

Telephone: 020 7066 9346
Email: enquiries@fs-cp.org.uk

Professor Russel Griggs OBE,
Independent Reviewer,
c/o Lending Standards Board,
Level 17
City Tower,
40 Basinghall Street
London EC2V 5DE

04 March 2015

Dear Professor Griggs,

Lending Code Review

This is the Financial Services Consumer Panel's submission to your independent review of the Lending code.

Since the FCA took on responsibility for consumer credit, it has become less clear that there is a continuing need for the Code. In carrying out this review, therefore, the Panel believes that the Lending Standards Board (LSB) should focus on those areas that are not covered by the statutory rules. Section nine, for example, covering how customers in financial difficulties should be treated, includes more extensive provisions than the statutory rules. We support these provisions, which include the requirements for firms to look proactively for signs of difficulty, the agreement of repayment plans and the offering of breathing space.

We note that the LSB found examples of poor compliance from firms in relation to the governance of debt purchase and debt collection firms and the treatment of consumers in financial difficulty. It is important this review considers whether amendments to the code are required to improve consumer outcomes in this area. With the reduction of firms operating in Debt Management as a result of the new FCA regime, it is important that firms are mindful of the needs of consumers in financial difficulty.

We would also like the Code to go further on identifying and addressing the needs of vulnerable customers. The Code appears to define vulnerable consumers as those with mental health issues. As highlighted in a recent FCA Occasional Paper¹, the reality is that most people are likely to be vulnerable consumers at some point in their lives and will face a higher risk of detriment. We hope the review will consider how the definition of vulnerability should be expanded and implemented by LSB members. While we know that the LSB has a range of sanctions for breaches of the Code, we believe that it needs to be more transparent about the nature of breaches, and the impact they may have on consumers. As the Panel has highlighted previously, in its response to the LSB's 2014 stakeholder survey, we believe the LSB should:

- Provide summaries of what breaches have taken place and the impact the breaches have had on consumers;

¹ <http://www.fca.org.uk/your-fca/documents/occasional-papers/occasional-paper-8>

- Include the actions firms have been advised to take to remedy the position for those consumers affected; and
- Highlight the changes firms have made to systems/processes to ensure these breaches are not repeated.

Furthermore, given the stretch on the FCA's resources in covering the whole landscape of consumer credit, there could be benefit in the LSB providing independent monitoring of the FCA's rules; it could subsequently investigate concerns, and report any breaches back to the FCA.

We look forward to hearing the outcome of the review, but in the meantime, please do let us know if there is any way that the Panel can further assist you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Lewis', written in a cursive style.

Sue Lewis
Chair
Financial Services Consumer Panel