



Regulatory News Issue 1 September 2020

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Subscribe at www.gocomply.org.uk

team@gocomply.org.uk

T. 01772 381661

M. 07584 243127



FCA TO LAUNCH REVIEW INTO UNSECURED CREDIT

Chris Woolard is to chair a review of the future regulation of the unsecured credit market.

The review is expected to focus on affordability, over-indebtedness and early/ pre-arrears handling. It will also take into account the impact of the coronavirus on employment security and credit scores, changes in business models and new developments in unsecured lending including the growth of unregulated products in retail and the workplace.

Following the review recommendations are expected to be made in early 2021.

So what?

There is no requirement to do anything immediately (other than take part in the review if requested) but firms should consider whether their affordability and collections policies are leading to good customer outcomes.

“Unsecured lending can be critical to helping people through tough times but can cause serious harm if it’s not well regulated.”

Charles Randell, Chair of the FCA



OTHER NEWS

The FCA published an update on the ongoing coronavirus Business Interruption insurance test case, confirming they have filed a “leapfrog” application to appeal to the Supreme Court. See: <https://www.fca.org.uk/news/press-releases/update-business-interruption-insurance-test-case-appeals-process>

Firms begin the long awaited move away from Gabriel to the new RegData reporting platform. Firms will begin to move in the coming months and will receive emails to advise of their moving date. See: <https://www.fca.org.uk/news/news-stories/first-firms-begin-move-new-data-collection-platform-regdata>

FCA publishes updated Regulatory Initiatives Grid showing planned activity over the near, medium and long-term. See: <https://www.fca.org.uk/publication/corporate/regulatory-intitatives-grid-september-2020.pdf>

ICO Director of Regulatory Assurance discusses the launch of the new Accountability Frameworks. See: <https://ico.org.uk/about-the-ico/news-and-events/news-and-blogs/2020/09/accountability-framework-demonstrating-your-compliance/>

SM&CR – The deadline for solo-regulated firms to have undertaken the first assessment of the fitness and propriety of Certified Persons has moved from 9th December 2020 to 31st March 2021. The FCA are also consulting on pushing back other deadlines. See: <https://www.fca.org.uk/firms/senior-managers-certification-regime/solo-regulated-firms>

NEW CAR FINANCE RULES

The FCA have recently issued a Policy Statement (PS20/8).

This follows their work in this market, subsequent output and consultation.

In summary, the new rules:

- Ban the use of any Discretionary Commission Models (where brokers receive commission which is linked to the interest rate that customers pay – creating an incentive to sell more expensive credit to some customers)
- Change the way in which customers are told about the commission they are paying to ensure that they receive more relevant information.

We know most firms have moved away from discretionary commission arrangements but if you haven't the new rules come into force on 28th January 2021. It is also worth noting that the new commission disclosure rules apply to many types of credit broker – not just car finance brokers.

The full policy statement can be read here: <https://www.fca.org.uk/publication/policy/ps20-8.pdf>

So what?

All brokers (and lenders relying on brokers) should review existing policies against the new rules.

We have a wealth of experience in the motor finance world so please **get in touch if you need help with the new rules** or any element of your compliance arrangements.

“Our proposals are designed to help people who have been facing payment difficulties because of the pandemic get back on track with tailored support from firms. For those who can restart payments, it is in their best interests to do so.”

Christopher Woolard, Interim Chief Executive at the FCA



NEXT STAGES OF CORONAVIRUS SUPPORT FOR MORTGAGE, OVERDRAFT & CONSUMER CREDIT CUSTOMERS

The initial support consisted of blanket payment holidays for impacted customers. The revised guidance is expecting more of firms in many ways. Placing an emphasis on customers getting back on track with payment solutions tailored to their individual circumstances. The current guidance will expire on 31st October 2020.

The FCA wants firms to:

- Recognise challenges customers will face and provide support reflecting individual circumstances.
- Work with customers approaching the end of a payment deferral to support before they miss payments.
- Be flexible and employ a full range of shorter and longer-term options to customers
- Put in place sustainable repayment arrangements which are affordable
- Give customers time and opportunity to repay and do not apply pressure.
- Stop balances escalating by suspending, reducing, waiving or cancelling any interest, fees or charges
- Recognise and respond to the needs of vulnerable customers.

We can help! We can complete a **review of all relevant policies, along with a sample of collection calls/ records** and provide a report on your firm's compliance with the new guidance and existing rules for **just £2000**.