Summary of ch\_03.pdf

Summary of CONC 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
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## 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

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**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.