Credit Union Event – 19/3/2024

Consumer Duty impact on IVA voting by Credit Unions

Kevin Still MCICM

Director of Consumer Duty Services Limited

NED for the Vulnerability Registration Service (VRS) and on Cabinet Office Fairness Group

FCA Business Plan 2023/24 – 5/4/2023

Key uncertainties: Potential for further declines in real household disposable incomes: Higher mortgage rates alongside the broader squeeze on real incomes are **reducing consumer budgets**.

"We will continue to look for joined-up solutions, working closely with a range of partners, other regulators, Government and the devolved administrations, such as in our work with debt advice charities.

"The Consumer Duty which comes into force on 31 July will play a key role in underpinning this work, **including for vulnerable consumers**."

Key activities they started in 2023/24:

- Review debt advice rules – CONC 8 review
- Consult (**CP23/13**) on changes to mortgage, consumer credit, and overdraft rules to **improve outcomes for consumers in financial difficulties – closed July 2023**
- Regime for Deferred Payment Credit (DPC) products (currently known as exempt BNPL) as they come into the regulatory perimeter (PERG)
- Use regulatory toolkit, including powers to enforce consumer protection legislation (e.g. Consumer Rights Act 2015)
- Use data to identify firms which may present the greatest risk of harm and proactively assess their forbearance practices
- Publish finalised guidance for insurance firms on support for customers in financial difficulty (PS23/9)

https://www.fca.org.uk/publications/business-plans/2023-24
https://www.fca.org.uk/news/news-stories/review-firms-treatment-customers-vulnerable-circumstances

FCA speech – 1/11/2023

"The Consumer Duty remains a top priority for the FCA. We will continue our work across all sectors to test firms' implementation and embedding and will share good practice to support the industry.

"**The work to embed the Duty has only just begun**. The Consumer Duty is not a once and done exercise. If we want to continue to see the benefits, we all need to keep a foot on the gas.

"You need to go back and review your implementation plan, and check you've made the changes you set out to make. Then ask yourself whether these changes go far enough. Make sure you are focused on whether you are delivering the outcomes you set out to achieve for the consumers in your target market, **especially for customers with characteristics of vulnerability**."

Nisha Arora, Director of Cross Cutting Policy and Strategy – speech 1/11/2023

https://www.fca.org.uk/news/speeches/consumer-duty-not-once-and-done

Early warnings ahead of the Duty

Lenders to pay out up to £47m in redress to borrowers in difficulty

- **CP23/13*** - Strengthening Protections for Borrowers in Financial Difficulty: Consumer Credit & Mortgages
- The FCA has worked with almost 100 lenders on how they treat borrowers in financial difficulty and has sought significant improvements from many of them
- £47m of redress from 17 of these firms for over 195,000 customers
- FCA to make permanent requirements on lenders to support borrowers in difficulty
- **Ensure that repayment arrangements are appropriate**
- Signpost customers to free, impartial money guidance and debt advice
- **Issues identified included:**
  - Not adequately tailoring support to individual circumstances
  - Failing to respond appropriately to customers with characteristics of vulnerability
  - Not effectively engaging with customers about money guidance and debt advice

"We expect firms to give borrowers in financial difficulty appropriate, tailored, forbearance that is in their interests, taking account of their individual circumstances"

https://www.fca.org.uk/publication/consultation/cp23-13.pdf
https://www.fca.org.uk/news/press-releases/lenders-pay-out-47million-pounds-redress-borrowers-difficulty
* CP23/13 closed **13 July 2023** – relevant to debt collecting – in force in H1 2024 – **proposed changes to CONC 7**

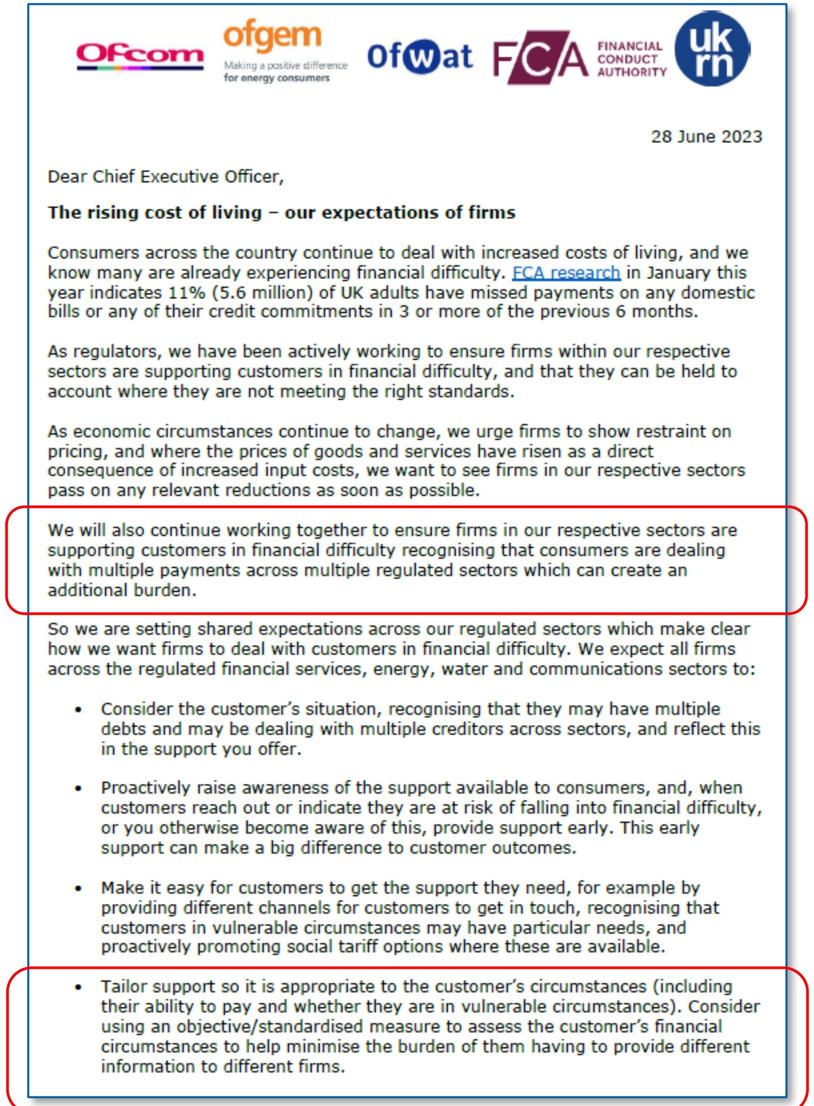
Joint regulator "Dear CEO" letter

Recognises that consumers have multiple creditor relationships:

- FCA research in January 2023 indicates 5.6m UK adults had missed payments on any domestic bills or credit commitments in 3 or more of the previous 6 months
- Proactively raise awareness of the support available to consumers
- Early intervention can make a big difference to customer outcomes
- Make referrals and provide information at the right time so customers can access advice and support that meets their needs (such as Money Helper and the Government's Help for Households and websites).
- Monitoring customer outcomes is key and taking action to put things right if they go wrong – these are fundamental of the Duty
- **Use of income optimisation, benefit checkers and social tariff eligibility seem obvious actions for firms and their supply chains**

"As an immediate next step, we will also consider what our shared expectations are in relation to **debt collection** across different sectors"

Published by UKRN and FCA on 18/3/2024



Ofcom ofgem Making a positive difference for energy consumers Ofwat FCA FINANCIAL CONDUCT AUTHORITY ukrn

28 June 2023

Dear Chief Executive Officer,

The rising cost of living – our expectations of firms

Consumers across the country continue to deal with increased costs of living, and we know many are already experiencing financial difficulty. FCA research in January this year indicates 11% (5.6 million) of UK adults have missed payments on any domestic bills or any of their credit commitments in 3 or more of the previous 6 months.

As regulators, we have been actively working to ensure firms within our respective sectors are supporting customers in financial difficulty, and that they can be held to account where they are not meeting the right standards.

As economic circumstances continue to change, we urge firms to show restraint on pricing, and where the prices of goods and services have risen as a direct consequence of increased input costs, we want to see firms in our respective sectors pass on any relevant reductions as soon as possible.

We will also continue working together to ensure firms in our respective sectors are supporting customers in financial difficulty recognising that consumers are dealing with multiple payments across multiple regulated sectors which can create an additional burden.

So we are setting shared expectations across our regulated sectors which make clear how we want firms to deal with customers in financial difficulty. We expect all firms across the regulated financial services, energy, water and communications sectors to:

- Consider the customer's situation, recognising that they may have multiple debts and may be dealing with multiple creditors across sectors, and reflect this in the support you offer.
- Proactively raise awareness of the support available to consumers, and, when customers reach out or indicate they are at risk of falling into financial difficulty, or you otherwise become aware of this, provide support early. This early support can make a big difference to customer outcomes.
- Make it easy for customers to get the support they need, for example by providing different channels for customers to get in touch, recognising that customers in vulnerable circumstances may have particular needs, and proactively promoting social tariff options where these are available.
- Tailor support so it is appropriate to the customer's circumstances (including their ability to pay and whether they are in vulnerable circumstances). Consider using an objective/standardised measure to assess the customer's financial circumstances to help minimise the burden of them having to provide different information to different firms.

https://ukrn.org.uk/cost-of-living-working-group-joint-letter/
https://helpforhouseholds.campaign.gov.uk/
https://ukrn.org.uk/cost-of-living-working-group-joint-letter-2/

Credit Union arrears profile

Credit union quarterly statistics

Published on 31 January 2024

Not seasonally adjusted

Arrears

			2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3
Total value of net liabilities in arrears	**UK**	**£ thousands**	**119,193**	**127,037**	**139,803**	**148,969**	**154,141**
	England	**£ thousands**	68,432	75,977	85,778	89,867	91,877
	Scotland	**£ thousands**	20,696	22,695	25,145	30,099	33,587
	Wales	**£ thousands**	2,554	2,629	2,807	2,791	2,583
	Northern Ireland	**£ thousands**	27,512	25,735	26,074	26,213	26,094
Total number of net liabilities in arrears	**UK**	**Number**	**68,310**	**69,607**	**72,484**	**76,326**	**75,467**
	England	**Number**	45,168	46,609	49,055	52,108	51,384
	Scotland	**Number**	11,886	11,993	12,357	13,151	13,419
	Wales	**Number**	2,191	2,269	2,397	2,440	2,269
	Northern Ireland	**Number**	9,065	8,736	8,675	8,627	8,395

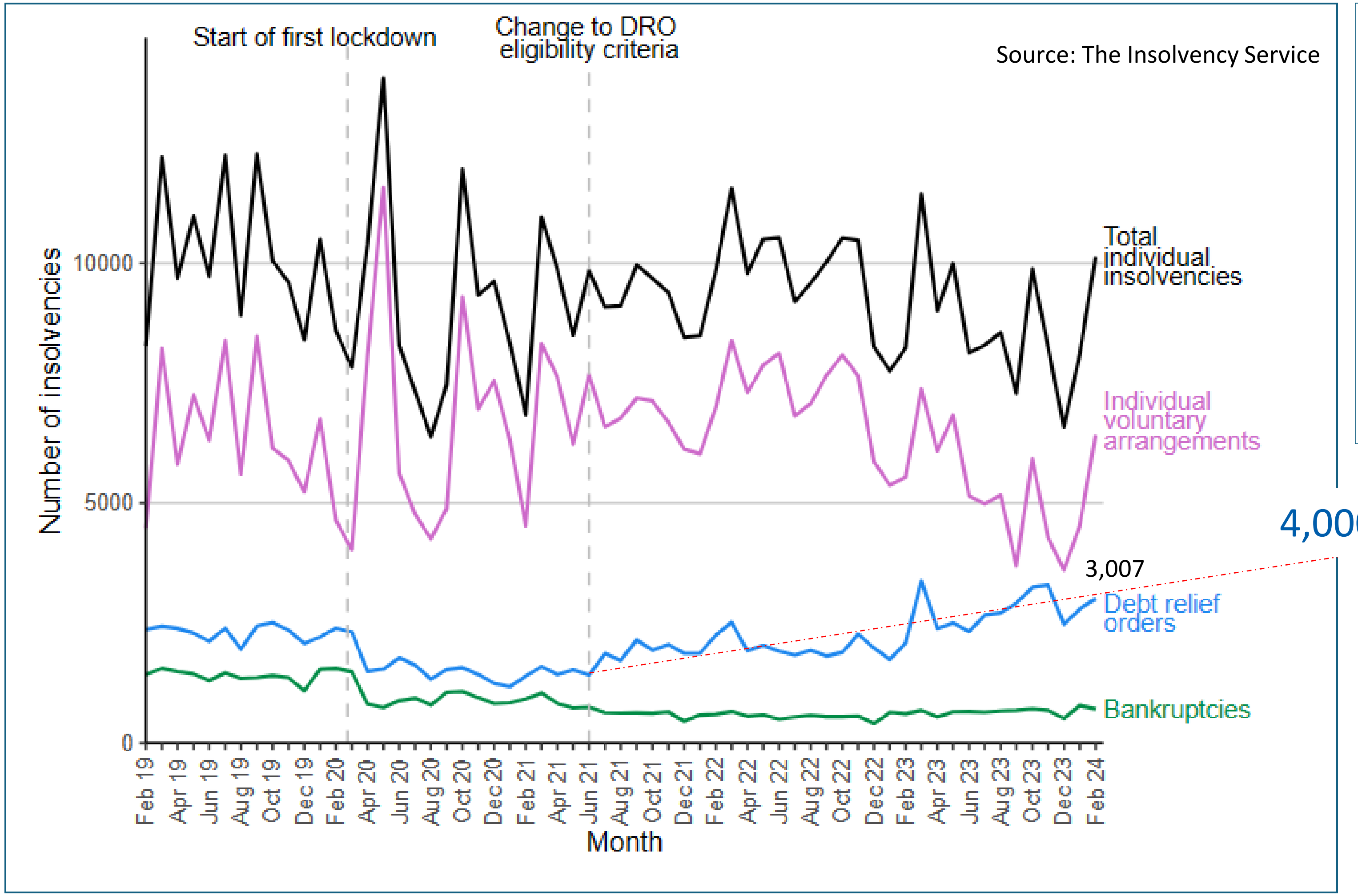
Notes to table

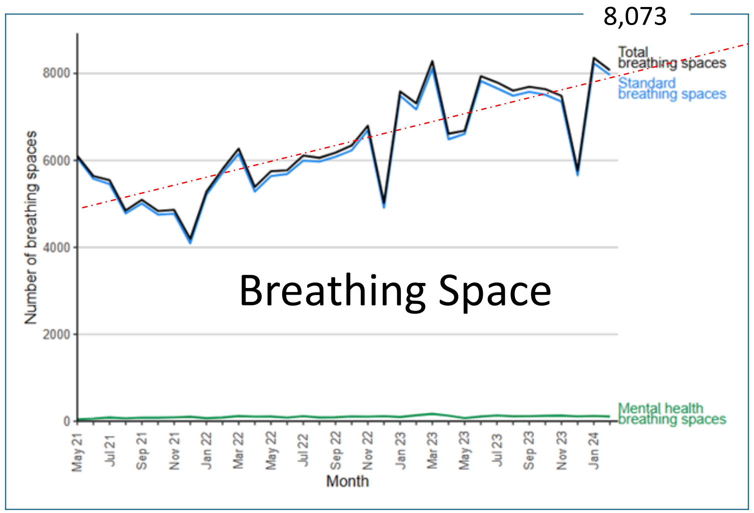
Net liabilities are defined as the amount outstanding on loans (inclusive of interest): loan balance + interest owing - attached share balance

- The average amount in arrears grew for the 8th successive quarter, increasing by 4.6% to £2,043
- 15% of typical debt balance in IVA proposal if everyone voted?
- Arrears with local authority as well (e.g. £2,000 of Council Tax arrears) - another 15%
- Strong correlation with low financial resilience, minimal asset households?

https://www.bankofengland.co.uk/statistics/credit-union/2023/2023-q3
https://www.fca.org.uk/firms/credit-unions/consumer-credit

Personal Insolvency Statistics – February 2024



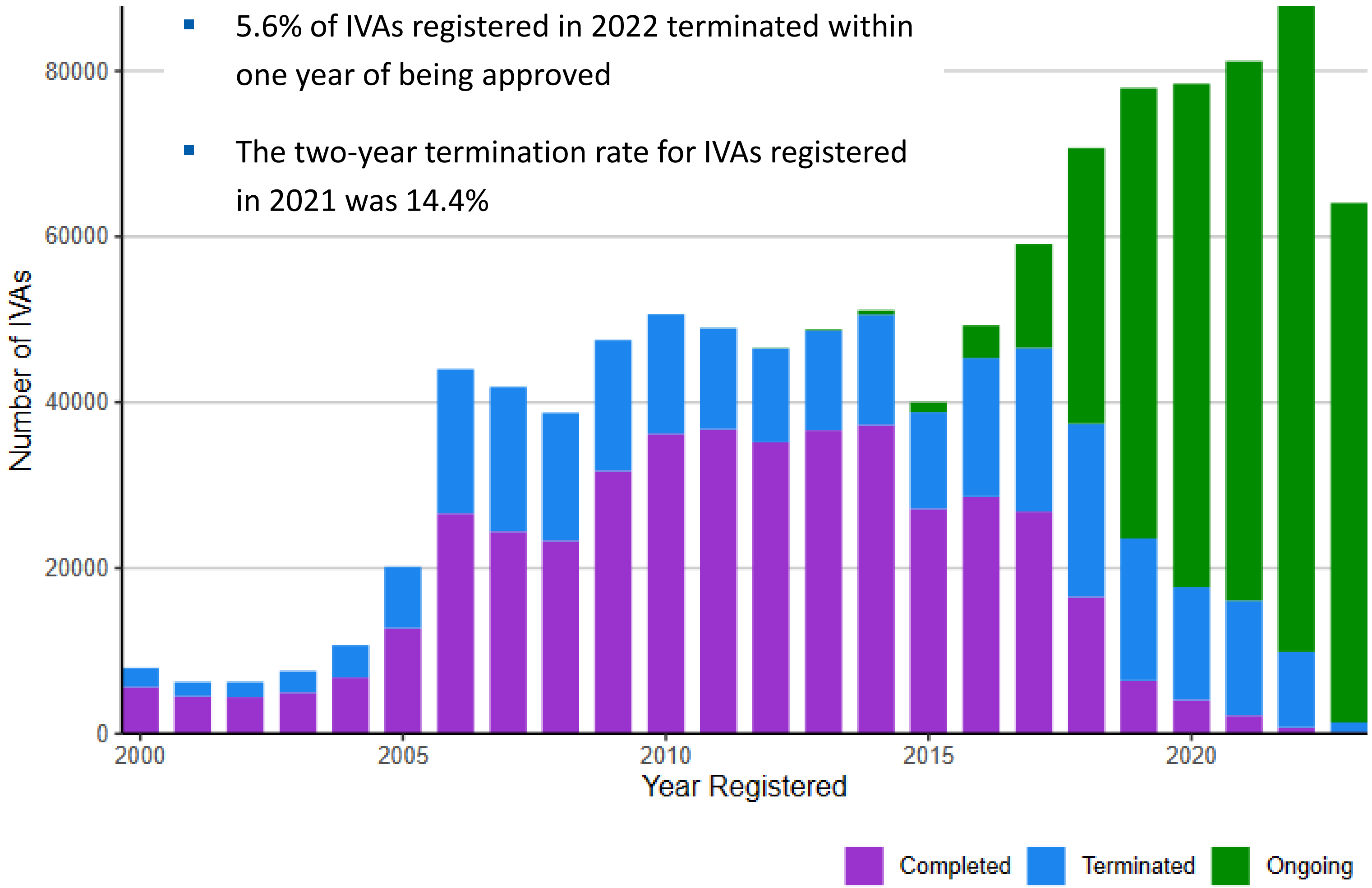


4,000 pm by Feb 25?

https://www.gov.uk/government/statistics/monthly-insolvency-statistics-february-2024/commentary-monthly-insolvency-statistics-february-2024

IVA Outcomes and Providers 2023

- 5.6% of IVAs registered in 2022 terminated within one year of being approved
- The two-year termination rate for IVAs registered in 2021 was 14.4%



Insolvency practitioner firm	New registrations	Percentage
Creditfix	13,279	20.7%
The Insolvency Group Ltd	7,232	11.3%
Payplan Partnership Limited	5,115	8.0%
Bennett Jones	4,680	7.3%
Financial Support Systems	4,099	6.4%
Advice Centre Group Limited	3,635	5.7%
AFA Insolvency	3,247	5.1%
Anchorage Chambers Limited	3,144	4.9%
My Debt Plan	2,325	3.6%
McCambridge Duffy LLP	2,131	3.3%
Parker Philips Insolvency Limited	2,079	3.2%
Moneyplus Group	2,009	3.1%
Abbotts Insolvency Limited	1,535	2.4%
Forest King	1,358	2.1%
IVA Help Limited	1,289	2.0%
Stepchange	703	1.1%
Other	6,190	9.7%
Total	64,050	100.0%

Five firms accounted for more than 50% of registered IVAs in 2023

https://www.gov.uk/government/statistics/individual-voluntary-arrangements-outcomes-and-providers-2023/commentary-individual-voluntary-arrangements-outcomes-and-providers-2023