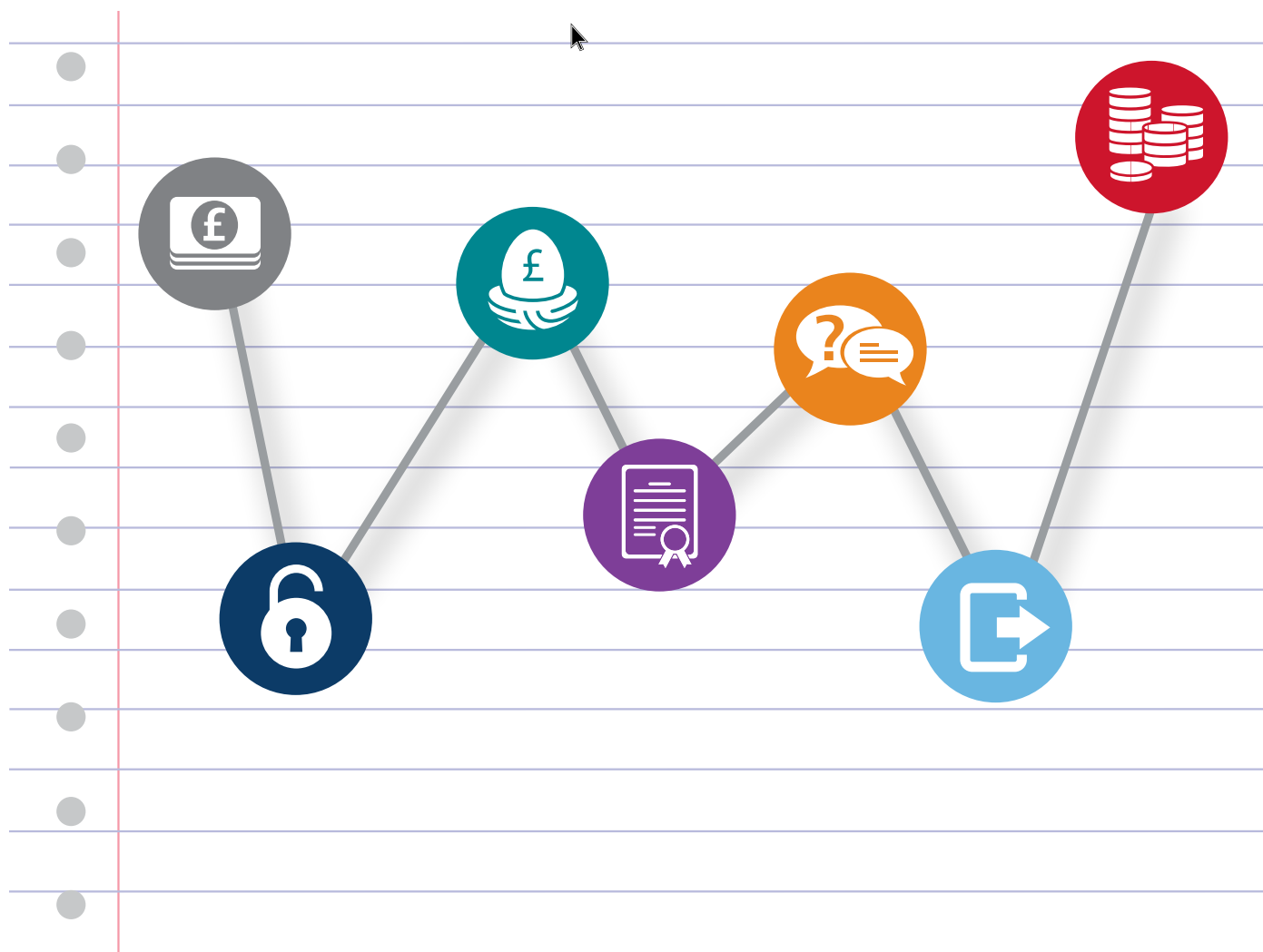


Data Bulletin Supplement

Consumer Credit Authorisations

April 2016



Introduction

This supplement is being issued now to meet our objective of providing a regular update on the authorisation process for consumer credit firms, with the aim of publishing on a quarterly basis. This is a good time to report as the application window has now closed and the next issue of the Data Bulletin will include data up to the end of March.

In Data Bulletin issues 4 and 5 we published data on the authorisation process for consumer credit firms. In this supplement we provide the key figures as at 31 December 2015 on page three. To help interpret these and explain how the data fits together, we provide a flow chart on the next page that shows the number of firms at each stage of the process. We recommend you read the key figures in conjunction with the flow chart.

Updates from previous editions:

Consumer Credit Authorisations data

Key figures as at 31 December 2015



Size and nature of the market¹

There were **37,336 consumer credit firms (excluding appointed representatives)**.

Of these, 25,220 had been authorised (754 grandfathered and 24,466 that had applied and been authorised). A further 12,116 had an interim permission.

1,281 applications from new-to-market firms were in the process of being determined.

The majority of firms authorised have been granted permission to carry out credit broking.



Applications

32,070 firms had applied for authorisation (22,370 in designated application periods and 9,700 new-to-market). **780 firms were grandfathered.**

In the application periods that had closed, 19,071 firms with interim permission had lapsed or cancelled.

Overall, 68% of eligible firms in closed application periods applied, including 5,768 firms that had become appointed representatives and 389 firms that reapplied after lapsing/cancelling.



Determinations

Determinations are applications which can be approved or refused by the FCA, or withdrawn by the firm.

95% of determinations resulted in a firm being authorised (25,645 firms).

This included 7,443 new-to-market firms and 780 grandfathered firms.

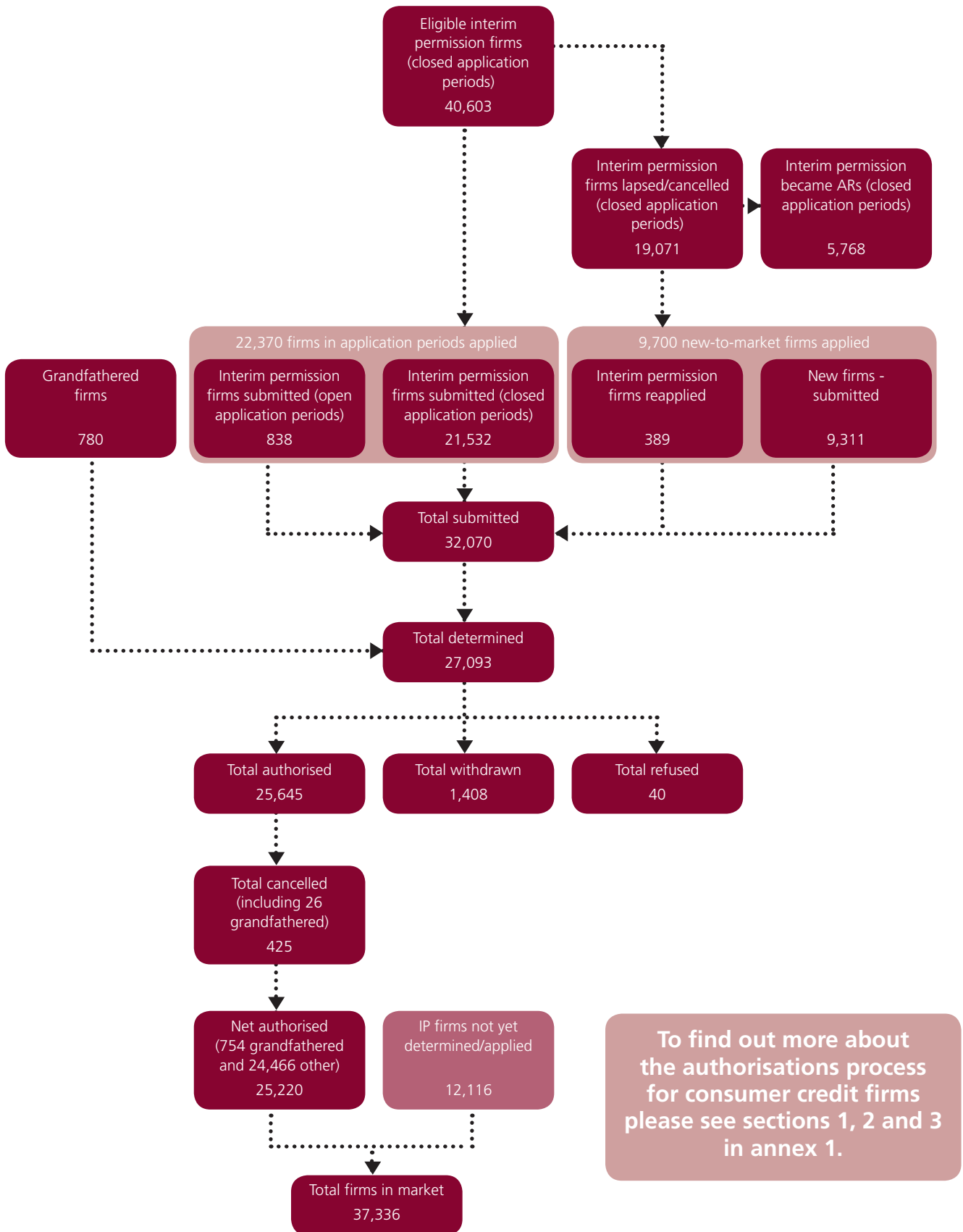
1,408 firms withdrew their application and a further 40 firms were refused.

Permissions for 425 firms have been cancelled since authorisation.

On average, for cases determined between October and December 2015 it took eight weeks for the FCA to determine a limited permission case, 12 weeks for a variation of permission and 27 weeks for a full permission case. **0.4% (17) cases breached a statutory deadline.**

1. These figures have been adjusted for cancellations.

**Flowchart showing applications from firms
(as at end Dec 2015)**



To find out more about the authorisations process for consumer credit firms please see sections 1, 2 and 3 in annex 1.

Annex 1

Consumer credit authorisations data*

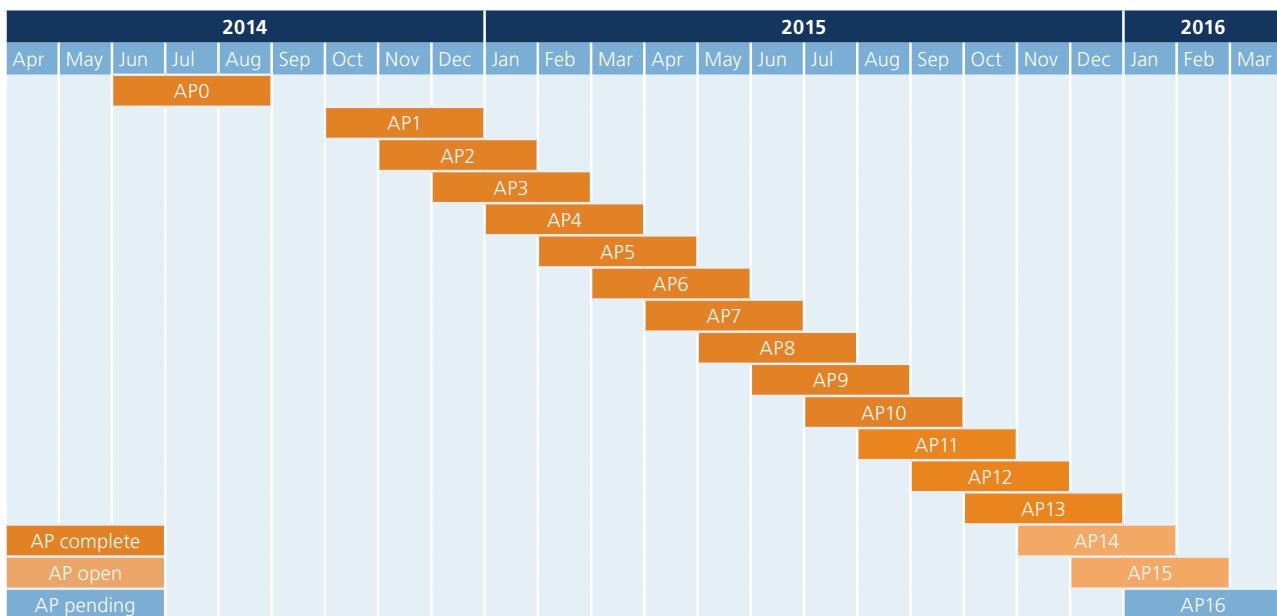
Section 1: Application periods

This section provides an overview of the application periods.

In May 2014, we told all firms with an interim permission when their application period would be (see Figure 1 for the schedule). The FCA prioritised sectors that posed

the greatest risk to consumers. To ensure the application periods as a whole were well-balanced in terms of numbers, each application period also included a range of firms with lower risk activities. For more information on application periods, please see the supplement to the May 2015 Data Bulletin.

Figure 1: Schedule of application periods



As at 31 December 2015, fourteen application periods had closed and two were in progress. The closed application periods included AP0, which could be used voluntarily by firms intending to become a principal. We did this to allow more firms to be authorised as a principal sooner, thereby giving firms wanting to become an appointed representative a choice of potential principals.

*For more information on the terms used in this section please refer to the Glossary in annex 2.

Figure 2 shows the progress of each closed application period in terms of firms eligible to apply and applications received. We have also provided comparable information for firms applying in the application periods currently open, as well as new firms. This figure also includes revisions since the last bulletin to reflect changes, for instance, to correct for any applications that have since been deemed invalid (such as where there are duplicate applications).

Figure 2: Application period status

	AP0	AP1	AP2	AP3	AP4	AP5	AP6	AP7	AP8	AP9	AP10	AP11	AP12	AP13	Open APs	New firms ²
Eligible firms¹	467	3,578	2,962	5,505	4,282	3,612	4,407	3,069	2,343	1,580	1,894	3,433	2,018	1,453	n/a	n/a
Number of firms that submitted an application	467	2,469	1,768	3,921	2,955	1,561	1,805	934	775	754	904	1,584	943	692	838	10,480
% of eligible firms	100	69	60	71	69	43	41	30	33	48	48	46	47	48	n/a	n/a
Firms lapsing/cancelling	0	1,109	1,194	1,584	1,327	2,051	2,602	2,135	1,568	826	990	1,849	1,075	761	n/a	n/a
Firms that became an AR	0	363	434	346	267	855	1,070	1,098	857	59	90	119	76	134	n/a	n/a
Firms reapplying after lapsing/cancelling²	0	35	29	65	50	39	40	13	17	25	23	31	22	0	n/a	n/a
Total firms that submitted an application, reapplied or became an appointed representative	467	2,867	2,231	4,332	3,272	2,455	2,915	2,045	1,649	838	1,017	1,734	1,041	826	838	10,480
% of eligible firms	100	80	75	79	76	68	66	67	70	53	54	51	52	57	n/a	n/a

Notes:

1 includes adjustments for where firms are moved between application periods.

2 The number of new firms includes firms which previously held an OFT licence or interim permission but then reapplied (389 firms) and grandfathered firms (780).

In the fourteen application periods that had closed, 68% of eligible firms had applied, including 5,768 firms that had become appointed representatives and 389 firms that reapplied after lapsing/cancelling. Since AP09, the average lapsing/cancelled rate has been higher than previously, although relatively stable. For reasons why firms may have lapsed or cancelled, please see the results of the research we carried out, as published in Data Bulletin issue 5 (pages 13-14).

Section 2: Volumes and determinations

This section provides data on the volumes of firms applying and the progress we had made in determining applications by 31 December 2015. An application can be approved or refused by the FCA, or withdrawn by the firm. This data excludes appointed representatives.

Figure 3 shows the volumes of received applications and determinations made. The data pack for this bulletin shows the breakdown of these figures by application type.

Figure 4 shows the regulated activities that firms carry out.

Figure 3: Volumes and determinations – summary

	AP0	AP1	AP2	AP3	AP4	AP5	AP6	AP7	AP8	AP9	AP10	AP11	AP12	AP13	Open APs	New firms	Total	
Firms that Applied	467	2,469	1,768	3,921	2,955	1,561	1,805	934	775	754	904	1,584	943	692	838	10,480	32,850	
# Firms Determined	462	2,373	1,708	3,697	2,803	1,507	1,513	686	625	537	448	650	339	235	311	9,199	27,093	
Of determined:	# Authorised	440	2,293	1,643	3,608	2,746	1,471	1,461	657	610	522	440	649	337	235	310	8,223	25,645
	# Withdrawn	21	75	63	89	57	36	52	29	15	15	8	1	2	0	1	944	1,408
	# Refused	1	5	2	0	0	0	0	0	0	0	0	0	0	0	0	32	40
% Firms Determined	98.9	96.1	96.6	94.3	94.9	96.5	83.8	73.4	80.6	71.2	49.6	41.0	35.9	34.0	37.1	87.8	82.5	
Of determined:	% Authorised	95.2	96.6	96.2	97.6	98.0	97.6	96.6	95.8	97.6	97.2	98.2	99.8	99.4	100.0	99.7	89.4	94.7
	% Withdrawn	4.5	3.2	3.7	2.4	2.0	2.4	3.4	4.2	2.4	2.8	1.8	0.2	0.6	0.0	0.3	10.3	5.2
	% Refused	0.2	0.2	0.1	0	0	0	0	0	0	0	0	0	0	0	0.0	0.3	0.1

Note: The number of new firms includes firms which previously held an OFT licence or interim permission but then reapplied (276 firms) and grandfathered firms (780).

As at 31 December 2015, 32,070 firms had applied for authorisation (this included applications that were in progress at the OFT as at 31 March 2014) and 780 firms were grandfathered. 62% of all applications received were limited permission.

25,645 firms were authorised (representing 95% of determinations). This includes firms that changed the way they proposed to operate (including their business model and regulated activities) as a result of conversations with the FCA.

1,408 firms withdrew their application and 40 firms were refused. The permission for a further 425 firms that were authorised have since been cancelled (14

firms that applied for full permission, 349 for limited permission and 62 firms that varied their permission).

Adjusting for the cancellations, there were 37,336 consumer credit firms as at 31 December 2015 (excluding appointed representatives), of which:

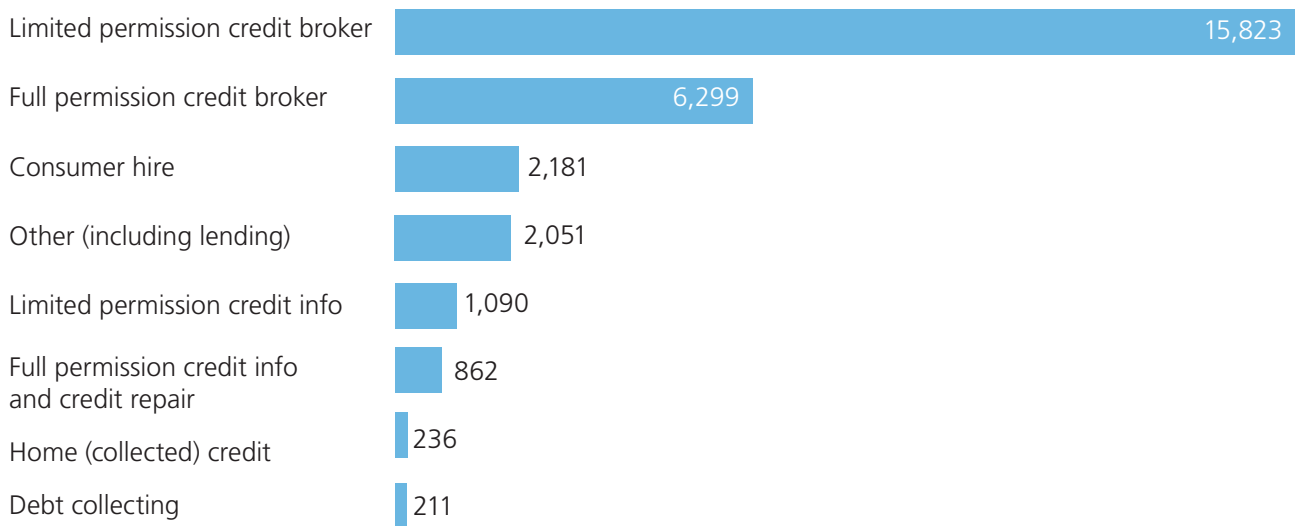
- 25,220 were authorised firms (754 grandfathered and 24,466 that had applied and been authorised)
- 12,116 had an interim permission

7,247 of these firms were new-to-market. A further 1,281 applications from new-to-market firms were in the process of being determined.

Figure 4 shows the business categories of authorised firms (excluding interim permission firms) where these can be defined by combinations of regulated activities. Many firms will operate in more than one business category and therefore may be counted more than once across the figure below.

The majority of firms authorised have been granted permission to carry out credit broking. The proportion of firms in the other categories has been increasing as we determine applications.

Figure 4: Authorised firms' business categories



Note: 'Other' comprises the business categories listed in the annex under regulated activities not separately included in the figure.

Section 3:

Average processing time

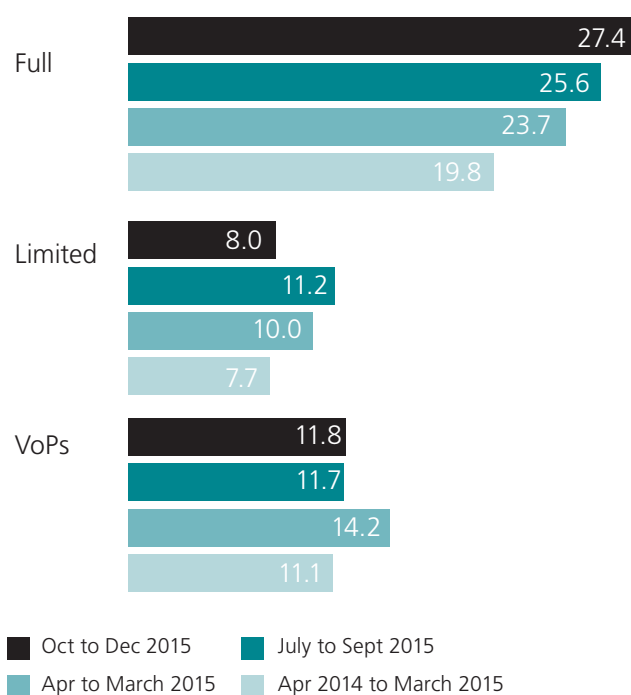
Our decision-making time frame is set out in the Financial Services and Markets Act 2000, and reflects the maximum time we may take to approve or refuse an application. For full, limited and VoP (variation of permission) cases we must determine an application within six months of it being complete or 12 months from receiving it (whichever is earlier).

We aim to make decisions efficiently but this is dependent on:

- the quality of the application
- its complexity and
- the time taken by the firm to get its application to complete status and/or to respond to any requests for additional information

Figure 5 shows information on the average elapsed time it has taken for us to make a decision (from the date we received an application) comparing the periods covered by each of the Data Bulletins. The average time taken in different application periods is not directly comparable as the mix of cases varies across these periods. Note that firms with interim permission are able to continue trading while we consider their application.

Figure 5: Average processing time (weeks) by case



As anticipated, it takes longer to process a full permission application than other types of case. Complex cases and business models that pose higher risks to consumers will inevitably take longer to assess.

We have noted that we expected to see the average processing time to rise as application volumes increased and because we would still be determining more complex applications from earlier application periods.

By comparison, for authorising other types of firms (those not primarily carrying out consumer credit activities), in the last period it took around 22 weeks to process an authorisation case and 11 weeks for a VoP.

In total, 46 cases have breached their deadline since April 2014. The proportion of determined cases that have breached their statutory deadlines was 0.2% from April to June 2015, and 0.4% from July to December 2015.

The main reason for these breaches related to processing delays by case teams due to the high volume of cases and also the time it takes to process and reach a decision on the cases that we are intending to refuse. A significant factor in the remaining cases were difficulties in obtaining information from firms.

Because of the volume of complex cases we are considering, we expect there will be further breaches. However, since we are processing high volumes of cases within the statutory deadlines, we do not expect the overall percentage of cases that breach to rise significantly.

We closely monitor our cases to mitigate the risk of avoidable breaches and to prioritise the relevant cases. We also continue to remind applicants of the need to provide information in a timely manner.

Annex 2:

Glossary of terms

Application Period (AP)	This is the three-month window that each firm with an interim permission has been allocated during which it needs to submit its application. In some cases the FCA may agree to move a firm into a different application period.
Appointed Representatives (ARs)	A firm or individual that carries out regulated activities under the supervision of a principal and as a result is exempt from requiring authorisation for those activities. Normally a firm is either an appointed representative or an authorised firm and cannot be both, but a firm can be a limited permission credit firm and an AR (in which case it is excluded from needing authorisation for the activities it is appointed to carry out as an AR rather than being an exempt person).
Approved	This is where the FCA has decided to grant authorisation.
Authorised	An authorised firm has a permission to carry out regulated activities.
Cancelled	This is where a firm that has applied to cancel its Part 4A Permission or its interim permission and the FCA has approved that application. It should be the case that the firm no longer carries out any regulated consumer credit activity or the firm becomes an appointed representative.
Complete	An application is deemed complete if there are no material gaps. Where the FCA does not consider an application complete, it will inform the applicant of this and the reasons why.
Full permission	This is a firm that has permission to undertake any regulated activities which are not limited permission activities.
Grandfathered firms	These are certain not for profit firms that were given a Part 4A permission without having to apply as they were covered by a group licence under the Consumer Credit Act 1974 to carry on certain activities. (The term is used generally by the FCA to refer to firms that were given permission without being authorised – such as those firms which had permission with a predecessor organisation when the FSA was formed on 1 December 2001.)
Interim Permission (IP)	Firms that held an OFT licence were invited to register with the FCA for an interim permission which allowed them to continue carrying out consumer credit activities. These firms were allocated an application period to apply for (full) authorisation. A small number of local authorities also obtained interim permission (having previously being exempt under the Consumer Credit Act).
Lapsed	In this publication, this refers to an interim permission firm that does not submit an application within its application period. Like firms that cancel their interim permission, they are unable to carry out regulated activities unless they become registered as an appointed representative.
Limited permission	This is a firm that has a permission that is restricted to certain consumer credit activities which are defined by legislation. In addition, a local authority will be a limited permission credit firm if it requires authorisation.
New firms	This comprises of new-to-market and grandfathered firms.

New-to-market	These are firms that have applied for consumer credit activities that were not registered as an interim permission firm. This includes firms that lapsed/cancelled and applied after their application period closed, firms that may have re-applied after withdrawing and firms whose applications were in progress at the OFT as at 31 March 2014.
Office of Fair Trading	The regulator of consumer credit until it closed on 31 March 2014.
Principal	A firm which is appointing one or more appointed representatives or agents to carry out regulated activities for which the principal firm takes responsibility.
Refused	An application where the FCA has issued a decision notice stating that the application has not been approved. The application is however not fully determined unless a final notice is issued, which occurs after a tribunal hearing if the firm refers the case or by default if the case is not referred within a specific period following the decision notice.
Regulated activities	These are certain activities laid out in legislation that a firm can carry out if authorised. We use a combination of such activities to define certain business categories:
Full permission credit broker	A firm with full permission with the 'credit broking' regulated activity.
Limited permission credit broker	A firm with limited permission with the 'credit broking' regulated activity.
Full permission credit info and credit repair	A firm with full permission with the 'providing credit information services' regulated activity.
Limited permissions credit info	A firm with limited permission with the 'Providing credit information services' regulated activity.
Debt collecting	A firm with the 'Debt collecting' regulated activity.
High-cost short-term credit (HCSTC)	A firm with either the 'Entering into RCA as lender (high-cost short-term)' and/or the 'Exercising R&D under an RCA (high-cost short-term)' regulated activity.
Logbook Lending	A firm with either the 'Entering into an RCA as lender (bill of sale)' and/or the 'Exercising R&D under an RCA (bill of sale)' regulated activity.
Home credit	A firm with either the 'Entering into an RCA as lender (home credit)' or the 'Exercising lenders R&D under an RCA (home credit)' regulated activity (often referred to as 'home collected credit').
Consumer hire	A firm with either the 'Entering into consumer hire agreements as owner' or the 'Exercising owners R&D under a consumer hire agreement' regulated activity (in most cases, both).
Peer-to-peer lending	A firm with the 'Operating electronic system in relation to lending' regulated activity.
Other categories	Include hire purchase, pawnbroking, running account credit and other unsecured lending , which are collectively defined as those with either the 'Entering into an RCA as lender (other)' and/or the 'Exercising lenders R&D under an RCA (other)' regulated activities.
RCA	Regulated credit agreement – a credit agreement which is not exempt under the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.
Variation of Permission (VoPs)	This is where an existing regulated firm (with a Part 4A permission) wants to add or remove categories of regulated activity, customer types or specified investments (the latter two do not apply to regulated credit activities), or vary or remove any limitations.
Withdrawn	An application that a firm has decided it no longer wishes to pursue (and has stated so in writing to the FCA).



Next steps

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