

Minutes – Consumer Credit Trade Body Forum

9 March 2022, Meeting held at Exchange Tower, London, E14 9SR, with some of the group joining via Microsoft Teams

Financial Ombudsman and FCA attendees	Industry attendees
<p>Nausicaa Delfas, Interim Chief Executive & Chief Ombudsman (Chair)</p> <p>Sarah Conway, Ombudsman Leader</p> <p>John Wightman, Ombudsman Leader</p> <p>David Bainbridge, Head of External Relations</p> <p>Sean Orrick, Policy and Communications Manager</p> <p>Costas Pittas, Head of Department, retail lending supervision at the FCA</p> <p>Greg Williams, Manager, CMC Department at the FCA</p>	<p>Jason Wassell, Consumer Credit Trade Association (CCTA)</p> <p>Chris Leslie, Credit Services Association (CSA)</p> <p>Stephen Haddrill, Finance and Leasing Association (FLA)</p> <p>Dan Cockle, Consumer Credit Association (CCA)</p> <p>Jackie Barodekar, UK Finance</p> <p>Robert Kelly, Association of British Credit Unions (ABCUL)</p> <p>Elaine Morton, Building Societies Association (BSA)</p> <p>Rachel Waggott, Innovate Finance</p>

Item	Agenda
1.	Welcome
2.	<p>Updates from the Financial Ombudsman Service</p> <ul style="list-style-type: none"> • Action Plan • Wider implications • Plans & budget • Future funding consultation
3.	Insight from Trade Bodies
4.	<p>Complaints from CMCs, to include</p> <ul style="list-style-type: none"> • CMC activity • Affordability • Motor finance commission
5.	Closing remarks and AOB

1. Welcome

- 1.1 The chair welcomed attendees to the meeting

2. Updates from the Financial Ombudsman Service

Action Plan

- 2.1 The Financial Ombudsman Service gave an update on their Action Plan - which was published in December. This covered some of the steps the Financial Ombudsman Service is already taking to change and improve, such as:
- making significant progress to reduce the backlog, which is down from 90,000 to 39,000, exceeding what had been planned for in the budget;
 - developing the prevention strategy, resolving complaints in a timely way and communicating effectively, preventing complaints arising;
 - building on existing relationships to ensure effective collaboration amongst regulatory partners on industry-wide issues through the recently launched Wider Implications process; and
 - the intention to restructure case teams by industry verticals, improve business processes and invest in digital, including work on intelligent automation.
- 2.2 The overall aim is to ensure that the Financial Ombudsman Service was cost effective, value for money and delivers for consumers.
- 2.3 There was general support from the group on the themes discussed.

Funding

- 2.4 The Financial Ombudsman Service thanked the group for their contribution to the recently closed Plans and Budget consultation.
- 2.5 One of the group asked whether the intention was to bring the levy back down in the longer term. The Financial Ombudsman Service explained this was a proposed budget to invest in change and is committed to bringing costs down whilst driving efficiencies.
- 2.6 There was a discussion on the reduction in free cases and the impact on smaller firms and credit unions. The Financial Ombudsman Service acknowledged the potential impact and stated that should the changes be implemented, 69% of firms would still not pay a case fee.
- 2.7 The Financial Ombudsman Service will be issuing a discussion paper in Q1 on the longer-term funding of the organisation and encouraged the group to contribute their ideas. Ideas discussed included raising differential case fees depending on a firm's size or turnover.

Wider Implications

- 2.8 The Financial Ombudsman Service confirmed that the Regulatory Family launched their reinvigorated Wider Implications Framework on 25 January, with the first meeting taking place later this month.
- 2.9 The Financial Ombudsman Service explained that firms can highlight issues identified for consideration under the framework through normal engagement channels. Trade bodies and

other stakeholders will be invited to attend meetings to discuss particular topics.

- 2.10 The Financial Ombudsman Service confirmed that the minutes of each meeting and an action log would be published on their website, in line with the intention for the process to be open and transparent.

3. Insight from Trade Bodies

Consumer Duty

- 3.1 There was a discussion about the implementation of the FCA Consumer Duty. The group raised a desire to have a two-year implementation period and to for more clarity and guidance on how it will be interpreted in practice.
- 3.2 The Financial Ombudsman Service explained they continued to work closely with the FCA and will be producing joint case studies to support the work and discussions taking place through the Wider Implications process.
- 3.3 The FCA reiterated their desire for firms to succeed and are interested to hear concerns from industry ahead of its implementation.

Affordability and cost of living

- 3.4 A discussion also took place on the impact on the consumer credit sector, of cost pressures and factors relating to the rising cost of living, the continued effects of the pandemic and how future uncertainty could affect the likelihood of complaints arising.
- 3.5 There was agreement that uncertainty in the wider economy could have an effect for firms that the group represented, and acknowledgement of the importance of ensuring customers have the headroom to repay credit in this often challenging climate.
- 3.6 The Financial Ombudsman Service also updated the group on its increased focus on vulnerability and the dedicated team supporting vulnerable customers.

4. Complaints from CMCs

CMC activity

- 4.1 A discussion was held about CMCs practices, such as reports of companies phoenixing, vexatious claims and increasing involvement of SRA regulated legal firms entering this space. The group also discussed instances where CMCs use template letters, and the difficulty this can cause firms.
- 4.2 The FCA is consulting on new rules to prevent phoenixing. As a result of their Supervision experience and a lack of specific reports from lenders, the FCA concluded that vexatious claims are not as widespread as they thought. The Financial Ombudsman Service echoed this, though acknowledged that does not mean firms are not experiencing this at their front end.
- 4.3 The Financial Ombudsman explained their role in working with CMCs to manage volumes, including sampling initial batches of cases from CMCs, and reporting vexatious claims to the FCA or the SRA.
- 4.4 Firms were urged by the Financial Ombudsman Service to align to their approach and work closely with them, as high uphold rates are attractive to CMCs and working to bring them down can make a notable difference to further complaints being received. If firms are experiencing high volumes, letting the Financial Ombudsman Service know early can be helpful to both parties.

- 4.5 Trade bodies agreed to ask their members to share further data with the Financial Ombudsman Service on future complaint volumes and CMC activity, where relevant. The FCA also requested that trade body members report any concerns about CMCs to them.

Motor Finance

- 4.6 The Financial Ombudsman service gave an overview of complaints themes including complaints relating to commission. CMC activity was discussed, and the group agreed they had seen complaints brought by legal firms regulated by the SRA.
- 4.7 There was acknowledgement from the group that increased CMC activity was causing some uncertainty for firms. The Financial Ombudsman Service asked firms to engage where they see instances of increased complaint volumes, and the issue would be included on the agenda of the Wider Implications Framework meeting.
- 4.8 The Financial Ombudsman Service requested that Trade Bodies encourage their members to respond to specific information requests from our service, which will support our consideration of cases.
- 4.9 The Financial Ombudsman Service also thanked attendees for Trade Body engagement on this.

Affordability

- 4.10 There was a discussion on the Financial Ombudsman Service's decision making process for affordability complaints and approach to repeat lending
- 4.11 The Financial Ombudsman Service explained that its approach is derived from longstanding regulatory rules, principles and industry codes of practice, as well as ongoing regulatory interventions, such as market studies, FCA policy statements and 'Dear CEO' letters.
- 4.12 The FCA reiterated the Financial Ombudsman Service is aligned with their approach on affordability and suggested a round table with interested parties to discuss further. There was broad agreement with this suggestion

Actions:

1. Roundtable to be arranged on affordability by Financial Ombudsman and FCA
2. Trade bodies to share further data with the Financial Ombudsman Service on future complaint volumes and CMC activity
3. The Financial Ombudsman Service requested Trade Bodies to encourage their members to respond to requests for information on Motor Finance Commission

Next meeting: June