'Third, based on the ratio of total transactions made by individual customers to the total made in a given quarter in 2024, 29%, we estimate how many of these new customers we expect to continue to transact over the ten-year appraisal period. Together, this leads to 856m calls to CRAs over the appraisal period, compared to an estimated 2.6bn transactions' (p. 113, paragraph 236).
- 'At a cost of 22p per call, we estimate a total cost over the 10-year appraisal period of £158m (PV)' (p. 113, paragraph 237).

In aggregate, this methodology accounts for the fixed unit costs associated with making calls to CRAs. However, we do not consider how the total cost calculated is distributed across firms with different business models.

For the costs of compliance associated with (1) the provision of information before and during an agreement, and (2) creditworthiness assessments, we do not expect there to be significant unit costs in the way described by the respondents, due to systems being automated. In addition, as our estimates are based on information firms themselves have provided on their ongoing costs of compliance, we assume that any such effects would be accounted for in the data provided. So, we believe the estimates provided in the CBA have accounted for these effects also. However, we acknowledge that, although we segment our cost estimates by size and by authorisation status, there are also differences by business model which we have been unable to account for.

Similarly, our approach to estimating the cost of CRA calls accounts for this effect in aggregate but does not consider how the impact varies by business model.

Late fee caps were not included in our proposals and were not considered in the CBA. The CBA acknowledges the risk that DPC providers are disproportionately affected by a high number of Financial Ombudsman complaints. However, this risk is judged to be low. As set out in paragraph

272 of the CBA, we believe that the high burden to complainants relative to the potential reward means that there are insufficient incentives to drive complaints or to encourage claims management activity.

While the CBA quantifies compliance costs to DPC lenders, it does not explicitly discuss the additional operational burdens that could potentially face merchants. For example, complexities from redesigning consumer journeys, supporting lender reporting, clarifying regulatory responsibilities, and ensuring staff compliance and consumer understanding.

Based on the available data, we modelled compliance costs for 3 groups: large, authorised and unauthorised firms. Due to limited data, we could not break these classifications down further by firm size. However, respondents have pointed out concerns that compliance costs may be higher for smaller or digital-first firms. In the absence of existing data, we intend to monitor these impacts going forward.

Further, the CBA does currently model lost profits to DPC lenders and merchants; however, these lost profits are only considered to be a consequence of reduced transactions, rather than being a reflection of additional operational burdens. Due to insufficient data, we were unable to quantify the cost of such burdens on merchants, but we recognise the importance of monitoring these.

In addition, we had attempted to model the extent to which high merchant fees could be passed onto consumers in the form of higher prices, but limited data made this difficult to do with any level of robustness. Instead, pass-through costs are discussed in paragraph 280 of the CBA. A breakeven analysis was conducted, which modelled the minimum quantifiable benefit that consumers would need to incur over the appraisal period, for the overall NPV of our intervention to be positive. So, the CBA does indirectly accommodate unquantified pass-through costs within the breakeven threshold.

Our cost estimates for regulatory reporting for DPC firms are largely derived from PS24/3. This set out the costs that providers of consumer credit would incur from submitting the new Product Sales Data (PSD) returns. As these costs were formulated following engagement with industry, and have been consulted on, we consider that they are robust. We believe that the most costly area of regulatory reporting is the requirement to submit the PSD returns, as this requires firms to report information on each agreement. But we have also accounted for further costs associated with other regulatory returns which are expected to be less burdensome for firms. We remain of the view that most of the costs associated with regulatory reporting will be one-off implementation costs. We have accounted for costs relating to IT development, project management and governance which will be incurred when establishing the systems required for submitting regulatory data. However, we acknowledge that the costs in our CBA are averages, and that the

costs incurred by some firms may deviate from this depending on their circumstances and structure.

Internal debt collection costs

6.19 Several respondents commented on the potential impact of our proposals on firms' debt-collection costs. Their views included:

- Effective regulation of DPC could reduce firms' internal debt-collection costs and their reliance on external debt-collection agencies.
- Improved affordability checks, clearer information provision and earlier intervention when consumers miss payments should lead to fewer arrears and defaults, lowering the operational burden and costs associated with pursuing overdue payments.
- Reduced outsourcing to external debt-collection agencies could improve consumer outcomes, as external collection can expose consumers to additional stress or fees.
- The CBA should reflect potential reductions in both internal and external debt-collection costs as a tangible benefit of the proposed intervention.

Our response

Debt-collection events are discussed at various points in our CBA in CP25/23. For example, in Figure 14, which sets out the different channels through which our intervention may have an impact.

While debt-collection events are referenced in the context of consumer benefits, we acknowledge that fewer debt-collection events could also reduce costs for firms.

However, there is limited consistent evidence on the unit cost of internal collections, the circumstances in which firms outsource to external debt-collection agencies, and the fees paid when they do so. Because of this variation and the lack of reliable, comparable data, any estimate of the scale of potential savings would carry a high degree of uncertainty and risk overstating the precision of the analysis. So, we do not believe it is reasonably practicable for us to produce an estimate of this benefit.

Unintended consequences

6.20 Respondents raised concerns about the potential unintended consequences of introducing stricter creditworthiness requirements for DPC. Their views included:

- The risk that some consumers – particularly those on low incomes, those with thin credit files, or with other vulnerabilities – may be declined for interest-free DPC, and instead turn to more costly interest-bearing forms of credit.
- The risk that some of the same group of consumers are pushed towards unregulated or illegal lending options, undermining the aims of the intervention.

- Strong calls for post-implementation monitoring to assess these distributional impacts, particularly for vulnerable groups, to make sure the regime does not inadvertently restrict access to affordable credit for those who need it the most.

Our response

CP25/23 acknowledges that stricter creditworthiness assessments may lead to unintended consequences (see paragraphs 2.30 to 2.34). This includes the potential for consumers to turn to higher-cost alternatives if DPC access is restricted. However, the CBA does not explicitly model the alternative channels that consumers may turn to if they fail a creditworthiness assessment. This is because we have insufficient evidence to model these substitution patterns reliably.

We agree this is an important area to monitor, particularly as any such effects are likely to fall disproportionately on more vulnerable consumers. As set out in paragraphs 312-314 of the CBA, our monitoring and evaluation plan includes tracking the number of consumers who fail creditworthiness assessments. Where these numbers are high, this will form the starting point for further analysis of the consequences for affected consumers and the types of credit they subsequently use.

We also intend to use ongoing monitoring and reviews in the high-cost credit space, to enable us to better understand how to mitigate such risks.

Annex 1

List of respondents

We are obliged to include a list of the names of respondents to our consultation who have consented to the publication of their name. That list is as follows:

Community Money Advice

Consumer Scotland

Credit Services Association

Mustak Patas

PayPal

TransUnion

UKCreditUnions Ltd

In total, we received feedback from:

- Fifteen consumer representatives
- Six lenders who offer DPC agreements
- Eight firms in the wider consumer credit market
- Nine trade associations
- Three academics
- One member of the public
- Three other respondents

Annex 2

Abbreviations used in this paper

Abbreviation	Description
CBA	Cost benefit Analysis
CCA	Consumer Credit Act 1974
CCR	Consumer Credit Return
CJ	Compulsory jurisdiction (of the Financial Ombudsman Service)
COMP	Compensation Sourcebook
COND	Threshold Conditions Sourcebook
CP	Consultation Paper
CRA	Credit reference agency
DISP	Dispute Resolution: Complaints Sourcebook
DPC	Deferred Payment Credit
EEA	European Economic Area
EG	Enforcement Guide
ESG	Environmental, Social and Governance Sourcebook
FCA	Financial Conduct Authority
FEES	Fees Manual
FLS	Financial Lives Survey
FSCS	Financial Services Compensation Scheme
FSMA	Financial Services and Markets Act 2000
GEN	General Provisions Sourcebook
NPV	Net Present Value

Abbreviation	Description
PASS	Pre-application support service
PRA	Prudential Regulation Authority
PRIN	Principles for Businesses Sourcebook
PS	Policy Statement
PSD	Product Sales Data
PV	Present Value
SM&CR	The Senior Managers and Certification regime
SUP	Supervision Manual
SYSC	Senior Management Arrangements, Systems and Controls Sourcebook
TPR	Temporary Permissions Regime
VJ	Voluntary jurisdiction (of the Financial Ombudsman Service)

Appendix 1

Made rules (legal instrument)

FCA 2026/2
FOS 2026/1

DEFERRED PAYMENT CREDIT INSTRUMENT 2026

Powers exercised by the Financial Ombudsman Service Limited

A. The Financial Ombudsman Service Limited ("Financial Ombudsman Service") makes and amends the rules and guidance for the Voluntary Jurisdiction, and fixes and varies the standard terms for Voluntary Jurisdiction participants, as set out in Annex E to this instrument, and incorporates the changes to the Glossary as set out in Annex A to this instrument, in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

(1) section 227 (Voluntary jurisdiction);
(2) paragraph 8 (Information, advice and guidance) of Schedule 17 (The Ombudsman Scheme);
(3) paragraph 18 (Terms of reference to the scheme) of Schedule 17; and
(4) paragraph 20 (Voluntary jurisdiction rules: procedure) of Schedule 17.

B. The making and amendment of the Voluntary Jurisdiction rules and guidance, and the fixing and varying of standard terms for Voluntary Jurisdiction participants by the Financial Ombudsman Service, as set out at paragraph A above, is subject to the consent and approval of the Financial Conduct Authority ("FCA").

Powers exercised by the FCA

C. The FCA makes this instrument in the exercise of:

(1) the following powers and related provisions in the Act:

(a) section 59 (Approval for particular arrangements);
(b) section 59AB(1) (Specifying functions as controlled functions: transitional provision);
(c) section 60 (Applications for approval);
(d) section 60A (Vetting of candidates by relevant authorised persons);
(e) section 61 (Determination of applications);
(f) section 62A (Changes in responsibilities of senior managers);
(g) section 63ZA (Variation of senior manager's approval at request of relevant authorised person);
(h) section 63ZD (Statement of policy relating to conditional approval and variation);
(i) section 63C (Statement of policy);
(j) section 63E (Certification of employees by authorised persons);
(k) section 63F (Issuing of certificates);
(l) section 64A (Rules of conduct);
(m) section 64C (Requirement for authorised persons to notify regulator of disciplinary action);
(n) section 69 (Statement of policy);
(o) section 137A (The FCA's general rules);
(p) section 137T (General supplementary powers);
(q) section 138D (Actions for damages);

(r) section 139A (Power of the FCA to give guidance);
(s) section 226 (Compulsory jurisdiction);
(t) section 347 (The record of authorised persons etc.);
(u) section 395 (The FCA's and PRA's procedures); and
(v) paragraph 13 (FCA's rules) of Schedule 17 (The Ombudsman Scheme); and

(2) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.

D. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Consent and approval by the FCA

E. The FCA approves the making and amendment of the Voluntary Jurisdiction rules and guidance, and the fixing and varying of the standard terms for Voluntary Jurisdiction participants by the Financial Ombudsman Service, as set out in paragraph A above.

Commencement

F. Part 1 of Annex A comes into force on 1 April 2026.

G. Part 2 of Annex E comes into force on 31 December 2026.

H. All other parts of this instrument come into force on 15 July 2026.

Amendments to the FCA Handbook

I. The modules of the FCA's Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Senior Management Arrangements, Systems and Controls sourcebook (SYSC)	Annex B
General Provisions (GEN)	Annex C
Supervision manual (SUP)	Annex D
Dispute Resolution: Complaints sourcebook (DISP)	Annex E
Consumer Credit sourcebook (CONC)	Annex F

Amendments to material outside the Handbook

J. The Perimeter Guidance manual (PERG) is amended in accordance with Annex G to this instrument. The general guidance in PERG does not form part of the Handbook.

Notes

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

Citation

L. This instrument may be cited as the Deferred Payment Credit Instrument 2026.

By order of the Board of the Financial Ombudsman Service Limited
26 January 2026

By order of the Board of the Financial Conduct Authority
29 January 2026

Annex A

Amendments to the Glossary of definitions

Part 1: Comes into force on 1 April 2026

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

deferred payment credit activity	the carrying on of *deferred payment credit lending* (or *agreeing to carry on a regulated activity* so far as it relates to the carrying on of *deferred payment credit lending*).
deferred payment credit lending	*consumer credit lending* undertaken in relation to a *regulated deferred payment credit agreement*.
Deferred Payment Credit Order	the Financial Services and Markets Act 2000 (Regulated Activities etc.) (Amendment) Order 2025 (SI 2025/859).
deferred payment credit temporary permission	in accordance with articles 10 and 11 of the *Deferred Payment Credit Order*, a temporary *permission* to carry on *deferred payment credit activity* which, subject to articles 10 and 11 of that Order, has effect as a *Part 4A permission*.
regulated deferred payment credit agreement	has the meaning given by section 189 of the *CCA* and article 36FB of the *Regulated Activities Order* – that is, an agreement: (a) which meets each of the conditions set out in article 60F(2)(a) to (d) (exempt agreements: exemptions relating to number of repayments to be made) of the *Regulated Activities Order*; and (b) to which article 60F(7A) of the *Regulated Activities Order* applies.

Part 2: Comes into force on 15 July 2026

Insert the following new definition in the appropriate alphabetical position. The text is not underlined.

deferred payment credit regulatory commencement date	15 July 2026, being the 'regulatory commencement date' for the purposes of the *Deferred Payment Credit Order*, as defined in article 1(3) of that Order.

Annex B

Amendments to the Senior Management Arrangements, Systems and Controls sourcebook (SYSC)

Insert the following new transitional provisions, SYSC TP 13, after SYSC TP 12 (Updates to the dual-regulated firms Remuneration Code transitional provision). All the text is new and is not underlined.

TP 13 SMCR: application to firms with deferred payment credit temporary permission

Application

TP 13.1 R *SYSC* TP 13 applies to a *firm* with a *deferred payment credit temporary permission*.

[**Note:** articles 10 and 11 of the *Deferred Payment Credit Order*.]

TP 13.2 G Once a *firm* no longer has a *deferred payment credit temporary permission* because it has ceased to have effect in accordance with article 10(3) of the *Deferred Payment Credit Order*, *SYSC* TP 13 will cease to apply to that *firm*.

Firms with only a deferred payment credit temporary permission

TP 13.3 R In circumstances where the only *regulated activities* in a *firm's permission* are *deferred payment credit activities* permitted by a *deferred payment credit temporary permission*, a *firm* is not an *SMCR firm* (and is included in Part Three of *SYSC* 23 Annex 1 (Definition of exempt firm)).

Firms whose Part 4A permission comprises permission granted by the FCA and deferred payment credit temporary permission

TP 13.4 R (1) This *rule* applies where a *firm's permission* comprises *permission* to carry on *regulated activities* granted by the *FCA* under Part 4A of the *Act* and a *deferred payment credit temporary permission*.

(2) The *firm's deferred payment credit temporary permission* is to be disregarded for the purposes of categorising what type of *SMCR firm* the *firm* is in accordance with *SYSC* 23 Annex 1 (Definition of SMCR firm and different types of SMCR firms).

(3) For the purposes of those elements of the senior managers and certification regime that are implemented through the provisions of the *FCA Handbook* described in *SYSC* 23.3.3G:

(a) where the application of a provision is determined in whole or in part by reference to the *firm's permission*, the *firm's deferred payment credit temporary permission* is to be

disregarded for the purpose of determining the application of the provision; and

(b) where the application of a provision is determined in whole or in part by reference to *regulated activities* carried on by the *firm*, any *deferred payment credit activity* which that *firm's deferred payment credit temporary permission* permits it to carry on is to be treated as if it were not a *regulated activity* for the purposes of determining the application of the provision.

TP 13.5 G An overview of the senior managers and certification regime and where to find the main *FCA Handbook* provisions can be found in *SYSC* 23.3.

Annex C

Amendments to the General Provisions (GEN)

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

2 Interpreting the Handbook

…

2.3 General saving of the Handbook for Gibraltar

Continued application of the Handbook with respect to Gibraltar

2.3.1 R …

(4) …

(5) A *Gibraltar-based firm* carrying on *deferred payment credit activity* must comply with the relevant *Handbook* provisions relating to *deferred payment credit activity*.

…

4 Statutory status disclosure

…

4.2 Purpose

…

4.2.2 G There are other pre-contract information requirements outside this chapter, including:

…

(8) for *regulated credit agreements*, apart from *regulated deferred payment credit agreements*, the pre-contract information requirements in the Consumer Credit (Disclosure of Information) Regulations 2010 (SI 2010/1013) and in the Consumer Credit (Disclosure of Information) Regulations 2004 (SI 2004/1481); ~~and~~

(8A) for *regulated deferred payment credit agreements*, the product information requirements in *CONC* 4.2A; and

…

Annex D

Amendments to the Supervision manual (SUP)

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

16 Annex 21 Reporting Fields

…

2 SPECIFIC REPORTING FIELDS

…

(f) Relevant *regulated credit agreements*

…

Reference	Data reporting field	Code (where applicable)	Notes
Origination data elements …			
…			
44A	Is the agreement a BNPL agreement?	Y = Yes N = No	Whether the *regulated credit agreement* meets the criteria of a *BNPL agreement*. If the *regulated credit agreement* is a *regulated deferred payment credit agreement*, it does not meet the criteria of a

			BNPL agreement and must be recorded as N = No.
…			
51A	Does the agreement meet the criteria of one of these agreement types as defined in the FCA Handbook?	A = High-cost short-term credit B = Home credit loan agreement C = RTO agreement D = BNPL agreement X = None of these FCA Handbook definitions Z = Unknown	Enter the relevant code: … **D: BNPL agreement** A *regulated credit agreement* which meets the criteria of a *BNPL agreement*. If the *regulated credit agreement* is a *regulated deferred payment credit agreement*, it does not meet the criteria of a *BNPL agreement*. …
52A	End date of promotional period for BNPL credit	DD/MM/YYYY	The end date of the promotional period for the *BNPL credit*. *Credit* provided under a

			regulated deferred payment credit agreement does not meet the criteria of *BNPL credit*.
…			
Performance data …			
Reference	**Data reporting field**	**Code (where applicable)**	**Notes**
…			
Agreement characteristics data elements …			
…			
24A	Is the agreement one of the following types?	A = Pawn agreement B = Personal contract purchase agreement for a motor vehicle C = Hire-purchase agreement (other than a personal contract purchase agreement for a motor vehicle) or conditional sale D = Green deal plan E = BNPL agreement X = None of these Z = Unknown	Enter the relevant code: … **E: BNPL agreement** A *regulated credit agreement* which meets the criteria of a *BNPL agreement*. If the *regulated credit agreement* is a *regulated deferred payment*

			credit agreement, it does not meet the criteria of a *BNPL agreement*. …
…			
Drawdown type repeatable data elements …			
Start of drawdown type repeatable data elements			
81A	**RA** Drawdown type	A1 = Purchases treated as BNPL A2 = Purchases treated as instalment plans A3 = All other purchases B = Balance transfers C = Money transfers D = Other cash transactions W = Other drawdown type	The reporting *firm* should not include data in relation to a *regulated deferred payment credit agreement* as *credit* provided under a *regulated deferred payment credit agreement* does not meet the criteria of *running-account credit*. Enter the relevant code: …
…			

Scheduled repayment period data elements …			
…			
Start of scheduled repayment period repeatable data elements			
…			
114A	**FS** BNPL payment condition in effect	Y = Yes N = No	Whether the *BNPL credit* promotional period is in effect as on the scheduled *repayment* date. *Credit* provided under a *regulated deferred payment credit agreement* does not meet the criteria of *BNPL credit*. …
…			
Back-book data …			
Reference	**Data reporting field**	**Code (where applicable)**	**Notes**
…			
16A	Does the agreement meet the criteria of one of these agreement types as	A = High-cost short-term credit B = Home credit loan agreement	Enter the relevant code: …

	defined in the FCA Handbook?	C = RTO agreement D = BNPL agreement X = None of these FCA Handbook definitions Z = Unknown	**D: BNPL agreement** A *regulated credit agreement* which meets the criteria of a *BNPL agreement*. If the *regulated credit agreement* is a *regulated deferred payment credit agreement*, it does not meet the criteria of a *BNPL agreement*. …
…			

…

Insert the following new transitional provisions, SUP TP 1.9A, after SUP TP 1.9 (Credit-related regulated activities). All the text is new and is not underlined.

TP 1.9A Deferred payment credit activities

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
1	*SUP* TP 1.9A 1R to *SUP* TP 1.9A 10G	R	In these transitional provisions: (1) 'threshold DPC firm' means a *firm* that	From 15 July 2026	15 July 2026

			previously held a *deferred payment credit temporary permission* and has provided an attestation in accordance with *SUP* TP 1.9A 3R that it has an annual total value of £2,000,000 or more outstanding for *regulated deferred payment credit agreements* or an annual total value of £2,000,000 or more of new advances for *regulated deferred payment credit agreements*; and (2) references to a *firm* becoming 'fully authorised' are references to a *firm* that previously held a *deferred payment credit temporary permission* which has ceased to have effect under article 10(3)(a) or (b) of the *Deferred Payment Credit Order* (the *firm's* application for *permission* or for a variation of *permission* to carry on *deferred payment credit activity* has been granted etc by the *FCA*).		
2	*SUP* 16.11.3R, *SUP* 16.11.5R, *SUP* 16.11.5AR, *SUP* 16.11.5BR, *SUP* 16.11.7R, *SUP* 16 Annex 20G Table 6 and *SUP* 16 Annex 21R (sales data report, performance data report and back-book data report for	R	(1) This transitional provision applies where a *firm* is required to report sales, performance and back-book data on relevant *regulated credit agreements* in accordance with *SUP* 16.11.3R. (2) A *regulated deferred payment credit agreement* is not a	From 15 July 2026	15 July 2026

	relevant regulated credit agreements)		relevant *regulated credit agreement* if it was executed, or the legal ownership of the lender's rights and duties under the agreement was assigned to the *firm*, within the period commencing on 15 July 2026 and ending on 31 March 2027.		
3		R	(1) This transitional provision applies where a *firm's deferred payment credit temporary permission* has ceased to have effect because the *firm* has become fully authorised. (2) Within 20 *business days* of the *firm's deferred payment credit temporary permission* ceasing to have effect, the *firm* must provide, in an email submitted to deferredpaymentcredit@fca.org.uk, an attestation to confirm whether or not it has: (a) an annual total value of £2,000,000 or more outstanding for *regulated deferred payment credit agreements*; or (b) an annual total value of £2,000,000 or more of new advances for *regulated deferred payment credit agreements*.	From 15 July 2026	15 July 2026
4	*SUP* TP 1.9A 3R	R	(1) The attestation to be made in accordance with *SUP* TP 1.9A 3R must	From 15 July 2026	15 July 2026

			be made in respect of the annual period ending on the date on which the *firm* becomes fully authorised. (2) Where a *firm* has been undertaking *deferred payment credit lending* for a period of less than 12 *months*, the *firm* must, for the purposes of that attestation, annualise the total value of new advances for *regulated deferred payment credit agreements* (ie, make it representative for a full year's activity).		
5	*SUP* 16.11, *SUP* 16 Annex 20G Table 6 and *SUP* 16 Annex 21R	R	*SUP* 16.11 applies to a threshold DPC firm in relation to sales, performance and back-book data reports and will continue to apply regardless of the annual total value reported for relevant *regulated credit agreements* in subsequent reporting periods.	From 15 July 2026	15 July 2026
6	*SUP* 16.11.3R and *SUP* 16.11.5BR	R	In relation to a threshold DPC firm, the first reporting period to which the requirement in *SUP* 16.11.3R applies is the fifth calendar quarter following the quarter in which the *firm* becomes fully authorised.	From 15 July 2026	15 July 2026
7	*SUP* 16.11.3R(2A)	R	Where, after having reported in accordance with *SUP* 16.12.29CR, a threshold DPC firm meets the conditions for classification as a *threshold 1 category B*	From 15 July 2026	15 July 2026

			firm or a *threshold 2 category B firm*, the *firm* is to be treated as a *threshold 1 category B firm* or a *threshold 2 category B firm*, as relevant, and: (1) the *firm* must continue to submit sales data reports and performance data reports subject to the reporting frequencies and periods referred to in *SUP* 16.11.3R(1) and (2); and (2) the *firm's* first data reports submitted in accordance with S*UP* TP 1.9A 6R are to be treated as its data reports in respect of its first reporting period as a *threshold 1 category B firm* or a *threshold 2 category B firm*, as relevant.		
8	*SUP* 16.11.5BR (back-book data reports)	R	A threshold DPC firm that has provided a back-book data report is not required to provide an additional back-book data report once it becomes a *threshold 1 category B firm* or a *threshold 2 category B firm*.	From 15 July 2026	15 July 2026
9	*SUP* TP 1.9A 7R and *SUP* TP 1.9A 8R	G	The effect of *SUP* TP 1.9A 7R and *SUP* TP 1.9A 8R is that there are no overlapping reporting requirements under *SUP* 16.11.3R for a threshold DPC firm which subsequently becomes a *threshold 1 category B firm* or a *threshold 2 category B firm*.	From 15 July 2026	15 July 2026

10	*SUP* 16.12	G	(1) *Firms* are reminded that *CONC* 16.1.5R provides that *SUP* 16 does not apply: (a) to a *firm* with only a *deferred payment credit temporary permission*; or (b) to any other *firm*, with respect to: (i) the *firm's deferred payment credit temporary permission*; and (ii) the carrying on of *deferred payment credit activity* for which it has *deferred payment credit temporary permission*. (2) Where a *firm* has become fully authorised, the reporting frequencies and submission deadlines for the *data items* in *SUP* 16.12.29CR are calculated by reference to the *firm's accounting reference date* (unless otherwise stated) that follows the date on which the *firm* becomes fully authorised. Therefore, threshold DPC firms must submit the applicable *data items* referred to in *SUP* 16.12.29CR by reference to their *accounting reference date* (unless otherwise stated) and the data reports required by *SUP* 16.11.3R by reference to the calendar quarter in which they became fully authorised.	From 15 July 2026	15 July 2026

Annex E

Amendments to the Dispute Resolution: Complaints sourcebook (DISP)

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

Part 1: Comes into force on 15 July 2026

1 Treating complainants fairly

…

1 Annex 1R Complaints return form

Complaints return form

This annex consists only of one or more forms. Forms are to be found through the following address:

[*Editor's note*: insert link to form]

Complaints Return (DISP 1 Ann 1R)

…

PART B

		A	B	C	D	E
	Activities	Total complaints outstanding at reporting period start date	Complaints received	Complaints closed	Complaints upheld by firm	Total redress paid £
	Lending					
…						
40	High-cost short-term credit					
40A	Deferred payment credit					
…						

…

Part 2: Comes into force on 31 December 2026

[*Editor's note*: This Part takes into account the changes introduced by the Complaints Reporting Instrument 2025 (FCA 2025/53). That instrument deletes and replaces DISP 1 Annex 1 in its entirety from its entry into force on 31 December 2026.]

1 Annex 1 **Complaints return form**

…

CCR return information as referred to at DISP 1.10.1IR

…

1 Annex 1.9 R 'Service provided' includes any of the following:

…

(4) *rent-to-own agreements*;

(4A) *regulated deferred payment credit agreements*;

…

…

…

Part 3: Comes into force on 15 July 2026

[*Editor's note*: This Part takes into account the changes proposed by the Advice Guidance Boundary Review (Targeted Support) Instrument 2026, which, if made, are expected to come into force on 6 April 2026.]

2 Jurisdiction of the Financial Ombudsman Service

…

2.5 To which activities does the Voluntary Jurisdiction apply?

2.5.1 R The *Ombudsman* can consider a *complaint* under the *Voluntary Jurisdiction* if:

…

(2) it relates to an act or omission by a *VJ participant* in carrying on one or more of the following activities:

(a) an activity (other than *auction regulation bidding*, *administering a benchmark*, *meeting of repayment claims*, *managing dormant asset funds (including the investment of such funds)*, *regulated pensions dashboard activity*, *operating an electronic system for public offers of relevant securities* ~~and~~, *providing targeted support* and *deferred payment credit activity*) carried on after 28 April 1988 which:

…

…

(c) activities, other than *regulated claims management activities*, activities ancillary to *regulated claims management activities*, *meeting of repayment claims*, *managing dormant asset funds (including the investment of such funds)*, *regulated pensions dashboard activity*, *operating an electronic system for public offers of relevant securities* ~~and~~, *providing targeted support* and *deferred payment credit activity*, which (at ~~[6 April 2026]~~ 15 July 2026) would be covered by the *Compulsory Jurisdiction*, if they were carried on from an establishment in the *United Kingdom* (these activities are listed in *DISP* 2 Annex 1G);

…

…

2 Annex 1 Regulated Activities for the Voluntary Jurisdiction at ~~[6 April 2026]~~ 15 July 2026

This table belongs to *DISP* 2.5.1R

G The activities which were covered by the *Compulsory Jurisdiction* (at ~~[6 April 2026]~~ 15 July 2026) were:

…

The activities which (at ~~[6 April 2026]~~ 15 July 2026) were *regulated activities* were, in accordance with section 22 of the *Act* (Regulated Activities), any of the following activities specified in Part II and Parts 3A and 3B of the *Regulated Activities Order* (with the addition of *auction regulation bidding*, *administering a benchmark* and *dealing with unwanted asset money*):

…

…

TP 1 Transitional provisions

TP 1.1 Transitional Provisions table

(1)	(2) Material provision to which transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
…					
57	…	…	…	…	…
58	*DISP* 1.10 as disapplied and modified as set out in the table in *CONC* 16.1.5R	G	(1) *Firms* are reminded of the disapplication and modification of *DISP* 1.10 as set out in the table in *CONC* 16.1.5R. The effect of those provisions is that no reports are due under *DISP* 1.10 and *DISP* 1.10A for *complaints* relating to *deferred payment credit activities*, unless and until such time as *Part 4A permission* is granted, given or varied by the *FCA*, as applicable, to carry on *deferred payment credit activities*. (2) Where a *firm* ceases to provide *deferred payment credit activities* on the basis of a *deferred payment credit temporary permission* by reason of being granted or given a *Part 4A permission* for these activities or by reason of having its *Part 4A permission* varied to include these activities, reports under *DISP* 1.10, *DISP* 1.10A and *DISP* 1 Annex 1R will be due for *complaints* relating to *deferred credit payment*	From 15 July 2026	15 July 2026

			activities received while the *firm* operated with a *deferred payment credit temporary permission*. To clarify: (a) the reporting frequencies, submission deadlines and time limits for publication for the returns and complaints data summaries in *DISP* 1.10 and *DISP* 1.10A are to be calculated: (i) for reporting periods before 31 December 2026: by reference to the *firm's* next *accounting reference date* that follows the date on which the *deferred payment credit temporary permission* ceases to have effect following the granting, giving or variation of a *Part 4A permission*; or (ii) for reporting periods after 31 December 2026: within 30 *business days* of the end of the relevant reporting period as set out in *DISP* 1.10.1R(1A), *DISP* 1.10.4R and *DISP* 1.10.4BR; (b) the first complaints return in the form in *DISP* 1 Annex 1 should cover *complaints* received in the period commencing on the *deferred payment credit regulatory commencement date* and ending on the *firm's* next reporting date as		

			determined in accordance with (a); and (c) the complaints return form should be submitted in the form set out in *DISP* 1 Annex 1R as amended by Part 1 or Part 2 of Annex E of the Deferred Payment Credit Instrument 2026, as applicable.		

…

Annex F

Amendments to the Consumer Credit sourcebook (CONC)

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

2 Conduct of business standards: general

…

2.3 Conduct of business: lenders and restrictions on provision of credit card cheques

…

General conduct

2.3.2 R (1) ~~A~~ In relation to a *regulated credit agreement* other than a *regulated deferred payment credit agreement*, a *firm* must explain the key features of a *regulated credit agreement* to enable the *customer* to make an informed choice as required by *CONC* 4.2.5R (adequate explanations).

[**Note:** paragraph 2.2 of *ILG*.]

(2) In relation to a *regulated deferred payment credit agreement*, a *firm* must provide the information required by *CONC* 4.2A.3R.

…

2.7 Distance marketing

Application

2.7.1 R (1) Subject to (2) ~~and,~~ (3) and (4), this section applies to a *firm* that carries on any distance marketing activity from an establishment in the *UK*, with or for a *consumer* in the *UK*.

…

(3) …

(4) This section does not apply to any distance marketing activity carried on in relation to a *regulated deferred payment credit agreement*.

…

4 Pre-contractual requirements

…

4.2 Pre-contract disclosure and adequate explanations

Application

4.2.1 R This section, unless otherwise stated in or in relation to a *rule*:

…

(4) does not apply to an agreement secured on *land*; ~~and~~

(4A) does not apply to a *regulated deferred payment credit agreement*; and

…

…

Insert the following new section, CONC 4.2A, after CONC 4.2 (Pre-contract disclosure and adequate explanations). All the text is new and is not underlined.

4.2A Product information requirements: regulated deferred payment credit agreements

Application

4.2A.1 R This section applies to a *firm* with respect to *deferred payment credit lending*.

Purpose

4.2A.2 G The purpose of the *rules* in this section is to ensure that *customers* have appropriate information before entering into a *regulated deferred payment credit agreement*. References in this section to an 'agreement' are to a *regulated deferred payment credit agreement*.

Product information: pre-contract

4.2A.3 R (1) Before making an agreement, the *firm* must:

(a) give to the *customer* the information set out in *CONC* 4.2A.5R(1) (referred to in this section as the 'key product information'); and

(b) give, or make available, to the *customer* the information set out in *CONC* 4.2A.5R(2) (referred to in this section as the 'additional product information').

(2) The additional product information must all be given, or made available, to the *customer* together, except for the contractual terms and conditions which may be given, or made available, separately.

(3) Where there is more than one *customer* acting together as 'joint borrowers', the information required under this *rule* must be given, or made available (as applicable), to each *customer*.

Exception for distance contracts entered into orally

4.2A.4 R In the case of an agreement that is a *distance contract* entered into orally, the requirement in *CONC* 4.2A.3R(1) may be satisfied by the *firm*:

(1) giving the key product information to the *customer* orally before the agreement is made; and

(2) giving the key product information and the additional product information to the customer in a *durable medium* immediately after the agreement is made.

The information to be given or made available to the customer

4.2A.5 R (1) The key product information referred to in *CONC* 4.2A.3R(1)(a) is as follows:

(a) the rate of interest that applies to the agreement;

(b) the amount of the *credit* to be provided under the agreement;

(c) the number and frequency of payments to be made by the *customer* under the agreement (and, where known, the dates upon which those payments will fall due);

(d) the amount of each payment to be made by the *customer* under the agreement;

(e) the cash price of the goods or services, the acquisition of which is to be financed by *credit* under the agreement;

(f) the principal consequences for the *customer* of failing to make payment in accordance with the agreement including, where applicable:

(i) the circumstances in which charges for late or missed payment or underpayment will be applied (and the amount of those charges);

(ii) the risk of impaired credit rating and its possible effect on the *customer's* future access to, or cost of, *credit*;

(g) whether the *lender* will obtain information from a *credit reference agency* before deciding whether to proceed with the

agreement (but, where the *lender* does not know whether it will obtain information from a *credit reference agency* before deciding whether to proceed with the agreement, then instead, that the *lender* may obtain information from a *credit reference agency* before deciding whether to proceed with the agreement);

(h) that information about certain rights is set out in the additional product information; and

(i) the existence of any other contractual terms and conditions of the agreement and, if they are to be made available (rather than given) to the *customer* as part of the additional product information, how the full contractual terms and conditions can be accessed.

(2) The additional product information referred to in *CONC* 4.2A.3R(1)(b) is as follows:

(a) the identity of the *lender* and the *supplier*;

(b) the existence of any of the following rights:

(i) to withdraw from or cancel the agreement;

(ii) to complete payments ahead of time;

(c) an explanation of the circumstances in which the *customer* has any of the rights referenced in (2)(b), and how the *customer* may exercise them;

(d) the existence of a right for *eligible complainants* to refer a complaint to the *Financial Ombudsman Service*, and information about how a complaint may be referred to the *Financial Ombudsman Service*;

(e) an explanation of the interaction between any entitlement the *customer* has to return goods to the *supplier*, and the *customer's* rights or obligations under or in respect of the agreement;

(f) any further information the *customer* needs to understand the potential adverse consequences of a failure to make payments in accordance with the agreement and an explanation of how the *customer* can avoid those adverse consequences;

(g) an explanation of the protections available to the *customer* under section 75 of the *CCA* (or, if relevant, under section 75A of the *CCA*);

(h) (where the *customer* will need to grant a *continuous payment authority* and the *firm* chooses to comply with *CONC* 4.6.2R

in the manner set out in *CONC* 4.6.2AR) an adequate explanation of the matters set out in *CONC* 4.6.2R(2)(a) to (i) and (k); and

(i) the contractual terms and conditions.

Product information: once the agreement is made

4.2A.6 R (1) Immediately after an agreement has been made, the *firm* must give, or make available, to the *customer* in a *durable medium*:

(a) a copy of the agreement; and

(b) the key product information and the additional product information described in *CONC* 4.2A.5R.

(2) The requirement in (1)(b) does not apply to the extent that:

(a) the information is included in the copy of the agreement provided in accordance with (1)(a);

(b) the information was given to the *customer* in a *durable medium* prior to the customer entering into the agreement; or

(c) the information was given to the *customer* in a *durable medium* immediately after the agreement was made in accordance with *CONC* 4.2A.4R (Exception for distance contracts entered into orally).

Credit agreements where there is a guarantor etc

4.2A.7 R (1) This *rule* applies if:

(a) a *firm* is to enter into an agreement; and

(b) an *individual* other than the *borrower* (in this *rule* referred to as 'the guarantor') is to provide a guarantee or an indemnity (or both) in relation to the agreement.

(2) The *firm* must, before making the agreement, provide the guarantor with the information in (3) in order to place the guarantor in a position to make an informed decision as to whether to act as the guarantor in relation to the agreement.

(3) The information referred to in (2) is:

(a) an adequate explanation of:

(i) the circumstances in which the guarantee or the indemnity (or both) might be called on; and

(ii) the implications for the guarantor of the guarantee or the indemnity (or both) being called on; and

(b) such of the information mentioned in *CONC* 4.2A.5R as the *firm* considers necessary for the guarantor to understand the adequate explanations required by (3)(a) and make an informed decision as to whether to act as guarantor.

(4) The information provided under (3)(b) does not need to include information about the use of a *continuous payment authority* where that information is provided to the guarantor in compliance with *CONC* 4.6.5R.

[**Note:** See also Part 8 of the *CCA*.]

Interpretation: making information available

4.2A.8 R For the purposes of this section, information is made available to a *customer* only if the *customer* can reasonably be expected to:

(1) know how to access it; and

(2) be able to access it.

4.2A.9 G The *rules* in this section do not specify how information can be made available, as it will depend on the context and channel of communication. However, *CONC* 4.2A.8R provides that the test will be satisfied only if the *customer* can reasonably be expected to know how to access the information and be able to access it. Information is unlikely to be made available if it is not clearly and prominently signposted, or if it is obscured or provided alongside too much other information.

Supporting customer understanding

4.2A.10 G (1) *Firms* are reminded of their obligations under *CONC* 3.3 (The clear, fair and not misleading rule and general requirements), *Principle* 12 and *PRIN* 2A (the Consumer Duty). In the *FCA's* view, to comply with the requirements of *CONC* 3.3, *Principle* 12 and *PRIN* 2A and the *rules* in this section, a *firm* should, among other things, consider how it communicates with its *customers* and provides information in a way that supports *customer* understanding (see in particular *PRIN* 2A.5).

(2) In particular, *firms* should ensure that the information required under this section is communicated:

(a) in such a way that:

(i) the *customer's* attention is drawn to it; and

(ii) it is not disguised, diminished or obscured by any other information given to the *customer* at the same time; and

(b) in good time for the *customer* to consider it and make effective decisions before entering into the agreement.

4.2A.11 R This section also applies to a *Gibraltar-based firm* with respect to *deferred payment credit lending*.

4.2A.12 G *Gibraltar-based firms* are reminded that *GEN* 2.3.1R(5) provides that a *Gibraltar-based firm* carrying on *deferred payment credit activity* must comply with the relevant *Handbook* provisions relating to *deferred payment credit activity*.

Amend the following as shown.

4.6 Pre-contract disclosure: continuous payment authorities

…

Disclosure of continuous payment authorities

4.6.2 R …

(2) The matters referred to in (1) are:

…

(k) whether default fees and other charges may be added and, if so, the circumstances in which these may be incurred and the amount of such fees and charges or the basis on which they will be calculated.

[**Note**: paragraph 3.9miii of *DCG*]

Adequate explanations in relation to regulated deferred payment credit agreements

4.6.2A R Where the *regulated credit agreement* is a *regulated deferred payment credit agreement*, the requirement in *CONC* 4.6.2R(1) to provide the *customer* with an adequate explanation of the matters in *CONC* 4.6.2R(2) may be satisfied by including the explanations referred to in *CONC* 4.6.2R(2)(a) to (i) and (k) in the additional product information given, or made available, to the *customer* in accordance with *CONC* 4.2A.3R(1)(b).

…

4.8 Pre-contract: unfair business practices: consumer credit lending

…

Unfair business practices

4.8.2 R A *firm* must not unfairly encourage, incentivise or induce a *customer* to enter into a *regulated credit agreement* quickly without allowing the *customer* time to consider:

(1) in relation to a *regulated credit agreement* other than a *regulated deferred payment credit agreement*, the pre-contract information under section 55 of the *CCA* and the explanations provided under *CONC* 4.2.5R; or

(2) in relation to a *regulated deferred payment credit agreement*, the information given, or made available, to the customer under *CONC* 4.2A.3R(1).

[**Note:** paragraph 5.10 of *ILG*]

…

6 Post contractual requirements

…

6.7 Post contract: business practices

…

Authorised non-business overdraft agreements: reductions in credit limits

…

6.7.42 G …

Regulated deferred payment credit agreements: information provided to customers during the course of a regulated deferred payment credit agreement

6.7.43 G (1) When dealing with *customers* during the course of a *regulated deferred payment credit agreement*, a *firm* should pay due regard to its obligations under *Principle* 12 and *PRIN* 2A (the Consumer Duty).

(2) *Firms* are reminded of their obligations under:

(a) the consumer understanding outcome *rules* in *PRIN* 2A.5, including in particular *PRIN* 2A.5.3R to *PRIN* 2A.5.6R and *PRIN* 2A.5.10R; and

(b) the consumer support outcome *rules* in *PRIN* 2A.6, including in particular *PRIN* 2A.6.2R.

…

7 Arrears, default and recovery (including repossessions)

7.1 Application

…

Agreements where there is a guarantor etc

7.1.4 R …

(3) This *rule* does not apply to *CONC* 7.3.1G, *CONC* 7.4.1R, *CONC* 7.4.2R, *CONC* 7.5.1G, *CONC* 7.6.2AR, *CONC* 7.6.2BG, *CONC* 7.15.3G, *CONC* 7.15.4R, *CONC* 7.15.5G, ~~or~~ *CONC* 7.17 to *CONC* 7.19, *CONC* 7.20.1R or *CONC* 7.20.2G.

…

…

7.6 Exercise of continuous payment authority

Recovery and continuous payment authorities etc.

…

7.6.2B G …

Regulated deferred payment credit agreements: adequate explanations relating to continuous payment authorities

7.6.2C R References in *CONC* 7.6.2G and *CONC* 7.6.2AR to the adequate explanation required by *CONC* 4.6.2R include, in relation to a *regulated deferred payment credit agreement*, where the explanations were included in the product information in compliance with *CONC* 4.6.2AR.

…

Insert the following new section, CONC 7.20, after CONC 7.19 (Notice of default sums under P2P agreements) All the text is new and is not underlined.

7.20 Regulated deferred payment credit agreements: information about missed payments and giving notice before taking certain action

Missed payments

7.20.1 R (1) This *rule* applies where a *borrower* has failed to make a payment by the time it has fallen due under the terms of a *regulated deferred payment credit agreement* ('a missed payment').

(2) As soon as possible after a missed payment has occurred the *firm* must:

(a) notify the *borrower*:

(i) that the missed payment has occurred; and

(ii) about any sums which have become payable under the *regulated deferred payment credit agreement* but remain unpaid (including unpaid charges for non-compliance with the agreement); and

(b) provide the *borrower* with sufficient information for the *borrower* to understand:

(i) which *regulated deferred payment credit agreement* the missed payment relates to;

(ii) any adverse consequences for the *borrower* arising out of the missed payment;

(iii) any adverse consequences for the *borrower* that the *firm* considers are likely to arise out of the missed payment; and

(iv) (where relevant) any steps the *borrower* can take to mitigate those adverse consequences.

(3) The information required under (2) must be provided together.

(4) In this *rule* references to 'payment' refer to the repayment of capital but exclude payment of a charge for non-compliance with a *regulated deferred payment credit agreement*.

7.20.2 G For the purposes of *CONC* 7.20.1R(2)(b)(ii), (iii) and (iv), the *firm* should consider in particular the circumstances in which:

(1) the *firm* applies charges in respect of missed payments; and

(2) the *firm* reports missed payments to a *credit reference agency*.

Giving notice before taking certain action

7.20.3 R (1) Before a *firm* takes any of the actions specified in (2), it must give the *borrower* reasonable notice of its intention to do so.

(2) The actions mentioned in (1) are:

(a) taking steps to enforce a term of a *regulated deferred payment credit agreement* by:

(i) demanding the earlier payment of any sum;

(ii) treating any right conferred on the borrower by the agreement as terminated, restricted or deferred; or

(iii) enforcing any *security*;

(b) terminating a *regulated deferred payment credit agreement*.

(3) If any of the actions mentioned in (2) are conditional on whether the *borrower* takes steps in response to notice given by the *firm*, the *firm* must explain that to the *borrower* when giving notice by setting out:

(a) the steps that the *borrower* is required to take; and

(b) the date by which such steps must be taken.

(4) Where a *firm* intends to take any of the actions specified in (2) and the *borrower* is in arrears, the *firm* must when giving notice in accordance with (1):

(a) inform the *borrower* that free and impartial money guidance and debt advice is available from *not-for-profit debt advice bodies* and can be accessed through a range of delivery channels, including digital tools; and

(b) effectively communicate to the *borrower* the potential benefits of accessing money guidance or free and impartial debt advice from *not-for-profit debt advice bodies*.

[**Note:** see section 129(1) of the *CCA*.]

Amend the following as shown.

11 Cancellation

11.1 The right to cancel

…

11.1.2	R	…
11.1.2A	G	As the distance marketing provisions in *CONC* 2.7 do not apply in relation to a *regulated deferred payment credit agreement*, there is no right to cancel under *CONC* 11.1.1R in respect of a *regulated deferred payment credit agreement* to which section 66A (Right to withdraw) of the *CCA* applies.

…

Insert the following new chapter, CONC 16, after CONC 15 (Agreements secured on land). All the text is new and is not underlined.

16 Requirements for firms with deferred payment credit temporary permission

16.1 Application and purpose

16.1.1 R Subject to CONC 16.1.4R(2), this chapter applies to a *firm* with a *deferred payment credit temporary permission*.

16.1.2 G The purpose of these *rules* is to provide that certain provisions of the *Handbook*:

(1) that would otherwise apply to *persons* with a *deferred payment credit temporary permission* are not to apply to those *persons*; or

(2) are to apply to those *persons* with the modifications specified in the table in *CONC* 16.1.5R.

16.1.3 G In addition to the disapplication and modifications set out in *CONC* 16.1.5R, *SYSC* TP 13 makes transitional provision about the application of the senior managers and certification regime to *firms* with a *deferred payment credit temporary permission*.

Disapplication or modification of certain modules or provisions of the Handbook

16.1.4 R (1) The modules or parts of the modules of the *FCA Handbook* listed in the table in *CONC* 16.1.5R:

(a) do not apply, to the extent set out in the table, to a *person* with a *deferred payment credit temporary permission* with respect to the carrying on of a *deferred payment credit activity*; or

(b) are to apply to such *persons* with the modifications specified in the table in *CONC* 16.1.5R.

(2) In addition, the modification of the *DISP* module of the *FCA Handbook* specified in paragraph (3) of the relevant row in the table in *CONC* 16.1.5R (relating to *DISP* 1.10) applies where a *firm* with *deferred payment credit temporary permission* is granted or given *Part 4A permission* by the *FCA* to carry on *deferred payment credit activity*, or has its *Part 4A permission* varied to include *permission* to carry on *deferred payment credit activity*.

16.1.5 R Table: Disapplied or modified modules or provisions of the *Handbook*

Module	Disapplication or modification
Threshold Conditions (*COND*)	The guidance in *COND* applies with the necessary modifications to reflect Part 4 of *the Deferred Payment Credit Order* (see Notes 1 and 2).

	Note 1	A *firm* has *deferred payment credit temporary permission* on and after the *deferred payment credit regulatory commencement date* to carry on *deferred payment credit activity* where the conditions set out in Part 4 of the *Deferred Payment Credit Order* have been met. According to article 11(6) of that Order, the duty imposed by section 55B(3) of the *Act* (satisfaction of threshold conditions) does not apply where the *FCA* exercises its powers under: (1) section 55J of the *Act* (Variation or cancellation on initiative of regulator); (2) section 55H of the *Act* (Variation by FCA at request of authorised person) to remove a regulated activity; or (3) section 55L of the *Act* (Imposition of requirements by FCA), in relation to a *firm* that has *deferred payment credit temporary permission* in relation to *deferred payment credit activity* carried on under its *deferred payment credit temporary permission*. *Guidance* in *COND* should be read accordingly.
	Note 2	The effect of article 11(9)(a) of the *Deferred Payment Credit Order* is that the *deferred payment credit activity* for which a *firm* has *deferred payment credit temporary permission* is to be treated as if it were not a *regulated activity* for the purposes of construing the reference to the only *regulated activities* that a *person* carries on, or seeks to carry on, contained in paragraphs 2C(1A), 2D(3A) and 2F(3) of Schedule 6 to the *Act*. This means that a *firm* may have *limited permission* while also having a *deferred payment credit temporary permission*, and the *guidance* in *COND* 1.1A.5AG should be read accordingly.

<table>
<tr><td>Statements of Principle and Code of Practice for Approved Persons (APER)</td><td colspan="2">For the purposes of determining the application of APER where a firm's permission includes permission to carry on regulated activities granted by the FCA under Part 4A of the Act (as well as permission arising by virtue of a deferred payment credit temporary permission):

(1) where the application of a provision is determined in whole or in part by reference to the firm's permission, the firm's deferred payment credit temporary permission is to be disregarded; and

(2) where the application of a provision is determined in whole or in part by reference to regulated activities carried on by the firm or its appointed representative, any deferred payment credit activity of the firm or its appointed representative which falls within scope of the firm's deferred payment credit temporary permission is to be treated as if it were not a regulated activity.</td></tr>
<tr><td></td><td>Note 3</td><td>Article 11(2)(d) of the Deferred Payment Credit Order provides that a deferred payment credit temporary permission does not have effect as a Part 4A permission for the purposes of section 59 of the Act.</td></tr>
<tr><td></td><td>Note 4</td><td>The effect of SYSC TP 13.3R is that a firm with only a deferred payment credit temporary permission is not an SMCR firm. APER will therefore not apply to such a firm.</td></tr>
<tr><td>General Provisions (GEN)</td><td colspan="2">(1) For a firm with only a deferred payment credit temporary permission, GEN 4 Annex 1R is modified so that the following disclosure must be included in place of the required disclosure for a UK domestic firm or overseas firm:

'Deemed authorised and regulated by the Financial Conduct Authority for the purposes of the Temporary Permission regime for Regulated Deferred Payment Credit. Details of the Temporary Permission regime, which allows firms to carry on deferred payment credit activities while seeking full authorisation, are available on the Financial Conduct Authority's website.'

(2) For a firm whose permission includes permission to carry on regulated activities granted by the FCA under Part 4A of the Act (as well as a deferred payment credit temporary permission), GEN 4 Annex 1R is modified so that the disclosure in (1) must be included in addition to the disclosure in that Annex.

(3) Where a firm to which (1) or (2) applies is in supervised run-off, the firm must use the following status</td></tr>
</table>

<table>
<tr><td></td><td colspan="2">disclosure in place of, or in addition to, as applicable, the status disclosure in GEN 4 Annex 1R:

‘Deemed authorised and regulated by the Financial Conduct Authority for the purposes of the Supervised run-off regime for Regulated Deferred Payment Credit. Details of the Supervised run-off regime, which allows firms to service deferred payment credit agreements for a limited period, are available on the Financial Conduct Authority’s website.’

(4) The guidance in GEN 4.3.2A is modified accordingly.</td></tr>
<tr><td rowspan="3">Supervision manual (SUP)</td><td colspan="2">SUP 6 (Applications to vary and cancel Part 4A permission and to impose, vary or cancel requirements) applies with the necessary modifications to reflect Part 4 of the Deferred Payment Credit Order (see Note 5).</td></tr>
<tr><td>Note 5</td><td>Article 11(4) of the Deferred Payment Credit Order provides that if a firm with deferred payment credit temporary permission applies to the FCA under:

(1) section 55A of the Act for permission to carry on a regulated activity that is not a deferred payment credit activity; or

(2) section 55H of the Act to vary a permission that is not a deferred payment credit temporary permission by adding a regulated activity that is not a deferred payment credit activity,

the application may be treated by the FCA as relating also to one or more of the regulated activities for which the firm has deferred payment credit temporary permission.</td></tr>
<tr><td colspan="2">For the purposes of determining the application of SUP 10A (FCA Approved Persons in Appointed Representatives) where a firm’s permission includes permission to carry on regulated activities granted by the FCA under Part 4A of the Act (as well as permission arising by virtue of a deferred payment credit temporary permission):

(1) if the application of a provision is determined in whole or in part by reference to the firm’s permission, the firm’s deferred payment credit temporary permission is to be disregarded; and

(2) if the application of a provision is determined in whole or in part by reference to regulated activities carried on by the firm or its appointed representative, any deferred</td></tr>
</table>

	payment credit activity of the *firm* or its *appointed representative* which falls within scope of the *firm's deferred payment credit temporary permission* is to be treated as if it were not a *regulated activity*.	
	Note 6	Article 11(2)(d) of the *Deferred Payment Credit Order* provides that a *deferred payment credit temporary permission* does not have effect as a *Part 4A permission* for the purposes of section 59 of the *Act*.
	Note 7	The effect of *SYSC* TP 13.3R is that a *firm* with only a *deferred payment credit temporary permission* is not an *SMCR firm*. *SUP* 10A will therefore not apply to such a *firm*.
	SUP 11 (Controllers and close links) does not apply to a *firm* with only a *deferred payment credit temporary permission* (see Note 8).	
	Note 8	A *firm* that was not an *authorised person* immediately before the *deferred payment credit regulatory commencement date* is not to be treated as an *authorised person* for the purposes of Part XII of the *Act* (Control Over Authorised Persons) by virtue of holding a *deferred payment credit temporary permission* (see article 11(7) of the *Deferred Payment Credit Order*).
	The *guidance* in *SUP* 12 (Appointed representatives), and any *guidance* elsewhere in the *Handbook*, concerning the effect of section 39 of the *Act*, applies with the modifications necessary to reflect article 11(2)(b) and (3) of the *Deferred Payment Credit Order*.	
	Note 9	The effect of articles 11(2)(b) and (3) of the *Deferred Payment Credit Order* is that if the only activities in a *firm's permission* are those permitted by virtue of a *deferred payment credit temporary permission* (or for which the *firm* has a *limited permission*), the *firm* may still be an *appointed representative* in relation to the carrying on of other *regulated activity* which is comprised in the business for which the *firm's principal* has accepted responsibility.
	SUP 16 (Reporting requirements) does not apply:	

	(1) to a *firm* with only a *deferred payment credit temporary permission*; or (2) to any other *firm*, with respect to: (a) the *firm's deferred payment credit temporary permission*; and (b) the carrying on of *deferred payment credit activity* for which it has *deferred payment credit temporary permission*.	
Disputes Resolution: Complaints sourcebook (*DISP*)	(1) *DISP* 1.10 (Complaints reporting rules) does not apply to a *firm* with only a *deferred payment credit temporary permission*. (2) Where a *firm's permission* includes *permission* to carry on *regulated activities* granted by the *FCA* under Part 4A of the *Act* (as well as *permission* arising by virtue of a *deferred payment credit temporary permission*), *complaints* about *deferred payment credit activity* are not to be included by that *firm* in a report required by *DISP* 1.10 (Complaints reporting rules). (3) Where a *firm* with *deferred payment credit temporary permission* is granted or given *Part 4A permission* by the *FCA* to carry on *deferred payment credit activity*, or has its *Part 4A permission* varied to include *permission* to carry on *deferred payment credit activity*, the *firm* must report all *complaints* concerning *deferred payment credit activity* received during the period when the *firm* had *deferred payment credit temporary permission*, in its first report due under *DISP* 1.10.	
	Note 10	The effect of (2) is that the *firm* is not required to include *complaints* concerning *deferred payment credit activity* carried on by virtue of the *firm's deferred payment credit temporary permission* in a report required by *DISP* 1.10. But in the circumstances mentioned in (3), the *firm* must include all such *complaints* received during the period when the *firm* had *deferred payment credit temporary permission*, in its first report due under *DISP* 1.10.
Glossary of definitions	Where necessary for the purposes of article 11(2)(b) and (3) of the *Deferred Payment Credit Order*, the definition of 'appointed representative' is to be read subject to those provisions.	

Interpretation

16.1.6 R In the table in *CONC* 16.1.5R, 'a firm in supervised run-off' means a *firm* that continues to have *deferred payment credit temporary permission* to enable it to wind down (run off) its *deferred payment credit lending* business by virtue of article 10(3)(c)(ii) or (d)(ii) of the *Deferred Payment Credit Order*.

Annex G

Amendments to the Perimeter Guidance manual (PERG)

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

2 Authorisation and regulated activities

…

2.7 Activities: a broad outline

…

Credit broking

…

2.7.7F G An activity is not *credit broking* within *PERG* 2.7.7EG(1), *PERG* 2.7.7EG(4), *PERG* 2.7.7EG(5) or *PERG* 2.7.7EG(6) if the exemption relating to the number of repayments to be made would apply to the *credit agreement*, see *PERG* 2.7.19GG.

2.7.7FA G An activity is also not *credit broking* within *PERG* 2.7.7EG(1) to *PERG* 2.7.7EG(6) in so far as the activity is carried on in relation to a *regulated deferred payment credit agreement*.

…

Exemptions relating to number of repayments to be made

2.7.19G G A *credit agreement* is also an exempt agreement in the following cases:

(1) if (subject to *PERG* 2.7.19HG and *PERG* 2.7.19HAG):

…

…

…

2.7.19H G …

Regulated deferred payment credit agreements

2.7.19HA G (1) The exemption described in *PERG* 2.7.19GG(1) does not apply to *credit agreements* which meet the definition of a *regulated deferred payment credit agreement*.

(2) *Regulated deferred payment credit agreements* do not benefit from the exemption in *PERG* 2.7.19GG(1) referred to in (1) because of amendments made to article 60F of the *Regulated Activities Order*

by article 3(3) of the *Deferred Payment Credit Order*. The effect of these changes is that the following agreements entered into on or after the *deferred payment credit regulatory commencement date* which are not secured on land will not be exempt under article 60F(2) (even if the other conditions in article 60F(2)(a) to (d) are met):

(a) agreements where:

(i) the *lender* and the supplier are not the same *person*; and

(ii) article 60F(7B) of the *Regulated Activities Order* does not apply to the agreement (see (3) below); or

(b) agreements made in the following way:

(i) a *person* ('the principal supplier') offers to supply goods or services to a consumer ('the consumer') financed by a *credit agreement* provided by another *person* ('the lender');

(ii) the lender, under a pre-existing arrangement with that principal supplier, purchases the goods or services from the principal supplier, for supply to the consumer; and

(iii) the lender is, in relation to the *credit agreement* with the consumer mentioned in (i), also the supplier of the goods or services to that consumer.

(3) Provided the conditions in article 60F(2)(a) to (d) of the *Regulated Activities Order* are met in respect of the agreement, the exemption described in *PERG* 2.7.19GG(1) will apply to the following types of agreements to which article 60F(7B) of the *Regulated Activities Order* applies, even where the *lender* and the supplier are not the same *person*:

(a) agreements to finance premiums under contracts of insurance;

(b) agreements where:

(i) the *borrowers* are employees; and

(ii) the agreements result from an arrangement between the *lender* or supplier and:

(A) the *borrowers'* employer; or

(B) an undertaking which is a member of the same group as the *borrowers'* employer; and

(c) agreements to finance the provision of goods or services offered by a registered social landlord (as defined by article 36FA(4) of the *Regulated Activities Order*) to:

(i) its tenants;

(ii) its leaseholders; or

(iii) *persons* with whom the registered social landlord has entered a shared ownership agreement within the meaning of section 83(3) of the Housing (Scotland) Act 2001.

…

2.8 Exclusions applicable to particular regulated activities

…

Credit broking

2.8.6C G The following activities are excluded from the *regulated activity* of *credit broking*:

…

(6A) …

Activities carried on in relation to regulated deferred payment credit agreements

(6B) Activities carried on in relation to a *regulated deferred payment credit agreement* are excluded from *credit broking*.

…

…

8 Financial promotion and related activities

…

8.12 Exemptions applying to all controlled activities

…

Introductions (article 15)

…

8.12.11A G This exemption does not apply to any *financial promotion* that is made with a view to, or for the purpose of, an introduction to a person who carries on the *controlled activities* of:

(1) credit broking;

(2) operating an electronic system in relation to lending; ~~or~~

(2A) providing relevant consumer credit in relation to a *regulated deferred payment credit agreement*; or

(3) agreeing to carry on the above activities.

…

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