

The Financial Ombudsman Service response to Financial Conduct Authority Consultation Paper CP25/23, Deferred Payment Credit (unregulated Buy Now Pay Later): Proposed approach to regulation

Introduction

The Financial Ombudsman Service welcomes the opportunity to respond to the Financial Conduct Authority (FCA) consultation on its proposed approach to the regulation of Deferred Payment Credit (DPC).

Our response will focus on the complaints that are eligible to come to our service and our ability to resolve complaints efficiently and effectively. Many of the questions in the consultation are not directly relevant to us and so we are sharing our general position below.

We welcome the opportunity to engage further on this subject and are happy to discuss this consultation and its potential impacts, as well as other areas of shared interest, at any point.

Our response

Our response focuses primarily on two key areas:

1. Our plans to resolve DPC complaints quickly, efficiently and with minimum formality, and
2. Ensuring alignment with the FCA on the application of the FCA's rules and guidance to the activities of DPC providers.

Our plans to resolve DPC complaints quickly, efficiently and with minimum formality

We support the FCA's proposal to ensure DPC consumers have access to independent and impartial dispute resolution, provided by the Financial Ombudsman Service, and the FCA's view that having robust, fair procedures for dealing with complaints will help to reduce harms in the DPC sector.

As the FCA notes in the consultation, we are familiar with complaints about regulated credit agreements and so are well placed to respond to the various types of complaints likely to arise from DPC agreements.

Our jurisdiction will cover complaints about acts or omissions from 15 July 2026, so we do not expect to receive significant volumes of incoming complaints in 2026/27.

Over time, we expect there will be a range of complaint issues of varying complexity, including complaints about loan administration, affordability and forbearance, charges and credit file reporting. We also expect to receive complaints made under s75 of the Consumer Credit Act 1974 about the actions of the suppliers of goods and services financed by DPC.

We have begun our preparations for handling complaints about DPC agreements, including engaging with key DPC stakeholders and continue to look for ways to improve our casework processes and the digital complaint journey to ensure that we are able to provide answers to complaints at pace using efficient, fair processes.

We know from conversations with the DPC industry that they are concerned about the size of our case fees compared to the size of individual DPC agreements, although there isn't

always a correlation between the price, or lifespan, of a financial product and the complexity and costs of handling complaints that arise.

Whilst we do not have plans to charge differentiated cases fees for DPC complaints specifically, we are currently seeking views on evolving our funding model across all complaint types to help ensure we encourage firms to adopt positive behaviours with consumers, follow our published guidance, and resolve complaints quickly and fairly. This could address some of these concerns and we are open to discussing with the sector affected any further options.

In the meantime, we are consulting on two options for differentiation: by case stage and by case outcome, with implementation of any changes in 2027/28 and we encourage DPC lenders to respond to that consultation and to share their views <https://www.financial-ombudsman.org.uk/files/324663/2025-08-Differentiated-case-fee-consultation.pdf>

Ensuring regulatory alignment with the FCA

We note that once regulation comes into effect DPC lenders will be subject to the Consumer Duty requirement to deliver good outcomes for consumers.

Our organisations have worked collaboratively and effectively both in preparation for the introduction of the Duty in 2023 and since its implementation, to ensure our understanding about the requirements of the Duty and its application to common interactions between consumers and firms are aligned.

We will continue to work collaboratively with the FCA and will continue to take the lead from the FCA on the Duty's (and relevant Consumer Credit Sourcebook rules and guidance) practical application to DPC – including where there is potential uncertainty as to whether a firm's approach aligns with expectations.

One area where we anticipate there could be such uncertainty is 'creditworthiness' and what amounts to a proportionate approach in the individual circumstances of a DPC lending decision under Consumer Credit Sourcebook (CONC) 5.2A.

We have in recent years received significant volumes of complaints – often involving third-party representatives (TPR's) – from consumers complaining that they were given unaffordable regulated credit.

As the FCA notes, the characteristics of DPC products, particularly the typically smaller sums involved and the absence of interest, may reduce the likelihood of DPC loans being unaffordable.

Those characteristics, together with the steps we have taken recently to encourage TPRs to improve their complaint submissions through the TPR online complaint referral process introduced in October 2024 and the TPR charging regime introduced in April 2025, mean that we are less likely to receive significant referral volumes of complaints about the affordability of DPC loans.

Even so, we think that further guidance and case studies illustrating the FCA's expectations and examples of good and poor practices would promote and aid DPC lender compliance, reduce complaints and subsequent referrals to the Financial Ombudsman Service and the associated costs to DPC lenders; and it will help us to ensure that consumers with valid complaints receive the redress they are due as quickly as possible.

For example, we would encourage the FCA to provide examples of good and poor behaviours around repeat lending of low value DPC loans and around the FCA's expectations around credit file reporting, and the timeliness and content of credit file default reporting, once the FCA has settled its position. We note the FCA intention to consult later this year on introducing a mandatory reporting requirement, including how this might apply to DPC.

We welcome the FCA's proposal to introduce new Consumer Credit Sourcebook rules and guidance around pre-contract information disclosure and communications during the life of the agreement, for example to borrowers who have missed payments.

We think these are important additions to ensure consistency within the DPC market as to what consumers can expect when entering into these previously unregulated agreements and during the lifecycle of the products. This will also potentially provide a basis through which we can align our decisions with regulatory expectations.

But as new DPC specific considerations, we would welcome further guidance and practical examples of good and poor practice to illustrate the FCA's expectations, as well as on the differences between the FCA's expectations on DPC loans and other regulated credit products. This will help ensure that when taking our decisions we are taking into account clear regulatory expectations so as to be fair to all parties.