CBN Rulebook Chapter Summaries

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# Chapter 1 Summary: Application and Purpose and Guidance on Financial Difficulties

## Overview

This chapter establishes the scope and application of the Consumer Credit sourcebook (CONC), which sets out detailed obligations for credit-related regulated activities. It defines who CONC applies to, what activities it covers, where it applies geographically, and provides guidance on identifying customers in financial difficulties.

## Key Points and Main Findings

### Application and Purpose

* CONC is the specialist sourcebook for credit-related regulated activities
* Builds upon high-level obligations in PRIN, GEN, SYSC, and CCA requirements
* Other FCA/PRA Handbook parts also apply, including SUP (supervision), DISP (complaints), and CASS (client assets)

### Scope of Application

* Applies to firms conducting credit-related regulated activities and connected activities
* Firms must ensure compliance by employees, agents, and other persons acting on their behalf
* Appointed representatives: Firms remain responsible for their acts and omissions

### Credit-Related Activities Include:

* Consumer credit lending
* Credit broking
* Debt counselling, adjusting, and administration
* Debt collecting
* Credit information services and references
* Operating electronic lending systems (P2P)
* Consumer hiring

### Geographic Application

* Applies to activities with UK residents from:  
    
  UK establishments  
  Non-UK establishments
* UK establishments
* Non-UK establishments
* UK establishments
* Non-UK establishments

### Land-Secured Agreements

* Generally excluded from CONC (governed by MCOB instead)
* Limited exceptions for certain partnerships and MCD article 3(1)(b) agreements
* Special provisions for high net worth individuals and business loans

### Financial Difficulties Indicators

* Key warning signs include:  
    
  Consecutive missed minimum payments  
  Adverse credit file entries  
  Outstanding county court judgments  
  Inability to meet repayments from disposable income  
  Evidence of borrowing to repay existing debts  
  Engagement with debt management plans or debt advice services
* Consecutive missed minimum payments
* Adverse credit file entries
* Outstanding county court judgments
* Inability to meet repayments from disposable income
* Evidence of borrowing to repay existing debts
* Engagement with debt management plans or debt advice services
* Consecutive missed minimum payments
* Adverse credit file entries
* Outstanding county court judgments
* Inability to meet repayments from disposable income
* Evidence of borrowing to repay existing debts
* Engagement with debt management plans or debt advice services

## Important Details and Conclusions

The chapter emphasizes that CONC operates within a broader regulatory framework, with firms needing to pay particular attention to the Principles for Businesses, especially those relating to integrity, fair treatment of customers, clear communication, and delivering good customer outcomes. The guidance on financial difficulties provides practical indicators that firms should monitor to identify vulnerable customers who may need additional support or forbearance measures.

# Chapter 2 Summary: Conduct of Business Standards - General

## Overview

This chapter establishes general conduct of business standards for firms engaged in credit-related regulated activities. It covers fundamental principles including fair treatment of customers, restrictions on misleading names, marketing practices, and specific requirements for different types of credit-related activities including lending, broking, debt counselling, and distance marketing.

## Key Points and Main Findings

### General Principles (Section 2.2)

* Principle 6 Compliance: Firms must treat customers fairly and pay due regard to their interests
* Prohibited behaviors include:  
    
  Targeting unsuitable credit agreements to vulnerable customers  
  High-pressure selling or oppressive behavior  
  Not allowing reasonable time for repayment  
  Repossessing homes except as last resort
* Targeting unsuitable credit agreements to vulnerable customers
* High-pressure selling or oppressive behavior
* Not allowing reasonable time for repayment
* Repossessing homes except as last resort
* Misleading names prohibition: Firms cannot operate under names that mislead about their status or business nature
* Active election requirement: Customers must actively elect optional products with fees (no pre-ticked boxes)
* Targeting unsuitable credit agreements to vulnerable customers
* High-pressure selling or oppressive behavior
* Not allowing reasonable time for repayment
* Repossessing homes except as last resort

### Credit Broking Requirements (Section 2.5)

* Must explain key features of credit agreements
* Cannot make unsolicited calls to registered numbers
* Must obtain consent before passing customer data to third parties
* Prohibited from charging fees for introductions to different credit types without consent
* Must disclose any group relationships with lenders

### Lender Conduct (Section 2.3)

* Must explain key features to enable informed choice
* Monitor repayment records and act on difficulties
* Verify credit brokers are authorized
* Credit card cheques: Only provided on customer request (max 3 per request)

### Debt Counselling/Adjusting (Section 2.6)

* Cannot use coercion or pressure to sell services
* Cannot exploit customer's lack of legal knowledge
* Must respect customer requests regarding visits
* Premium rate call restrictions apply

### Distance Marketing (Section 2.7)

* Comprehensive information requirements before contract binding
* Must provide information in durable medium
* Consumer rights to paper copies and communication method changes
* Special provisions for voice telephony communications

### E-commerce Requirements (Section 2.8)

* Must make firm information permanently accessible
* Clear identification of commercial communications
* Technical requirements for order placement and acknowledgment
* Unsolicited email must be clearly identifiable

### Mental Capacity Guidance (Section 2.10)

* Firms must have procedures for customers with potential mental capacity limitations
* Should assume capacity unless reasonable grounds to suspect otherwise
* Must balance protection with avoiding unfair discrimination
* Enhanced scrutiny for creditworthiness assessments when capacity concerns exist

### Remuneration Policies (Section 2.11)

* Must manage risks from incentive structures
* Policies needed to detect and manage conflicts from volume-based compensation
* Monitoring required for sales activities and debt collection practices

## Important Details and Conclusions

The chapter emphasizes consumer protection through:  
1. **Transparency**: Clear disclosure requirements across all activities  
2. **Fair treatment**: Explicit prohibitions on exploitative practices  
3. **Vulnerable customer protection**: Special provisions for those with mental capacity limitations  
4. **Active consent**: Requirements preventing opt-out selling  
5. **Regulatory alignment**: Integration with CCA requirements and other consumer protection legislation

The overarching theme is ensuring firms conduct business in ways that enable informed consumer decision-making while preventing exploitation of vulnerable individuals. Firms must establish comprehensive policies and procedures to identify and manage risks to customers arising from their business practices, particularly regarding sales incentives and performance management.

# Chapter 3: Financial Promotions and Communications with Customers

## Brief Overview

This chapter establishes comprehensive rules and guidance for financial promotions and customer communications related to consumer credit activities. It applies to firms engaged in credit agreements, credit broking, debt counselling, debt adjusting, and peer-to-peer lending platforms, setting standards to ensure all communications are clear, fair, and not misleading.

## Key Points and Main Findings

### Application and Scope

* Applies to all firms communicating financial promotions or engaging with customers about credit-related services
* Covers credit agreements, credit broking, debt counselling/adjusting, and P2P lending platforms
* Excludes business credit, qualifying credit, and certain minimal communications (name/logo only)
* Firms are responsible for promotions made by their appointed representatives

### Core Requirements - Clear, Fair and Not Misleading

* All communications must be:  
    
  Clear, fair, and not misleading  
  Clearly identifiable as promotions  
  Accurate and balanced  
  Presented appropriately for the target audience  
  Must not disguise or omit important information
* Clear, fair, and not misleading
* Clearly identifiable as promotions
* Accurate and balanced
* Presented appropriately for the target audience
* Must not disguise or omit important information
* Plain and intelligible language required
* Firm's legal name must be specified
* Credit cannot be advertised as available "regardless of status"
* Clear, fair, and not misleading
* Clearly identifiable as promotions
* Accurate and balanced
* Presented appropriately for the target audience
* Must not disguise or omit important information

### High-Cost Short-Term Credit

* Mandatory risk warning required: "Warning: Late repayment can cause you serious money problems. For help, go to moneyhelper.org.uk"
* Warning must be displayed prominently

### Representative APR and Examples

* Financial promotions indicating interest rates or credit costs must include:  
    
  Representative example with specific information (APR, credit amount, repayment terms)  
  Postal address for contact
* Representative example with specific information (APR, credit amount, repayment terms)
* Postal address for contact
* Representative APR required when promotions:  
    
  State credit available to those with restricted access  
  Include favorable comparisons  
  Contain incentives to apply
* State credit available to those with restricted access
* Include favorable comparisons
* Contain incentives to apply
* Representative example with specific information (APR, credit amount, repayment terms)
* Postal address for contact
* State credit available to those with restricted access
* Include favorable comparisons
* Contain incentives to apply

### Specific Requirements by Sector

**Credit Brokers:**  
- Must indicate extent of powers and independence  
- Legal name required (not just trading name)  
- Must clearly state if broker, not lender  
- Disclosure of financial arrangements with lenders that might affect impartiality

**Debt Counsellors/Adjusters:**  
- Must include comprehensive information about:  
 - Services offered and fees charged  
 - Profit-seeking nature (if applicable)  
 - References to free debt advice  
 - Risks and disadvantages of debt solutions  
 - Impact on credit ratings  
- Cannot falsely claim to be charitable or governmental  
- Restrictions on misleading online promotion

**P2P Platforms:**  
- Must indicate extent of powers  
- Specify if working exclusively with certain lenders or independently

### Prohibited Practices

* Pre-completed credit amounts without creditworthiness assessment
* Implying credit depends solely on property equity
* Promoting unsuitable credit products
* Misleading testimonials or false claims
* Operating look-alike websites mimicking free debt advice services

### Non-Written Promotions

* Must only occur at appropriate times
* Communicator must identify themselves and purpose immediately
* Subject to criminal provisions regarding off-premises canvassing

## Important Details and Conclusions

The chapter establishes a comprehensive regulatory framework prioritizing consumer protection through transparency and fair dealing. Key themes include:

* Consumer Protection Focus: Rules designed to prevent misleading practices and ensure customers receive adequate information for informed decisions
* Standardization: Consistent requirements for displaying APRs, representative examples, and risk warnings ensure comparability across providers
* Sector-Specific Adaptations: Tailored requirements recognize different risks in various credit-related activities
* Enforcement Mechanisms: Clear prohibitions with regulatory consequences for non-compliance, including criminal offenses for certain violations
* Digital Age Considerations: Specific provisions for online promotions and electronic communications reflect modern marketing practices

**Consumer Protection Focus**: Rules designed to prevent misleading practices and ensure customers receive adequate information for informed decisions

**Standardization**: Consistent requirements for displaying APRs, representative examples, and risk warnings ensure comparability across providers

**Sector-Specific Adaptations**: Tailored requirements recognize different risks in various credit-related activities

**Enforcement Mechanisms**: Clear prohibitions with regulatory consequences for non-compliance, including criminal offenses for certain violations

**Digital Age Considerations**: Specific provisions for online promotions and electronic communications reflect modern marketing practices

The overarching goal is to create a fair, transparent marketplace where consumers can make informed decisions about credit products while being protected from misleading or predatory marketing practices.

# Chapter 4: Pre-contractual Requirements

## Overview

This chapter of the Consumer Credit sourcebook (CONC 4) establishes comprehensive pre-contractual requirements for firms engaged in consumer credit lending, credit broking, and consumer hiring. The regulations ensure customers receive adequate information and explanations before entering into credit agreements, with particular emphasis on transparency regarding fees, commissions, and potential risks.

## Key Points and Main Findings

### Content of Quotations (Section 4.1)

* Firms must include specific warning statements in quotations for agreements secured on customers' homes
* Required warnings include:  
    
  "YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP REPAYMENTS..."  
  Special warnings for equity release-type products  
  Foreign currency mortgage warnings
* "YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP REPAYMENTS..."
* Special warnings for equity release-type products
* Foreign currency mortgage warnings
* Statements must be in capital letters, clear, legible, and prominent
* "YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP REPAYMENTS..."
* Special warnings for equity release-type products
* Foreign currency mortgage warnings

### Pre-contract Disclosure and Adequate Explanations (Section 4.2)

* Firms must provide adequate explanations covering:  
    
  Features that may make credit unsuitable for particular uses  
  Payment amounts (periodic and total)  
  Significant adverse effects customers may not foresee  
  Consequences of missed payments (including repossession risks)  
  Withdrawal rights
* Features that may make credit unsuitable for particular uses
* Payment amounts (periodic and total)
* Significant adverse effects customers may not foresee
* Consequences of missed payments (including repossession risks)
* Withdrawal rights
* Special requirements for:  
    
  High-cost short-term credit (must explain unsuitability for long-term borrowing)  
  Credit token agreements  
  Bill of sale loans  
  Hire purchase agreements  
  Debt consolidation loans
* High-cost short-term credit (must explain unsuitability for long-term borrowing)
* Credit token agreements
* Bill of sale loans
* Hire purchase agreements
* Debt consolidation loans
* Explanations must consider customer's level of understanding and financial situation
* Firms cannot require customers to acknowledge adequacy of explanations
* Features that may make credit unsuitable for particular uses
* Payment amounts (periodic and total)
* Significant adverse effects customers may not foresee
* Consequences of missed payments (including repossession risks)
* Withdrawal rights
* High-cost short-term credit (must explain unsuitability for long-term borrowing)
* Credit token agreements
* Bill of sale loans
* Hire purchase agreements
* Debt consolidation loans

### P2P Agreement Requirements (Section 4.3)

* Operators must disclose fees to both borrowers and lenders
* Similar adequate explanation requirements as traditional lending
* Must provide prominent warnings for agreements secured on homes

### Credit Broker Requirements (Section 4.4)

* Credit Broking Information Notice: Firms must send formal notice before requesting payment details, including:  
    
  Legal name and statement that firm is a broker, not lender  
  Amount of charges  
  Payment method and timing
* Legal name and statement that firm is a broker, not lender
* Amount of charges
* Payment method and timing
* Customer must provide written confirmation of receipt before payment details can be requested
* All fees must be agreed in writing before credit agreement is entered
* Legal name and statement that firm is a broker, not lender
* Amount of charges
* Payment method and timing

### Commission Disclosure (Section 4.5)

* Credit brokers must prominently disclose commissions that could affect impartiality
* Motor Vehicle Finance Prohibition: Discretionary commission arrangements are prohibited where:  
    
  Credit brokers can negotiate interest rates  
  Commission varies based on the rate charged
* Credit brokers can negotiate interest rates
* Commission varies based on the rate charged
* Examples of prohibited arrangements include "difference in charges" models
* Credit brokers can negotiate interest rates
* Commission varies based on the rate charged

### Continuous Payment Authorities (Section 4.6)

* Firms must explain:  
    
  How CPAs work  
  How to cancel them  
  Consequences of insufficient funds  
  Frequency of collection attempts  
  For high-cost short-term credit: maximum two collection attempts allowed
* How CPAs work
* How to cancel them
* Consequences of insufficient funds
* Frequency of collection attempts
* For high-cost short-term credit: maximum two collection attempts allowed
* How CPAs work
* How to cancel them
* Consequences of insufficient funds
* Frequency of collection attempts
* For high-cost short-term credit: maximum two collection attempts allowed

### Current Account Agreements (Section 4.7)

* Must disclose overdraft interest rates and charges
* Information required when overdrawing is possible without pre-arrangement

### Unfair Business Practices (Section 4.8)

* Firms must not:  
    
  Pressure customers to enter agreements quickly  
  Induce customers to borrow more than requested  
  Mislead about debt reduction possibilities
* Pressure customers to enter agreements quickly
* Induce customers to borrow more than requested
* Mislead about debt reduction possibilities
* Pressure customers to enter agreements quickly
* Induce customers to borrow more than requested
* Mislead about debt reduction possibilities

## Important Details and Conclusions

* Consumer Protection Focus: The regulations prioritize informed decision-making by requiring comprehensive pre-contractual disclosures and explanations tailored to individual customer circumstances.
* Special Protections for Vulnerable Situations: Enhanced requirements apply to agreements secured on homes, high-cost credit, and situations involving guarantors.
* Transparency in Intermediation: The credit broker provisions ensure customers understand when they're dealing with intermediaries and what fees they'll pay.
* Motor Finance Reform: The prohibition on discretionary commission arrangements represents significant reform in motor vehicle financing to eliminate conflicts of interest.
* Documentation Requirements: Firms must maintain records of information notices and customer confirmations, ensuring an audit trail of compliance.
* No Waiver of Rights: Customers cannot be induced to waive their rights to adequate explanations, ensuring minimum standards are always met.

**Consumer Protection Focus**: The regulations prioritize informed decision-making by requiring comprehensive pre-contractual disclosures and explanations tailored to individual customer circumstances.

**Special Protections for Vulnerable Situations**: Enhanced requirements apply to agreements secured on homes, high-cost credit, and situations involving guarantors.

**Transparency in Intermediation**: The credit broker provisions ensure customers understand when they're dealing with intermediaries and what fees they'll pay.

**Motor Finance Reform**: The prohibition on discretionary commission arrangements represents significant reform in motor vehicle financing to eliminate conflicts of interest.

**Documentation Requirements**: Firms must maintain records of information notices and customer confirmations, ensuring an audit trail of compliance.

**No Waiver of Rights**: Customers cannot be induced to waive their rights to adequate explanations, ensuring minimum standards are always met.

The chapter establishes a comprehensive framework ensuring customers receive sufficient information to make informed borrowing decisions while protecting them from unfair practices and hidden costs.

# Chapter 5: Responsible Lending - Summary

## Overview

This chapter of the Consumer Credit sourcebook (CONC 5) establishes comprehensive rules and guidance for responsible lending practices, focusing primarily on creditworthiness assessments for consumer credit agreements and peer-to-peer (P2P) lending arrangements. The chapter has been significantly revised, with several sections deleted and replaced by detailed requirements in sections 5.2A and 5.5A.

## Key Points and Main Findings

### Creditworthiness Assessment Requirements (Section 5.2A)

* Mandatory assessment required before:  
    
  Entering into regulated credit agreements  
  Significantly increasing credit amounts  
  Significantly increasing credit limits for running-account credit
* Entering into regulated credit agreements
* Significantly increasing credit amounts
* Significantly increasing credit limits for running-account credit
* Dual risk consideration:  
    
  Credit risk (likelihood of non-repayment)  
  Affordability risk (customer's ability to repay without financial hardship)
* Credit risk (likelihood of non-repayment)
* Affordability risk (customer's ability to repay without financial hardship)
* Income and expenditure analysis must include:  
    
  Current income determination or reasonable estimates  
  Non-discretionary expenditure assessment  
  Consideration of foreseeable changes in financial circumstances
* Current income determination or reasonable estimates
* Non-discretionary expenditure assessment
* Consideration of foreseeable changes in financial circumstances
* Prohibited practices:  
    
  Cannot rely on guarantees/security when assessing affordability  
  Must not complete application forms without customer consent  
  Must reject applications where customer dishonesty is suspected
* Cannot rely on guarantees/security when assessing affordability
* Must not complete application forms without customer consent
* Must reject applications where customer dishonesty is suspected
* Entering into regulated credit agreements
* Significantly increasing credit amounts
* Significantly increasing credit limits for running-account credit
* Credit risk (likelihood of non-repayment)
* Affordability risk (customer's ability to repay without financial hardship)
* Current income determination or reasonable estimates
* Non-discretionary expenditure assessment
* Consideration of foreseeable changes in financial circumstances
* Cannot rely on guarantees/security when assessing affordability
* Must not complete application forms without customer consent
* Must reject applications where customer dishonesty is suspected

### P2P Lending Requirements (Section 5.5A)

* Parallel obligations for P2P platforms operating electronic lending systems
* Similar assessment framework to traditional lending with adaptations for P2P context
* Platform responsibilities include:  
    
  Conducting creditworthiness assessments for borrowers  
  Assessing guarantors where applicable  
  Informing lenders of suspected borrower dishonesty
* Conducting creditworthiness assessments for borrowers
* Assessing guarantors where applicable
* Informing lenders of suspected borrower dishonesty
* Specific considerations for business borrowers and joint borrowers
* Conducting creditworthiness assessments for borrowers
* Assessing guarantors where applicable
* Informing lenders of suspected borrower dishonesty

### Proportionality Principle

* Assessment scope must be proportionate to:  
    
  Credit amount and duration  
  Total cost of credit  
  Customer's financial circumstances  
  Potential adverse consequences of non-payment
* Credit amount and duration
* Total cost of credit
* Customer's financial circumstances
* Potential adverse consequences of non-payment
* Information requirements vary based on:  
    
  Level of affordability risk  
  Complexity of the credit product  
  Customer vulnerability indicators
* Level of affordability risk
* Complexity of the credit product
* Customer vulnerability indicators
* Credit amount and duration
* Total cost of credit
* Customer's financial circumstances
* Potential adverse consequences of non-payment
* Level of affordability risk
* Complexity of the credit product
* Customer vulnerability indicators

### Credit Broker Conduct (Section 5.4)

* Customer-focused approach required when giving advice or recommendations
* Due regard to affordability and suitability factors
* Market search obligations when undertaking to search product markets

## Important Details and Conclusions

### Governance and Record-keeping

* Firms must establish written policies and procedures for creditworthiness assessments
* Regular review and assessment of policy effectiveness required
* Comprehensive record-keeping to demonstrate compliance with assessment requirements
* Senior management approval needed for policies (except sole traders)

### Special Circumstances

* Vulnerable customers: Enhanced consideration for those with mental health difficulties or capacity limitations
* Joint borrowers: May require individual assessments for each borrower
* Business lending: Can consider business plans and resources, but assessments cannot rely solely on projections
* Guarantor assessments: Separate evaluation required focusing on potential financial impact

### Exemptions

The rules do not apply to:  
- Certain pawn agreements with limited liability  
- Current account overrunning situations  
- Non-commercial agreements  
- Small borrower-lender-supplier restricted-use credit agreements

### Key Compliance Themes

* Evidence-based decision making: Assessments must be based on sufficient, verified information
* Forward-looking analysis: Must consider likely future changes in customer circumstances
* Holistic evaluation: Cannot ignore non-discretionary expenditure or rely solely on income statements
* Proportionate approach: More rigorous assessment for higher-risk credit products
* Consumer protection focus: Preventing lending that would cause financial hardship

The chapter establishes a comprehensive framework ensuring responsible lending practices while maintaining flexibility for firms to adapt their approaches to different credit products and customer circumstances.

# Chapter 5A: Cost cap for high-cost short-term credit

### Overview

This chapter establishes comprehensive cost caps for high-cost short-term credit agreements entered into on or after January 2, 2015. The regulations implement the FCA's statutory duty under Section 137C of the Act to protect borrowers from excessive charges by imposing three distinct cost limitations: a total cost cap, an initial cost cap, and a default cap.

### Key Points and Main Findings

* Applies to firms engaged in consumer credit lending, credit broking, debt administration, debt collecting, and operating electronic lending systems
* Covers new agreements from January 2, 2015, and variations/supplements that impose new or increased charges
* Includes charges from connected agreements (credit brokers in same group or sharing charges, ancillary services)
* Total Cost Cap: Total charges cannot exceed the amount of credit provided
* Initial Cost Cap: Charges cannot exceed 0.8% per day of outstanding credit (excluding default charges)
* Default Cap:   
    
  Maximum £15 for breach-related charges  
  Maximum 0.8% daily interest on unpaid charges  
  Maximum 0.8% daily on overdue credit amounts
* Maximum £15 for breach-related charges
* Maximum 0.8% daily interest on unpaid charges
* Maximum 0.8% daily on overdue credit amounts
* Maximum £15 for breach-related charges
* Maximum 0.8% daily interest on unpaid charges
* Maximum 0.8% daily on overdue credit amounts
* Replacement agreements must include charges from earlier agreements when calculating cap compliance
* Credit used to repay earlier agreements is excluded from cap calculations
* Early settlement charges that never become payable are disregarded
* Compound interest is strictly prohibited (only simple interest allowed)
* Multiple drawdowns requiring lender consent are treated as separate agreements
* Firms cannot circumvent caps through connected agreements or group arrangements
* Agreements violating caps are unenforceable against borrowers
* Borrowers can choose not to perform non-compliant agreements
* Lenders must repay excessive charges within 7 days of borrower request
* Borrowers must repay credit received within reasonable period after charge refund

### Important Details and Conclusions

The regulations create a comprehensive framework preventing exploitation of high-cost short-term credit borrowers through multiple protective mechanisms. The daily calculation method for the initial cost cap (0.8% per day) effectively limits total non-default charges to approximately 100% of the principal over 125 days. The £15 default cap provides crucial protection against spiraling penalty charges.

The broad definition of "charge" encompasses all costs associated with credit provision, including broker fees, transmission costs, and ancillary services, preventing circumvention through fee restructuring. The treatment of refinancing ensures borrowers cannot be trapped in debt cycles through repeated rollovers that exceed the original cost caps.

Non-compliance renders agreements unenforceable, providing strong incentive for lender compliance while giving borrowers meaningful remedies. The requirement for simple interest only further protects borrowers from exponential debt growth common in high-cost lending markets.

# Chapter 5B: Cost Cap for Rent-to-Own Agreements - Summary

## Overview

This chapter establishes comprehensive cost cap regulations for rent-to-own (RTO) firms, implementing price controls and benchmarking requirements for RTO agreements entered into from April 2019 onwards. The regulations aim to protect consumers by limiting the prices RTO firms can charge for goods, delivery, installation, and credit, ensuring they align with broader market prices.

## Key Points and Main Findings

### Application and Scope

* Effective dates: Applies to RTO agreements from 1 April 2019 (new goods) or 1 July 2019 (existing goods with price increases)
* Extended deadline: Micro-enterprises given until 1 October 2019
* Coverage: Applies to new RTO agreements and variations/supplements involving additional goods
* Exclusions: Does not apply to variations that don't involve new goods supply

### Price Benchmarking Requirements

* Cash price cap: RTO firms cannot exceed benchmarked prices for new goods
* Benchmarking methodology:  
    
  Must find three comparison prices from non-RTO retailers  
  Use median price (or highest if one is from retail revolving credit business)  
  Individual benchmarking required for each item (except bundles)  
  Comparable goods may be used if identical items unavailable
* Must find three comparison prices from non-RTO retailers
* Use median price (or highest if one is from retail revolving credit business)
* Individual benchmarking required for each item (except bundles)
* Comparable goods may be used if identical items unavailable
* Special provisions: Alternative benchmarking for technologically new UK market goods
* Timing: Benchmarking required initially, upon price increases, and at least annually
* Must find three comparison prices from non-RTO retailers
* Use median price (or highest if one is from retail revolving credit business)
* Individual benchmarking required for each item (except bundles)
* Comparable goods may be used if identical items unavailable

### Total Cost of Credit Cap

* Maximum charges: Total charges cannot exceed the cash price of goods plus delivery/installation
* Calculation: Sum of all cash prices determines maximum allowable charges
* Enforcement: Excessive charges are unenforceable; customers entitled to full refund

### Compliance Framework

* Anti-avoidance: Firms prohibited from recovering lost revenue through other services
* Documentation: Written policies and procedures required with governance approval
* Record keeping: Must maintain evidence of benchmarking activities
* Competition law: Firms warned against anti-competitive information sharing

### Key Definitions

* RTO agreement: Hire-purchase or conditional sale agreement for household goods
* RTO firm: Business entering into multiple categories of household goods RTO agreements
* Household goods: Items normally found in residential homes (furniture, appliances, electronics)
* Connected agreement: Delivery/installation agreements linked to RTO agreements

## Important Details and Conclusions

The regulations represent a significant intervention in the RTO market, requiring firms to:  
1. Align their pricing with mainstream retail markets through mandatory benchmarking  
2. Limit total credit costs to 100% of the cash price (effectively capping APR)  
3. Maintain robust compliance systems with regular reviews  
4. Avoid circumventing caps through ancillary charges

The chapter emphasizes consumer protection while providing flexibility for legitimate business operations through provisions for comparable goods benchmarking and special treatment of genuinely new products. The enforcement mechanism (unenforceability of excessive charges and mandatory refunds) creates strong incentives for compliance.

# Chapter 5C: Overdraft Pricing - Summary

## Overview

This chapter establishes regulatory requirements for overdraft pricing structures in the UK, mandating that firms implement simple, transparent, and easily comparable charging structures. The regulations specifically prohibit firms from charging higher interest rates for unarranged overdrafts than for arranged overdrafts, aiming to protect consumers from excessive overdraft charges.

## Key Points and Main Findings

### Scope and Application

* Applies to: Firms providing consumer credit lending through arranged and unarranged overdrafts on personal current accounts
* Excludes:  
    
  Firms offering only excluded accounts (accounts without overdraft facilities)  
  Multi-currency accounts  
  Private banks (serving high-net-worth individuals with assets >£250,000)  
  Credit unions
* Firms offering only excluded accounts (accounts without overdraft facilities)
* Multi-currency accounts
* Private banks (serving high-net-worth individuals with assets >£250,000)
* Credit unions
* Geographic scope: Activities from UK establishments only
* Firms offering only excluded accounts (accounts without overdraft facilities)
* Multi-currency accounts
* Private banks (serving high-net-worth individuals with assets >£250,000)
* Credit unions

### Core Requirements for Overdraft Charges (Section 5C.2)

* Single charging method: All overdraft charges must be expressed as annual percentage interest rates
* Uniform rates: Single interest rate must apply to entire overdraft balance (no tiered/graduated structures)
* No facility fees: Cannot charge fees for making overdrafts available (unless limit exceeds £10,000)
* Consistency: Same calculation method for both arranged and unarranged overdrafts
* Buffer zones: Permitted to offer fee-free amounts, but conditions must be clear and unconditional

### Interest Rate Cap for Unarranged Overdrafts (Section 5C.3)

* Primary rule: Unarranged overdraft rates cannot exceed arranged overdraft rates for the same customer
* Comparison requirement: If customer has no arranged overdraft, firm must compare to most similar account type
* Enforcement: Charges violating this rule are unenforceable and recoverable by customers
* Flexibility: Firms may charge less or nothing for unarranged overdrafts

### Customer Protection Measures (Section 5C.4)

* Change management: Firms must consider impact on existing customers when restructuring charges
* Vulnerable customers: Special consideration required for customers with large overdraft balances
* Forbearance: Appropriate assistance must be provided to affected customers

## Important Details and Conclusions

### Implementation Considerations

* Rules apply to charges accruing after the effective date, regardless of when agreements were made
* Firms retain ability to vary rates through valid contractual provisions
* Waiving or reducing charges for forbearance purposes remains permitted
* Different rates may apply to different customers or accounts

### Regulatory Intent

The regulations aim to:  
1. Simplify overdraft pricing for better consumer understanding  
2. Enable easy comparison between providers  
3. Protect consumers from punitive unarranged overdraft charges  
4. Ensure fair treatment during transitions to new pricing structures

### Compliance Notes

* Representative APR requirements apply to financial promotions
* "Impose" includes creating, relying on, or enforcing contractual rights to charges
* Firms must maintain documentation showing compliance with comparable account identification requirements

# Chapter 5D: Overdraft Repeat Use - Summary

## Overview

This chapter establishes requirements for firms to monitor and address patterns of repeat overdraft use that may result in high cumulative charges harmful to customers or indicate financial difficulties. The regulations apply to arranged and unarranged overdrafts associated with personal current accounts, requiring firms to identify repeat users, categorize them based on financial difficulty indicators, and implement appropriate interventions.

## Key Points and Main Findings

### Definitions and Scope

* Repeat use defined as patterns of overdraft usage where frequency and depth may cause harmful high cumulative charges or indicate financial difficulties
* Applies to consumer credit lending for arranged and unarranged overdrafts on personal current accounts
* Excludes: excluded accounts, foreign currency accounts, private banks, and credit unions
* Applies to UK-established firms

### Monitoring Requirements (Section 5D.2)

* Firms must establish policies, procedures, and systems to:  
    
  Monitor patterns of drawings and repayments periodically  
  Identify repeat users early using relevant information  
  Categorize repeat users into two groups:  
    
  Those showing signs of actual/potential financial difficulties  
  Other repeat users without financial difficulty indicators
* Monitor patterns of drawings and repayments periodically
* Identify repeat users early using relevant information
* Categorize repeat users into two groups:  
    
  Those showing signs of actual/potential financial difficulties  
  Other repeat users without financial difficulty indicators
* Those showing signs of actual/potential financial difficulties
* Other repeat users without financial difficulty indicators
* Monitor patterns of drawings and repayments periodically
* Identify repeat users early using relevant information
* Categorize repeat users into two groups:  
    
  Those showing signs of actual/potential financial difficulties  
  Other repeat users without financial difficulty indicators
* Those showing signs of actual/potential financial difficulties
* Other repeat users without financial difficulty indicators
* Those showing signs of actual/potential financial difficulties
* Other repeat users without financial difficulty indicators

### Intervention Requirements (Section 5D.3)

* For repeat users without financial difficulties:  
    
  First communication highlighting pattern and potential high costs  
  Second communication if pattern continues after reasonable period  
  Annual communications thereafter until pattern ceases
* First communication highlighting pattern and potential high costs
* Second communication if pattern continues after reasonable period
* Annual communications thereafter until pattern ceases
* For repeat users with financial difficulties:  
    
  Prompt communication encouraging customer contact  
  Active outreach if customer doesn't respond within reasonable period (likely ≤1 month)  
  Exploration of reasons for overdraft use and financial difficulties  
  Identification of suitable support options  
  Consideration of facility suspension/removal if customer doesn't engage (unless causing hardship)
* Prompt communication encouraging customer contact
* Active outreach if customer doesn't respond within reasonable period (likely ≤1 month)
* Exploration of reasons for overdraft use and financial difficulties
* Identification of suitable support options
* Consideration of facility suspension/removal if customer doesn't engage (unless causing hardship)

For repeat users without financial difficulties:

* First communication highlighting pattern and potential high costs
* Second communication if pattern continues after reasonable period
* Annual communications thereafter until pattern ceases

For repeat users with financial difficulties:

* Prompt communication encouraging customer contact
* Active outreach if customer doesn't respond within reasonable period (likely ≤1 month)
* Exploration of reasons for overdraft use and financial difficulties
* Identification of suitable support options
* Consideration of facility suspension/removal if customer doesn't engage (unless causing hardship)

### Support Options

* Budgeting advice and money management
* Forbearance measures (reduced charges, additional time to pay)
* Refinancing to more favorable terms
* Staged reductions in credit limits
* Repayment plans

### Monitoring and Reporting (Sections 5D.4-5D.5)

* Firms must monitor effectiveness of policies and update as needed
* Submit detailed policy descriptions to FCA
* Provide two six-month reports on repeat user numbers and overdraft balances
* Report substantial policy changes to FCA

## Important Details and Conclusions

### Key Principles

* Overdrafts are not suitable for long-term use resulting in high cost burdens
* Firms must treat customers fairly (Principle 6) and communicate clearly (Principles 7 and 12)
* Any forbearance measures must be sustainable - not preventing payment of priority debts or essential living expenses
* Income and expenditure assessments must be objective and sufficiently detailed

### Financial Difficulty Indicators

* Upward trends in overdraft use (days per month, borrowing value)
* Changes in regular account credits/debits suggesting reduced income
* Increased use of unarranged overdrafts
* Rising refused payments
* Customer-provided information about difficulties

### Implementation Priorities

* When first implementing systems, firms should prioritize identifying vulnerable customers experiencing or at risk of financial difficulties
* Firms have discretion to tailor policies to their specific business circumstances
* Clear written policies required for income/expenditure assessment procedures

### Regulatory Compliance

* All documentation and reports must be submitted to overdrafts@fca.org.uk
* Firms already providing appropriate forbearance are not required to take inconsistent actions
* Special provisions for customers under Debt Respite moratoriums

# Chapter 6: Post Contractual Requirements - Summary

## Brief Overview

This chapter of the Consumer Credit sourcebook (CONC 6) establishes comprehensive requirements for firms after entering into consumer credit agreements. It covers obligations related to current account overdrafts, payment appropriation, pawn broking, credit cards, refinancing practices, and credit broker refunds, with particular emphasis on treating customers fairly and addressing financial difficulties.

## Key Points and Main Findings

### Application and Scope

* Applies to firms engaged in consumer credit lending and consumer hiring
* Includes specific provisions for P2P lending platforms and credit brokers
* Contains targeted rules for credit cards, retail revolving credit, and current accounts with overdraft facilities

### Current Account Information Requirements (Section 6.3)

* Annual written disclosure requirements for accounts with overdraft possibilities
* Mandatory notification when customers significantly overdraw for over one month
* Must inform customers of overdraft amounts, interest rates, and applicable charges

### Payment Management (Section 6.4)

* Customers must be allowed to allocate payments across multiple agreements
* Specific proportional allocation rules when customers don't specify preferences
* Priority given to hire-purchase, conditional sale, and secured agreements

### Credit Cards and Retail Revolving Credit (Section 6.7)

* Interest allocation: Payments must first apply to highest interest rate debts
* Minimum payments: Must cover at least interest, fees, charges plus 1% of outstanding balance
* Credit limit increases:   
    
  30-day advance notice required (28 days for retail revolving credit)  
  Cannot increase for customers at risk of financial difficulties  
  Customers must have opt-out options
* 30-day advance notice required (28 days for retail revolving credit)
* Cannot increase for customers at risk of financial difficulties
* Customers must have opt-out options
* 30-day advance notice required (28 days for retail revolving credit)
* Cannot increase for customers at risk of financial difficulties
* Customers must have opt-out options

### Persistent Debt Rules

* Monitoring required when customers pay more in interest/fees than principal over 18 months
* Three-stage intervention process:  
    
  Initial warning and encouragement to increase payments  
  Mid-point review at 9-10 months  
  Mandatory assistance after 36 months of persistent debt
* Initial warning and encouragement to increase payments
* Mid-point review at 9-10 months
* Mandatory assistance after 36 months of persistent debt
* Suspension/cancellation of facilities may be required for non-responsive customers
* Initial warning and encouragement to increase payments
* Mid-point review at 9-10 months
* Mandatory assistance after 36 months of persistent debt

### Refinancing Restrictions

* High-cost short-term credit cannot be refinanced more than twice
* Must provide information sheets before refinancing
* Refinancing must not result in unsustainable commitments
* Customer consent required for all refinancing except forbearance

### Pawn Broking Requirements (Section 6.6)

* Detailed record-keeping obligations for all pawned articles
* Must maintain records for 5 years minimum
* Comprehensive documentation of redemptions and sales

### Credit Broker Refunds (Section 6.8)

* Customers entitled to fee refunds (less £5) if no agreement entered within 6 months
* Firms must proactively notify customers of refund rights
* Prompt response to refund requests required

## Important Details and Conclusions

### Financial Difficulty Indicators

* Two or more missed payments
* Agreed repayment plans
* Ongoing debt counselling discussions
* Paying only minimum amounts (contextually)

### Forbearance Obligations

* Firms must monitor for signs of financial difficulties even without missed payments
* Required to consider suspending/reducing interest and charges
* Must provide debt advice contact details
* Special provisions during Debt Respite moratoriums

### Consumer Protection Focus

* Emphasis on sustainable lending and repayment practices
* "Reasonable period" for debt repayment typically 3-4 years
* Protection against debt spiral through persistent debt interventions
* Clear communication requirements in plain language

### COVID-19 Considerations

* Multiple references to coronavirus payment deferral guidance
* Temporary modifications to standard requirements during pandemic periods
* Specific exemptions for firms following FCA COVID guidance

### Enforcement and Compliance

* Firms must establish adequate policies for identifying financial difficulties
* Record-keeping requirements are legally mandated
* Failure to comply may result in FCA disciplinary action
* Customer's statutory rights under CCA remain protected

This chapter represents a comprehensive framework designed to protect consumers after credit agreements are established, with particular emphasis on preventing debt spirals and ensuring fair treatment of customers experiencing financial difficulties.

# Chapter 7: Arrears, Default and Recovery (Including Repossessions) - Summary

## Overview

This chapter of the Consumer Credit sourcebook (CONC 7) establishes comprehensive rules and guidance for firms dealing with customers in arrears, default, or requiring debt recovery. It applies to consumer credit lending, consumer hiring, P2P lending platforms, and debt collecting activities, emphasizing fair treatment, forbearance, and appropriate customer support throughout the debt recovery process.

## Key Points and Main Findings

### Application and Scope

* Applies to firms engaged in consumer credit lending, consumer hiring, P2P lending operations, and debt collecting
* Includes provisions for guarantors and indemnifiers under credit agreements
* Extends to Gibraltar-based firms and TP firms under specific conditions
* Employees and agents must comply with all CONC requirements

### Core Requirements for Customer Treatment

* Mandatory establishment of clear, effective policies for customers in/approaching arrears
* Special provisions for vulnerable customers, including those with mental health difficulties
* Regular review requirements to ensure policy effectiveness and compliance
* Reference to FCA's Guidance on fair treatment of vulnerable customers (FG21/1)
* Fundamental requirement to treat customers with forbearance and due consideration
* Individual assessment of customer circumstances required
* Sustainable repayment arrangements must be established
* Interest/charge reduction required when forbearance arrangements are in place
* Suspending, reducing, or cancelling interest and charges
* Accepting reduced or token payments
* Deferring payment of arrears
* Refinancing to more manageable terms
* Extending pawn redemption periods

### Continuous Payment Authorities (Section 7.6)

* Strict controls on exercise of continuous payment authorities
* Two-attempt limit for high-cost short-term credit collection
* Prohibition on exercising CPAs when customers are in financial difficulties
* Clear explanation requirements before establishing new CPAs
* Customer rights to cancel must not be inhibited

### Communication and Contact Standards (Section 7.9)

* Clear identification requirements for all customer contact
* Reasonable timing restrictions on customer contact
* Privacy protection to prevent third-party awareness of debt
* Debt collection visits must be conducted appropriately with proper notice
* Prohibition on premium rate contact numbers

### Enforcement and Recovery Actions

* Repossession as last resort only after exploring all alternatives
* Suspension of enforcement during active forbearance arrangements
* Proportionality requirement for all recovery actions
* Court action restrictions to prevent pressuring customers
* Compliance with pre-action protocols for property repossession

### Information and Support Obligations

* Signposting to free debt advice and money guidance services
* Clear communication about debt status, options, and consequences
* Income/expenditure assessments must be objective and detailed
* Record sharing to facilitate debt advice provision

## Important Details and Conclusions

### Key Protections for Customers

* Financial difficulty recognition: Firms must identify and respond appropriately to customers experiencing financial hardship
* Sustainable solutions priority: All arrangements must consider priority debts and essential living expenses
* Vulnerable customer safeguards: Enhanced protections for those with mental health issues or capacity limitations
* Transparency requirements: Clear information about rights, options, and consequences throughout the process

### Regulatory Emphasis

* Strong focus on treating customers fairly aligned with FCA Principles 6 and 12 (Consumer Duty)
* Prevention of debt escalation through appropriate forbearance measures
* Protection from aggressive practices in debt collection
* Support for customer engagement with debt advice services

### Compliance Implications

* Firms must maintain comprehensive records of all customer interactions and decisions
* Regular policy reviews required to ensure ongoing effectiveness
* Staff training implied to ensure consistent application of requirements
* Cross-jurisdictional considerations for customers in different UK regions

This chapter represents a comprehensive framework designed to ensure fair, proportionate, and supportive treatment of customers experiencing financial difficulties, with particular emphasis on preventing harm through inappropriate debt recovery practices while facilitating sustainable resolution of arrears situations.

# Chapter 7 part 2 - Sections 7.10-7.19

## Brief Overview

This chapter covers FCA regulations for firms dealing with customers in arrears, default, and debt recovery situations. It establishes requirements for treating vulnerable customers (particularly those with mental capacity limitations), proper disclosure practices, data accuracy, dispute handling, and specific notice requirements for P2P lending agreements.

## Key Points and Main Findings

### Treatment of Customers with Mental Capacity Limitations (7.10)

* Mandatory suspension: Firms must suspend debt recovery when notified or aware that a customer may lack mental capacity
* Customers should be given reasonable time to provide evidence of mental capacity limitations
* Recovery may continue through authorized third parties (e.g., lasting power of attorney)
* Links to vulnerable customer policies required under CONC 7.2.1R

### Disclosure Requirements (7.11)

* Prohibited misrepresentations:  
    
  Cannot falsely claim court authority or bailiff status  
  Cannot use official-looking misleading documents  
  Cannot falsely claim trade body membership  
  Cannot threaten legally impossible actions
* Cannot falsely claim court authority or bailiff status
* Cannot use official-looking misleading documents
* Cannot falsely claim trade body membership
* Cannot threaten legally impossible actions
* Must not state action has been taken when it hasn't
* Cannot threaten enforcement before obtaining necessary court orders
* Cannot falsely claim court authority or bailiff status
* Cannot use official-looking misleading documents
* Cannot falsely claim trade body membership
* Cannot threaten legally impossible actions

### Lenders' Responsibilities (7.12)

* Must not refuse to deal with:  
    
  Not-for-profit debt advice bodies  
  Customer representatives (without justifiable reason)  
  Customers developing repayment plans
* Not-for-profit debt advice bodies
* Customer representatives (without justifiable reason)
* Customers developing repayment plans
* Cannot contact customers directly when represented without consent
* Must accept payments tendered by third parties
* Cannot operate discriminatory policies against certain debt management firms
* Not-for-profit debt advice bodies
* Customer representatives (without justifiable reason)
* Customers developing repayment plans

### Data Accuracy and Outsourcing (7.13)

* Data requirements:  
    
  Maintain accurate debt and repayment history  
  Verify customer identity before pursuing debts  
  Update records when errors discovered  
  Pass accurate information to agents and credit reference agencies
* Maintain accurate debt and repayment history
* Verify customer identity before pursuing debts
* Update records when errors discovered
* Pass accurate information to agents and credit reference agencies
* Outsourcing obligations:  
    
  Exercise due care in selecting third parties  
  Ensure proper permissions held  
  Investigate complaints about third parties
* Exercise due care in selecting third parties
* Ensure proper permissions held
* Investigate complaints about third parties
* Maintain accurate debt and repayment history
* Verify customer identity before pursuing debts
* Update records when errors discovered
* Pass accurate information to agents and credit reference agencies
* Exercise due care in selecting third parties
* Ensure proper permissions held
* Investigate complaints about third parties

### Dispute and Settlement Handling (7.14)

* Dispute procedures:  
    
  Must suspend recovery when debt disputed on valid grounds  
  Firm must prove customer identity and debt amount  
  Must investigate and provide outcome information
* Must suspend recovery when debt disputed on valid grounds
* Firm must prove customer identity and debt amount
* Must investigate and provide outcome information
* Settlement requirements:  
    
  Give due consideration to reasonable repayment offers  
  Provide clear explanations for rejections  
  Cannot intimidate customers to increase offers  
  Must formally confirm accepted settlements
* Give due consideration to reasonable repayment offers
* Provide clear explanations for rejections
* Cannot intimidate customers to increase offers
* Must formally confirm accepted settlements
* Must suspend recovery when debt disputed on valid grounds
* Firm must prove customer identity and debt amount
* Must investigate and provide outcome information
* Give due consideration to reasonable repayment offers
* Provide clear explanations for rejections
* Cannot intimidate customers to increase offers
* Must formally confirm accepted settlements

### Statute Barred Debts (7.15)

* England/Wales/Northern Ireland: 6-year limitation period
* Scotland: 5-year prescriptive period (debt ceases to exist)
* Cannot pursue statute barred debts if no contact during limitation period
* Must not mislead about customer rights
* Must identify statute barred debts to prospective purchasers

### P2P Agreement Notice Requirements (7.17-7.19)

* Fixed-sum credit arrears notices:  
    
  Required when borrower misses two payments  
  Must include FCA information sheet  
  Follow-up notices every 6 months  
  Specific content requirements for borrower information
* Required when borrower misses two payments
* Must include FCA information sheet
* Follow-up notices every 6 months
* Specific content requirements for borrower information
* Running-account credit notices:  
    
  Required when last two repayments missed  
  Must accompany next statement  
  Include modified FCA arrears information sheet
* Required when last two repayments missed
* Must accompany next statement
* Include modified FCA arrears information sheet
* Default sum notices:  
    
  Required within 35 days of default sum becoming payable  
  Must specify amounts, dates, and nature of defaults
* Required within 35 days of default sum becoming payable
* Must specify amounts, dates, and nature of defaults
* Required when borrower misses two payments
* Must include FCA information sheet
* Follow-up notices every 6 months
* Specific content requirements for borrower information
* Required when last two repayments missed
* Must accompany next statement
* Include modified FCA arrears information sheet
* Required within 35 days of default sum becoming payable
* Must specify amounts, dates, and nature of defaults

## Important Details and Conclusions

* Customer protection focus: The regulations prioritize protecting vulnerable customers, particularly those with mental capacity limitations, from inappropriate debt recovery practices.
* Transparency requirements: Firms must be transparent about their authority, status, and the legal position regarding debts, with strict prohibitions on misleading practices.
* Fair treatment obligations: Firms must engage constructively with customers and their representatives, consider reasonable repayment proposals, and cannot use intimidation tactics.
* Data integrity: Accurate record-keeping is essential to prevent pursuing wrong individuals or incorrect amounts, with obligations extending to information passed to third parties.
* P2P lending specifics: Detailed notice requirements ensure borrowers in P2P agreements receive appropriate information about arrears and defaults, with mandatory inclusion of FCA information sheets.
* Legal boundaries: Clear rules prevent firms from threatening or taking actions beyond their legal authority, particularly regarding statute barred debts and enforcement proceedings.

**Customer protection focus**: The regulations prioritize protecting vulnerable customers, particularly those with mental capacity limitations, from inappropriate debt recovery practices.

**Transparency requirements**: Firms must be transparent about their authority, status, and the legal position regarding debts, with strict prohibitions on misleading practices.

**Fair treatment obligations**: Firms must engage constructively with customers and their representatives, consider reasonable repayment proposals, and cannot use intimidation tactics.

**Data integrity**: Accurate record-keeping is essential to prevent pursuing wrong individuals or incorrect amounts, with obligations extending to information passed to third parties.

**P2P lending specifics**: Detailed notice requirements ensure borrowers in P2P agreements receive appropriate information about arrears and defaults, with mandatory inclusion of FCA information sheets.

**Legal boundaries**: Clear rules prevent firms from threatening or taking actions beyond their legal authority, particularly regarding statute barred debts and enforcement proceedings.

# Chapter 8: Debt Advice - Summary

## Brief Overview

This chapter of the Consumer Credit sourcebook (CONC 8) establishes comprehensive regulatory requirements for firms providing debt counselling, debt adjusting, and credit information services. It sets out conduct standards, pre-contract information requirements, and operational obligations to ensure customers receive appropriate debt advice and fair treatment, with particular emphasis on protecting vulnerable consumers and preventing conflicts of interest.

## Key Points and Main Findings

### Application and Scope

* Applies to all firms (profit-seeking and not-for-profit) providing debt counselling, debt adjusting, and credit information services
* Covers both regulated and unregulated credit agreements and consumer hire agreements
* Includes specific provisions for firms operating electronic lending systems (P2P platforms)

### Core Conduct Standards

* Overarching Principles: Firms must conduct business with due skill, care and diligence (Principle 2) and treat customers fairly (Principle 6)
* Mandatory Signposting: Firms must prominently inform customers about free debt counselling services available through MoneyHelper in first communications
* Vulnerable Customer Protection: Firms must establish clear policies to identify and appropriately support particularly vulnerable customers, including those with mental health issues

### Pre-Contract Requirements

* Information Disclosure: Firms must provide comprehensive information about services, costs, duration, and potential credit rating impacts in a durable medium
* Assessment Obligations: Must conduct thorough assessments of customer's financial position, personal circumstances, and provide advice in customer's best interests
* Referral Requirements: Must refer customers to appropriate not-for-profit bodies when unable to assist or when customer cannot afford fees

### Prohibition on Debt Packager Remuneration

* New Restriction: Debt packagers (firms providing debt counselling but not debt solutions) are prohibited from receiving commission or fees from debt solution providers
* Purpose: Removes conflicts of interest between duty to advise customers appropriately and financial incentives from referral fees
* Limited Exceptions: Only for statutory payments and specific government schemes

### Financial Statements and Debt Management Plans

* Accuracy Requirements: Financial statements to lenders must be accurate, realistic, and sent only with customer consent
* Sustainable Offers: Repayment proposals must be realistic and sustainable based on customer's disposable income
* Ongoing Monitoring: Firms must regularly review and adapt debt management plans to reflect changes in customer circumstances
* Annual Statements: Must provide detailed statements showing balances, fees, and payments to lenders

### Fee Restrictions and Transparency

* Payment Timing: Cannot require payment before contract is entered
* Fee Structure: Must not front-load fees in a way that undermines customer's ability to make significant repayments to lenders
* Prohibited Practices: Cannot accept payment by credit card, impose unreasonable cancellation charges, or switch customers between debt solutions without justification
* Refund Obligations: Must refund fees where advice was incorrect or service not provided with reasonable care

### Lead Generator Requirements

* Due Diligence: Firms must verify lead generators comply with data protection laws and consumer protection regulations
* Ongoing Monitoring: Must ensure lead generators don't provide unauthorized debt counselling or make misleading claims
* Transparency: Lead generators must disclose their commercial relationships and obtain proper consent for communications

### Credit Information Services

* Prohibited Claims: Cannot claim ability to remove accurate negative information from credit files or create new credit files
* Transparency: Must clearly explain the extent and limitations of services offered

## Important Details and Conclusions

The regulatory framework emphasizes consumer protection through multiple layers of requirements:

* Information asymmetry reduction through mandatory disclosures and standardized financial statements
* Conflict of interest elimination via the prohibition on referral fees for debt packagers
* Vulnerable consumer safeguards through specific identification and support requirements
* Quality assurance through ongoing monitoring and review obligations
* Market integrity through restrictions on misleading practices and lead generator oversight

The rules create a comprehensive framework ensuring debt advice firms operate in customers' best interests while maintaining transparency about services, fees, and potential consequences of debt solutions. The prohibition on debt packager remuneration from debt solution providers represents a significant structural reform aimed at improving advice quality by removing financial conflicts of interest.

# Chapter 10 Summary: Prudential Rules for Debt Management Firms

## Overview

This chapter establishes prudential requirements for debt management firms and certain not-for-profit debt advice bodies to ensure they maintain adequate financial resources. The rules build on FCA threshold conditions and Principle 4, requiring firms to meet ongoing solvency requirements and maintain sufficient prudential resources to protect customers and ensure business resilience.

## Key Points and Main Findings

### Application and Scope

* Applies to: Debt management firms and not-for-profit debt advice bodies holding (or projecting to hold) £1 million+ in client money
* Exemption: Professional firms whose main business is their profession (≥50% income from professional fees) and whose regulated activities are incidental

### Core Requirements

* General solvency requirement: Firms must meet liabilities as they fall due at all times
* Prudential resources requirement: Firms must maintain prudential resources ≥ their calculated requirement
* Minimum threshold: Higher of £5,000 or calculated percentage of debts under management

### Calculation Methodology

* Tiered percentage structure:  
    
  0.25% of first £5 million of debts under management  
  0.15% of next £95 million  
  0.05% of remaining value
* 0.25% of first £5 million of debts under management
* 0.15% of next £95 million
* 0.05% of remaining value
* Annual calculation: Required on accounting reference date each year
* Recalculation trigger: Required if debts under management increase by >15%
* 0.25% of first £5 million of debts under management
* 0.15% of next £95 million
* 0.05% of remaining value

### Eligible Prudential Resources

* Included items:  
    
  Share capital (fully paid)  
  Capital accounts (sole traders/partnerships)  
  Audited reserves and verified interim profits  
  Revaluation reserves  
  Qualifying subordinated loans/debt
* Share capital (fully paid)
* Capital accounts (sole traders/partnerships)
* Audited reserves and verified interim profits
* Revaluation reserves
* Qualifying subordinated loans/debt
* Deducted items:  
    
  Investments in own shares/subsidiaries  
  Intangible assets  
  Interim net losses  
  Excess drawings over profits
* Investments in own shares/subsidiaries
* Intangible assets
* Interim net losses
* Excess drawings over profits
* Share capital (fully paid)
* Capital accounts (sole traders/partnerships)
* Audited reserves and verified interim profits
* Revaluation reserves
* Qualifying subordinated loans/debt
* Investments in own shares/subsidiaries
* Intangible assets
* Interim net losses
* Excess drawings over profits

## Important Details and Conclusions

### Subordinated Loans Requirements

* Must have minimum 5-year maturity or notice period
* Claims rank behind unsubordinated creditors
* Limited default events and remedies
* Must be unsecured, fully paid, and governed by UK law
* Amount limited to not exceed share capital + reserves - intangible assets

### Regulatory Implications

* Contraventions do not give rise to private rights of action under section 138D of the Act
* Firms must notify FCA within 14 days of any change in prudential resources requirement
* Standards aim to ensure firms can cover operational failures, pay redress, and maintain customer confidence
* Provides cushion against disruption if firm ceases trading

### Practical Application

* Firms carrying multiple regulated activities must meet the highest applicable requirement
* Accounting principles must align with annual financial statement preparation
* Transitional provisions applied until March 31, 2017 for certain requirements

# Chapter 11: Cancellation - Summary

## Overview

This chapter outlines the cancellation rights for consumers in distance contracts related to credit agreements and credit-related services. It establishes a 14-day cancellation period for eligible contracts and details the procedures, obligations, and effects of exercising cancellation rights, including specific provisions for peer-to-peer (P2P) lending agreements.

## Key Points and Main Findings

### General Cancellation Rights (Section 11.1)

* 14-day cancellation period for distance contracts without penalty or reason required
* Applies to:  
    
  Credit agreements  
  Agreements for credit broking, debt counselling, debt adjusting, credit information services, or credit references
* Credit agreements
* Agreements for credit broking, debt counselling, debt adjusting, credit information services, or credit references
* Credit agreements
* Agreements for credit broking, debt counselling, debt adjusting, credit information services, or credit references

### Exclusions from Cancellation Rights

* Credit agreements secured by legal mortgage on land
* Agreements where Section 66A of the CCA applies (right to withdraw)
* Agreements exceeding £60,260 (unless residential renovation agreements)
* Restricted-use credit agreements for land purchase
* Bridging loans for land purchase
* Agreements already cancelled under other consumer protection regulations

### Cancellation Period Timeline

* Begins either:  
    
  Day the distance contract is made, OR  
  Day consumer receives contractual terms and conditions (if later)
* Day the distance contract is made, OR
* Day consumer receives contractual terms and conditions (if later)
* Consumer must notify before expiry using provided instructions
* Notification in durable medium dispatched before deadline meets requirement
* Day the distance contract is made, OR
* Day consumer receives contractual terms and conditions (if later)

### Financial Obligations Upon Cancellation

* Consumer obligations:  
    
  Pay only for services actually provided, proportionate to contract coverage  
  Return any property/sums received within 30 days
* Pay only for services actually provided, proportionate to contract coverage
* Return any property/sums received within 30 days
* Firm obligations:  
    
  Return all consumer payments within 30 days (except permitted charges)  
  Cannot charge penalties or commence service without consumer request
* Return all consumer payments within 30 days (except permitted charges)
* Cannot charge penalties or commence service without consumer request
* Pay only for services actually provided, proportionate to contract coverage
* Return any property/sums received within 30 days
* Return all consumer payments within 30 days (except permitted charges)
* Cannot charge penalties or commence service without consumer request

### P2P Agreement Provisions (Section 11.2)

* Borrower rights:  
    
  14-day withdrawal period from agreement date  
  No reason required for withdrawal  
  Oral or written notice acceptable
* 14-day withdrawal period from agreement date
* No reason required for withdrawal
* Oral or written notice acceptable
* Upon withdrawal:  
    
  Borrower must repay credit plus accrued interest  
  No compensation, fees, or charges (except non-returnable public administrative fees)  
  Repayment due within 30 days of withdrawal notice
* Borrower must repay credit plus accrued interest
* No compensation, fees, or charges (except non-returnable public administrative fees)
* Repayment due within 30 days of withdrawal notice
* 14-day withdrawal period from agreement date
* No reason required for withdrawal
* Oral or written notice acceptable
* Borrower must repay credit plus accrued interest
* No compensation, fees, or charges (except non-returnable public administrative fees)
* Repayment due within 30 days of withdrawal notice

## Important Details and Conclusions

* Disclosure Requirements: Firms must inform consumers about cancellation rights in a durable medium before or immediately after contract binding
* Record Keeping: Firms must maintain adequate records of cancellation exercises for at least 3 years
* Voluntary Extensions: Firms may offer longer cancellation periods but must ensure terms are at least as favorable as regulatory requirements
* P2P Specifics: Does not apply to P2P agreements exceeding £60,260 (except residential renovation agreements)
* Electronic Communications: For P2P agreements, electronic withdrawal notices are considered received at time of sending
* Set-off Rights: Sums owed upon cancellation are simple contract debts that may be set off against each other

**Disclosure Requirements**: Firms must inform consumers about cancellation rights in a durable medium before or immediately after contract binding

**Record Keeping**: Firms must maintain adequate records of cancellation exercises for at least 3 years

**Voluntary Extensions**: Firms may offer longer cancellation periods but must ensure terms are at least as favorable as regulatory requirements

**P2P Specifics**: Does not apply to P2P agreements exceeding £60,260 (except residential renovation agreements)

**Electronic Communications**: For P2P agreements, electronic withdrawal notices are considered received at time of sending

**Set-off Rights**: Sums owed upon cancellation are simple contract debts that may be set off against each other

# Chapter 12 Summary: Requirements for Firms with Interim Permission for Credit-Related Regulated Activities

## Overview

This chapter establishes rules for firms operating with interim permissions for credit-related regulated activities. It specifies which provisions of the FCA Handbook apply, which are disapplied, and which are modified for these firms during their interim permission period.

## Key Points and Main Findings

### Scope and Application

* Applies to: All firms with interim permission status
* Purpose: To clarify regulatory requirements during the interim permission period
* Effective date: Rules relate to interim permissions granted on/after April 1, 2014

### Major Regulatory Modifications

* Senior Management (SYSC):  
    
  No requirement to appoint compliance officer (debt management/credit repair firms)  
  Anti-money laundering systems and controls exemption  
  Money laundering reporting officer appointment not required
* No requirement to appoint compliance officer (debt management/credit repair firms)
* Anti-money laundering systems and controls exemption
* Money laundering reporting officer appointment not required
* Supervision (SUP):  
    
  Auditors, FCA Approved persons, and Appointed representatives rules don't apply  
  Exception: SUP3.10 and SUP3.11 apply for electronic lending systems
* Auditors, FCA Approved persons, and Appointed representatives rules don't apply
* Exception: SUP3.10 and SUP3.11 apply for electronic lending systems
* Client Assets (CASS):  
    
  Does not apply if firms follow OFT366rev guidance (paragraphs 3.42-3.43)
* Does not apply if firms follow OFT366rev guidance (paragraphs 3.42-3.43)
* Reporting Requirements:  
    
  SUP16 largely doesn't apply except for SUP16.14  
  Complaints reporting rules (DISP1.10 and DISP1.10A) don't apply
* SUP16 largely doesn't apply except for SUP16.14
* Complaints reporting rules (DISP1.10 and DISP1.10A) don't apply
* Prudential Requirements:  
    
  CONC10 (Prudential requirements for debt management firms) doesn't apply
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Senior Management (SYSC):

* No requirement to appoint compliance officer (debt management/credit repair firms)
* Anti-money laundering systems and controls exemption
* Money laundering reporting officer appointment not required

Supervision (SUP):

* Auditors, FCA Approved persons, and Appointed representatives rules don't apply
* Exception: SUP3.10 and SUP3.11 apply for electronic lending systems

Client Assets (CASS):

* Does not apply if firms follow OFT366rev guidance (paragraphs 3.42-3.43)

Reporting Requirements:

* SUP16 largely doesn't apply except for SUP16.14
* Complaints reporting rules (DISP1.10 and DISP1.10A) don't apply

Prudential Requirements:

* CONC10 (Prudential requirements for debt management firms) doesn't apply
* Fees: Limited application of Fees manual
* Threshold Conditions: Apply with modifications reflecting the 2013 Order
* Change Notifications: Must use online Consumer Credit Interim Permissions system
* Perimeter Guidance: Modified to accommodate interim permission activities

## Important Details and Conclusions

### Legal Framework

* Interim permissions derive from the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No 2) Order 2013
* Firms with interim permission have limited status - not considered full authorized persons for certain purposes
* The FCA/PRA retain powers to vary or cancel permissions if threshold conditions aren't met

### Practical Implications

* Firms with only interim permissions face reduced regulatory burden during transition
* Firms must use specific online systems for notifications and changes
* Different rules apply depending on whether a firm has:  
    
  Only an interim permission  
  An interim permission treated as a variation of existing permission
* Only an interim permission
* An interim permission treated as a variation of existing permission
* Only an interim permission
* An interim permission treated as a variation of existing permission

### Transition Considerations

* Applications for full Part 4A permission may incorporate activities under interim permission
* Firms cannot act as principals for activities under interim permission but may be appointed representatives for other activities

# Chapter 13 Summary: Guidance on Information Duties under CCA Sections 77, 78 and 79

## Overview

This chapter provides FCA guidance on firms' obligations to provide information to borrowers and hirers under sections 77, 78 and 79 of the Consumer Credit Act 1974. The guidance aims to ensure borrowers/hirers can obtain necessary information to be properly informed while avoiding unnecessary burden on firms.

## Key Points and Main Findings

### Application and Scope

* Applies to firms engaged in consumer credit lending and consumer hiring
* Excludes obligations for regular statements on running-account credit under section 78(4), (4A) or (5)

### Request Requirements

* Requests can be made by or on behalf of borrowers/hirers (including third parties like solicitors or claims management companies)
* Firms must verify proper authority when third parties make requests
* Where multiple borrowers/hirers exist, a request from one requires response to all
* Information must be provided by ordinary second class post

### Copy Agreement Requirements

* "True copy" does not require exact reproduction - signatures can be omitted
* Firms may provide reconstituted copies using templates populated from records
* Must include:  
    
  Original terms and conditions at time of execution  
  Name and address at execution  
  CCA-prescribed headings and cancellation notices  
  Details of any variations to the agreement
* Original terms and conditions at time of execution
* Name and address at execution
* CCA-prescribed headings and cancellation notices
* Details of any variations to the agreement
* Certain information may be excluded (borrower details not required by CCA, signatures, dates)
* Original terms and conditions at time of execution
* Name and address at execution
* CCA-prescribed headings and cancellation notices
* Details of any variations to the agreement

### Statement of Account

* If insufficient information exists to determine exact amounts/dates, firms should indicate the basis for calculation

### Enforcement Implications

* Non-compliance renders agreements unenforceable while failure persists
* Courts have no discretion to allow enforcement during non-compliance
* Firms must not mislead customers about enforceability
* Cannot threaten court action or imply debt is enforceable when it is not
* Must clearly communicate unenforceable status in payment requests

## Important Details and Conclusions

### Legal Precedents

* Carey v HSBC Bank plc [2009]: Established that "true copy" doesn't require exact reproduction
* McGuffick v RBS [2009]: Clarified that:  
    
  Passing debt details to credit reference agencies is not "enforcement"  
  Demanding payment and threatening legal action are steps toward enforcement, not enforcement itself  
  Actual enforcement includes: demanding earlier payment, recovering possession, terminating agreements, enforcing security
* Passing debt details to credit reference agencies is not "enforcement"
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* Actual enforcement includes: demanding earlier payment, recovering possession, terminating agreements, enforcing security

### Practical Implications

* Firms should preserve and maintain information accessibility for future requests
* When providing reconstituted copies, firms should explain this to avoid misleading customers
* Clear communication about enforceability status is essential to avoid unfair treatment
* The guidance emphasizes balancing customer information rights with practical business operations

# Chapter 14: Requirement in Relation to Agents - Summary

## Overview

This chapter establishes strict requirements for firms appointing individuals as agents to carry out credit-related regulated activities. It mandates that firms can only appoint non-authorized individuals as agents under specific conditions, ensuring proper control, exclusivity, and full responsibility for the agent's conduct.

## Key Points and Main Findings

### Application

* Scope: Applies to all firms conducting credit-related regulated activities
* Target: Specifically addresses appointment of individuals (single human beings) who are not authorized or exempt persons

### Core Requirements for Agent Appointments (CONC 14.1.2 R)

* Exclusivity requirement: Individual must work as agent only for the appointing firm, not for any other principal
* Written contract mandatory containing:  
    
  Effective control measures over the agent's activities  
  Requirements for agent to clearly identify themselves as representing the firm
* Effective control measures over the agent's activities
* Requirements for agent to clearly identify themselves as representing the firm
* Financial responsibility: For debt collection, payments received by agent are treated as received by the firm
* Full liability: Firm accepts complete responsibility for agent's conduct when acting on firm's behalf
* Effective control measures over the agent's activities
* Requirements for agent to clearly identify themselves as representing the firm

### Compliance and Oversight (CONC 14.1.4 R)

* Policy requirements: Firms must establish, implement, and maintain adequate policies and procedures to ensure agent compliance
* Conflict management: Firms must take reasonable steps to identify conflicts of interest between agents and clients

## Important Details and Conclusions

* Permission requirements: Firms must hold Part 4A permission for every activity their agents perform that would require permission if performed directly by the firm
* Continuous obligations: All conditions must be met both at the time of appointment and throughout the entire agency relationship
* Individual vs. entity: The regulations specifically apply to individual human beings, not corporate entities or other legal persons
* Customer transparency: Agents must make their representative status and the principal firm's identity clear to all customers

This framework ensures proper oversight and accountability in credit-related activities conducted through agents, protecting consumers while maintaining clear lines of responsibility.

# Chapter 15: Agreements Secured on Land - Summary

## Overview

This chapter establishes specific requirements for firms engaged in consumer credit lending and credit broking for credit agreements secured on land. It supplements general CONC rules with additional protections for customers entering into secured lending arrangements, emphasizing transparency, customer understanding, and fair treatment throughout the lending process.

## Key Points and Main Findings

### Application and Scope

* Applies to firms conducting consumer credit lending for regulated credit agreements secured on land
* Applies to firms engaged in credit broking for land-secured credit agreements
* Works in conjunction with other CONC chapters (particularly CONC 7 for arrears/default/recovery)
* Excludes certain arranging/introducing activities for investment property loans, regulated mortgages, and home purchase plans

### Pre-Agreement Disclosure Requirements

* Firms must disclose key contract terms and conditions before agreement execution
* Must highlight features carrying particular risks to customers
* Required to explain consequences of missed/underpayments including:  
    
  Default charges  
  Risk of home repossession  
  Impact on credit record  
  Future credit availability issues
* Default charges
* Risk of home repossession
* Impact on credit record
* Future credit availability issues
* Must clarify circumstances when rates/charges may change
* Off-premises visit purposes must be clearly stated in advance
* Default charges
* Risk of home repossession
* Impact on credit record
* Future credit availability issues

### Customer Understanding and Protection

* Firms cannot proceed if they suspect customer doesn't understand material obligations/risks
* Must encourage customers to:  
    
  Read all documentation carefully  
  Seek independent advice  
  Take adequate time to obtain advice
* Read all documentation carefully
* Seek independent advice
* Take adequate time to obtain advice
* Oral explanations should supplement written disclosures where appropriate
* Must conduct creditworthiness assessments (per CONC 5.2A)
* Read all documentation carefully
* Seek independent advice
* Take adequate time to obtain advice

### Fees, Charges, and Variations

* All fees and charges must be clearly explained in the credit agreement and related materials
* Variable rate changes must:  
    
  Be explained before agreement  
  Only recover genuine cost increases  
  Be communicated before implementation
* Be explained before agreement
* Only recover genuine cost increases
* Be communicated before implementation
* Early repayment charges must be fair, reasonable, and reflect necessary costs
* Partial early capital repayments must be permitted
* Be explained before agreement
* Only recover genuine cost increases
* Be communicated before implementation

### Post-Sale Requirements

* Customers must be promptly notified of any shortfall following property sale

## Important Details and Conclusions

The chapter emphasizes consumer protection through mandatory transparency and understanding verification before secured lending agreements are finalized. Firms must balance commercial interests with duties to ensure customers fully comprehend the risks of secured borrowing, particularly home repossession risks. The requirements create a framework where informed consent is paramount, with firms bearing responsibility to verify customer understanding rather than merely providing information. The provisions for variable rates and early repayment ensure ongoing fairness throughout the agreement lifecycle, while post-sale notification requirements protect customers even after property disposition.

# Summary of CONC Appendix 1: Total Charge for Credit Rules and Certain Exemptions

## Overview

This document provides comprehensive rules for calculating the total charge for credit in regulated credit agreements, with separate methodologies for agreements secured on land versus other agreements. It also outlines specific exemptions for high net worth individuals and business-related credit agreements, including required declaration forms and procedures.

## Key Points and Main Findings

### Total Charge for Credit Calculation

* Two distinct calculation frameworks:  
    
  Section 1.1: Rules for agreements secured on land  
  Section 1.2: Rules for other agreements (not secured on land)
* Section 1.1: Rules for agreements secured on land
* Section 1.2: Rules for other agreements (not secured on land)
* Annual Percentage Rate (APR) must be calculated using specified mathematical formulas
* Rounding rules: APR rounded to one decimal place (round up if second decimal ≥5)
* Section 1.1: Rules for agreements secured on land
* Section 1.2: Rules for other agreements (not secured on land)

### Items Included in Total Charge

* Interest on credit
* Other charges payable by borrower to lender or third parties
* Insurance premiums required by lender for credit protection
* Credit broker fees (if known to lender)
* Account maintenance costs
* Payment transaction costs

### Items Excluded from Total Charge

* Default or penalty charges
* Charges for services available for cash transactions
* Money transmission service charges that vary with use
* Certain insurance premiums not required for credit protection
* Abnormally high transfer fees where borrower lacks choice

### Calculation Assumptions

* Standard assumptions required:  
    
  Agreement remains valid for agreed period  
  Both parties fulfill obligations as specified  
  For variable rates: assume initial rate continues unless variation is certain  
  For uncertain credit amounts: use credit limit or £100  
  For uncertain periods: assume one year
* Agreement remains valid for agreed period
* Both parties fulfill obligations as specified
* For variable rates: assume initial rate continues unless variation is certain
* For uncertain credit amounts: use credit limit or £100
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* Agreement remains valid for agreed period
* Both parties fulfill obligations as specified
* For variable rates: assume initial rate continues unless variation is certain
* For uncertain credit amounts: use credit limit or £100
* For uncertain periods: assume one year

### Exemptions for High Net Worth Individuals

* Qualification criteria:  
    
  Annual net income ≥ £150,000, OR  
  Net assets ≥ £500,000 (excluding primary residence)
* Annual net income ≥ £150,000, OR
* Net assets ≥ £500,000 (excluding primary residence)
* Required documentation:  
    
  Statement of high net worth signed by qualified person  
  Declaration by borrower acknowledging loss of protections  
  Statement must be made within one year of agreement
* Statement of high net worth signed by qualified person
* Declaration by borrower acknowledging loss of protections
* Statement must be made within one year of agreement
* Annual net income ≥ £150,000, OR
* Net assets ≥ £500,000 (excluding primary residence)
* Statement of high net worth signed by qualified person
* Declaration by borrower acknowledging loss of protections
* Statement must be made within one year of agreement

### Business Exemption Requirements

* Agreement must be wholly or predominantly for business purposes
* Requires specific declaration acknowledging loss of consumer protections
* Declaration must be prominently displayed in agreement

## Important Details and Conclusions

* Consumer Protection Trade-offs: Both high net worth and business exemptions require borrowers to explicitly waive consumer protection rights under the Financial Services and Markets Act 2000 and Consumer Credit Act 1974.
* Court Powers Preserved: Declarations do not affect courts' ability to review unfair credit relationships under section 140B of the Consumer Credit Act 1974.
* MCD Considerations: Special provisions apply to MCD article 3(1)(b) credit agreements, with modified declaration requirements that preserve certain Mortgage Credit Directive protections.
* Extensive List of Exempt Bodies: Appendix includes detailed lists of insurance companies, friendly societies, charities, and other bodies whose agreements may qualify for exemptions under specific conditions.
* Calculation Precision: The mathematical formulas and assumptions ensure standardized APR calculations across the industry, promoting transparency and comparability of credit offerings.

**Consumer Protection Trade-offs:** Both high net worth and business exemptions require borrowers to explicitly waive consumer protection rights under the Financial Services and Markets Act 2000 and Consumer Credit Act 1974.

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# Summary of CONC Transitional Provisions and Schedules

## Overview

This document contains transitional provisions and schedules from the Consumer Credit sourcebook (CONC), primarily addressing how firms should handle the transition between old consumer credit regulations and new FCA rules. It covers various transitional arrangements for financial promotions, persistent debt interventions, and record-keeping requirements.

## Key Points and Main Findings

### Transitional Provisions (TP 6-8)

**Financial Promotions and Catalogues (TP 6)**  
- Firms were given a transition period from April 1, 2014 to March 31, 2015  
- During this period, financial promotions in catalogues of 50+ pages could comply with old Consumer Credit Regulations instead of new CONC rules  
- Applied to catalogues first published before October 1, 2014

**Persistent Debt and Credit Cards (TP 7A & 7B)**  
- **TP 7A (2018)**: Firms had until September 1, 2018 to implement persistent debt rules for credit cards  
- **TP 7B (2018-2019)**: Extended transition for retail revolving credit until June 19, 2019  
- Firms must identify customers in persistent debt over 18-month periods and take prescribed intervention steps

**Other Provisions (TP 8)**  
- Various transitional arrangements including:  
 - Automatic renewal provisions (April 2016)  
 - Overdraft terminology definitions (December 2019 - April 2020)  
 - Debt packager business restrictions (June - October 2023)

### Schedules

**Schedule 1: Record Keeping Requirements**  
- Specifies retention periods for various records (typically 18 months to 5 years)  
- Covers information notices, customer confirmations, pawn records, debt management plans

**Schedule 2: Notification Requirements**  
- Firms must notify FCA within 14 days of changes to prudential resources requirements

**Schedule 5: Rights of Action for Damages**  
- Details which CONC rules can be actionable under section 138D of the Act  
- Most CONC rules are actionable by private persons  
- Prudential rules for debt management firms are not actionable

## Important Details and Conclusions

* Phased Implementation: The transitional provisions demonstrate a carefully phased approach to implementing new consumer credit regulations, allowing firms adequate time to adjust systems and processes.
* Persistent Debt Focus: Significant emphasis on addressing persistent debt in credit cards and retail revolving credit, with mandatory 18-month review cycles and escalating intervention requirements.
* Consumer Protection: The provisions maintain consumer protection throughout transition periods, ensuring firms cannot exploit regulatory gaps.
* Record Keeping: Comprehensive record-keeping requirements ensure accountability and enable regulatory oversight of consumer credit activities.
* Flexibility: Firms could choose to implement new rules early but must then comply fully - no partial implementation allowed.

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