Financial Services Consumer Panel
AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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By email: woolardreview@fca.org.uk

Dear Wesley

Financial Services Consumer Panel response to the Call for Input: review into change and innovation in the unsecured credit market

The Financial Services Consumer Panel (the Panel) welcomes the Woolard review on change and innovation in the unsecured credit market. This review is particularly timely given the importance of credit to consumers, the potential for harm in the credit market, the fast-changing nature of the credit landscape and the economic pressures arising from coronavirus (Covid-19).

It is imperative that the UK has a well-functioning, sustainable unsecured credit market – a market that works for consumers. This requires that credit provision is **fair** and **transparent**; 'fair' meaning that it serves consumer's interests, 'transparent' meaning that consumers can readily understand the terms and costs of credit. A credit market that works for consumers must be accompanied by widely available and properly resourced **debt advice** and be supported by appropriate **regulatory protections**.

Before the outbreak of the coronavirus pandemic we had concerns on all four fronts – fairness, transparency, advice and protections. Needless to say, these concerns have become increasingly acute since the pandemic and look set to intensify further as the situation continues. We believe that the current unsecured credit market does more to serve the profits of providers and short-term economic interests than it does to serve consumer interests. There is widespread evidence of predatory lending, of undersupply of affordable credit and of oversupply of credit facilities to those that can ill afford it. Debt advice services are overburdened and under-resourced and regulatory protections are unevenly spread.

We have welcomed the FCA's consumer focus during the pandemic and applaud its bold and rapid response to the arising credit problems which has helped ensure that consumers have been able to use existing credit on fair terms. We hope that many of the ideas will outlive the pandemic and be transposed into 'business as usual' requirements, ensuring a more flexible response from lenders to consumers' changing circumstances, and embedded into a duty of best interests[1] in financial services that we have long advocated for.

After payments, unsecured credit is *the* most basic and widely used of financial services; marketed to and accessed by a diverse universe of consumers. This universe is diverse in all forms, but most pertinently so in terms of age, income, financial literacy and numeracy.

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1 https://www.fs-cp.org.uk/sites/default/files/duty_of_care_briefing_-_jan_2017_2.pdf

Given this, we have significant misgivings about both the way that these products are marketed and sold and the fact that some of these products are captured within the regulatory perimeter, while others are not.

As HM Treasury noted in its Financial Inclusion Report 2019-2020[2], a well-functioning and sustainable consumer credit market is a market can meet the needs of *all* consumers who are able to borrow. In order for the credit market to be financially inclusive, credit must be made available at an affordable price, in an understandable and fair way, without excluding certain cohorts. Set out below are the priority actions we believe necessary to achieve this:

- Any form of advance or deferred payment is a form of credit and should be so defined under legislation, regulated as such and afforded all the regulatory protections that would bring;

- The FCA should look at providers' business models – both pre-authorisation and on an ongoing basis – and demand fair and responsible behaviours from them, affording permissions only where products and services are sustainable for consumers (and rescinding them where not);

- Transparency requirements should be enhanced and extended across the credit spectrum ensuring understandability and comparability. These could be supported by requirements on firms to publish statistical information on lending decisions which journalists and FCA could compile and compare – mirroring existing approaches to banking services, insurance value and complaints data;

- There should be a much stronger focus on innovation at the "need" end of the credit spectrum in work that must involve industry, the third sector and other parts of government. This should encompass everything from the sort of data used to make lending decisions, to "inclusive by design" product features, payment schedules, forbearance practices, customer treatment, collection methods and more;

- Restrictions should be introduced on online marketing (especially limits on the techniques firms use to target particular types of consumer[3]) and frictions introduced at the point of any online credit decision-making, as well as cooling off periods;

- All lenders should be obliged to include in their application processes signposts to MaPS and specifically flag the existence of social lenders;

- Lenders should be bound to make insurance-style "demands and needs" assessments before lending or be required to state when revolving or fixed term credit is likely to be the better choice;

- The FCA's review of credit information should ensure that data is more transparent and consistent, reported in a form that can be aggregated and understood.

The Panel has long argued for a duty of best interests in financial services. It is arguable that nowhere has the absence of such a duty caused more harm than in consumer credit. Such a duty would help eliminate conflicts of interest, deter firms from mis-selling, prevent them from drawing customers into unsustainable debt situations and disallow them from providing poor service. We would again encourage the FCA to consider this duty.

Our responses to the specific questions are included at Annex A below.

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[2] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/935985/Financial_Inclusion_Report_2020.pdf

[3] https://fs-cp.org.uk/sites/default/files/fscp_final_digital_advertising_discussion_paper_20200630.pdf

Yours faithfully

Wanda Goldwag
Chair, Financial Services Consumer Panel

Annex A – Responses to questions

Q1: Please provide evidence and/or views on the current state of the market, as well as key changes and trends, around:

a. who is using unsecured credit, and for what purposes

All parts of the consumer landscape use unsecured credit products; some out of need, others for lifestyle purposes or out of preference. There is clear evidence that many who start using credit products for lifestyle purposes or out of preference end up using credit out of need, confirming our concerns about fairness and transparency. With the proper levels of fairness and transparency, including creditworthiness, affordability and appropriateness tests, unsecured credit should not become the problem debt that is now so prevalent.

Focusing on those who use credit out of need - in January this year, StepChange research revealed that 54% per cent of those in problem debt receive support through the social security system and 43% of those receiving social security support used credit to pay for essentials[4]. This shows that even pre-pandemic many consumers were persistently turning to unsecured credit – mostly at unaffordably high rates – to cover their basic needs[5]. It also evidences that the social safety net is falling short with devastating consequences for many. The current pandemic is certain to exacerbate this problem, likely leading more consumers into debt and existing ones into further indebtedness.

b. how unsecured credit is marketed by firms, and how it is viewed by consumers; AND
c. the impact of big data and digital technology in this market

Unsecured credit in all its forms, is widely marketed to consumers. Consumers are targeted through traditional media, leafletting, doorstep lending, direct marketing, and more. Positioned as a means of getting 'quick and easy' access to funds and supported by 'soft' credit checks, we have significant concerns about the way in which credit marketing (particularly for higher-cost credit products) may underestimate affordability considerations, encourage overborrowing and lead consumers into unmanageable and unaffordable debt.

As noted in our Discussion Paper on Digital Advertising in Financial Services, the Panel is deeply concerned about potential consumer harm linked to digital advertising of financial services and the use of advertising technology (or 'AdTech') to create detailed profiles of individual consumers, particularly in the lending area. While these techniques enable personalised, targeted marketing that consumers may find useful, they also have the potential to create an environment for manipulation and exploitation, making consumers easy prey for lenders. For example, the profiling used by firms may include data on the use of gambling web-sites or researching bankruptcy rules.

We are particularly concerned about the combination of this digital targeting with online credit provision. The accuracy with which providers can target consumers, coupled with the ease and speed with which those consumers can now enter into credit agreements raises serious concerns about how much fairness there can be in such credit decisions, how much true transparency there is around lending and how decisions can be properly informed. Lenders may be relying on opaque algorithms that produce unintended

[4] https://www.stepchange.org/policy-and-research/social-security-report.aspx
[5] http://www.bristol.ac.uk/media-library/sites/geography/pfrc/Why%20adults%20regularly%20use%20credit%20for%20food%20and%20bills.pdf

outcomes or discriminate against certain consumer groups[6]. We would question whether affordability, suitability and appropriateness tests can even be properly conducted in such environments and whether consumers – and firms - have full visibility into the costs (both immediate and potential) of borrowing decisions. Until there is effective regulation of the online environment, the positive impact of financial services regulation and consumer protections such as these will be undermined. We therefore repeat our call for the targeting element of financial promotions to be brought within the regulatory perimeter[7]. We also recommend that the Department of Culture, Media & Sport include financial harm as an 'online harm' in the Online Harms Bill[8].

While our concerns about targeted marketing apply to all lending, we have particular concerns over vulnerable consumers and the extent to which the industry is behaving responsibly toward them. One indicator of the harm this can cause is the continuing problem of multiple and repeat loans, which was a key source of detriment that the FCA tried to tackle with its original regime for high cost credit. There is also some worrying evidence of people with gambling disorder using guarantor loans, which suggests that the marketing of these products might be designed to attract people in this vulnerable situation[9].

We also have significant unease about the explosion about point-of-sale lending, in particular Buy Now Pay Later (BNPL) products. Their expansion has recently moved beyond just the online environment, with Clearpay now launching its services in store[10]. These instruments are primarily designed to fulfil merchants' desires to sell and lenders' interests in gaining market share, rather than to address consumer needs and interests – and may be leading to dangerous levels of overspending and problem debt.

Q2: What are the main trends and challenges created by these changes?

In general, we are unconvinced that credit terms and real credit costs are read and understood; the marketing language is often misleading, the small print complex and the figures are often abstracted. Our research on data and consent in 2018 showed that many consumers don't read the terms and conditions and even if they do, they're none the wiser[11]. While this problem needs addressing across the spectrum, we believe that it is particularly acute in the online environment where purchase decisions are made in seconds and regulatory disclosures can easily be bypassed.

As mentioned above, there is an ongoing explosion in digital credit provision, particularly in point-of-sale lending. While this may benefit many consumers, it must not be forgotten that it is coupled with low levels of financial literacy, falling real incomes and unprecedented levels of economic stress. This is a toxic mix. The high level of competition between digital providers and the aforementioned digital marketing may be fuelling discretionary consumer indebtedness which is both ill-understood and unaffordable.

We said in our response[12] to the FCA's High-cost Credit Review (CP18/12) that we would like to see the FCA regulate more robustly 'upstream' at the point of sale or extension of credit to prevent irresponsible lending, regulating for lenders (of all sorts) to conduct an

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[6] https://www.fca.org.uk/insight/computer-says-what

[7] https://fs-cp.org.uk/sites/default/files/fscp_final_digital_advertising_discussion_paper_20200630.pdf

[8] https://www.which.co.uk/news/2020/10/which-calls-for-tighter-protections-against-online-scams-in-online-harms-bill

[9] https://www.talkgen.org/post/gambling-and-guarantor-loans

[10] https://inews.co.uk/news/business/clearpay-launch-buy-now-pay-later-option-explained-uk-high-street-retail-765928

[11] https://www.fs-cp.org.uk/sites/default/files/final_position_paper_-_consenting_adults_-_20180419_0.pdf

[12] https://www.fs-cp.org.uk/sites/default/files/fscp_response_cp_18-43_bnpl_offers_20190315_0.pdf

affordability check that considers all the consumer's debt before any credit limit increase. This remains our position. To enable this, all credit (and credit-like) products should be brought within the regulatory perimeter and the FCA should mandate that all firms report all new forms of credit to credit reference agencies (CRAs), share real-time data and use it in decisioning.

Q3: What are the likely dynamic changes you expect in the market, and what might the biggest effect of these be?

A likely medium-term by-product of the surge in digital credit provision, which is inevitably more scalable than off-line credit, is a rise in costs for the digitally disenfranchised. Unable to compare costs – or access – better priced products, they could become easy prey for predatory lenders, exacerbating what could be already precarious financial situations.

Q4: What do you see as the main drivers of demand for credit? How do they affect consumer demand for credit, now and in the future?

There are three drivers that most concern us. Firstly, those who are persistently borrowing to make ends meet – often at unserviceably high costs. This situation has been exacerbated by the coronavirus pandemic, with one consumer survey reporting that 65% of people are in serious financial difficulty and 41% of people who are struggling used credit to pay for food and other essentials in the last 4 weeks[13]. Secondly, those that are already in debt who are driven to borrow more to service their debts at ever higher rates. And thirdly, there is the manufactured demand which is driven by lenders and merchants targeting potential credit buyers, including the most vulnerable. All three will lead to an increased and yet unsustainable and unserviceable demand for credit in the future. We would urge the review to focus on these aspects in particular and the FCA to prioritise cross-industry, cross-government work to develop solutions.

Q5: Which consumer groups currently struggle to access the credit market, and why? How has this changed over time and how do you expect it to evolve?

The poorest and most vulnerable have long struggled to access the mainstream credit markets – and have to turn to high cost credit instead[14]. The FCA reported that three million consumers did so in 2019[15], and we expect more to have done so since. The situation for these consumers is likely worsening as a result of the current pandemic, the closure of bank branches (particularly in more deprived areas) and, for those unable to access digital, the ongoing digitisation of the credit industry.

The growing number of consumers who are self-employed, on zero-hours contracts and/or with variable incomes have more limited options than consumers on stable, salaried employment contracts. The same applies to people with thin credit files, such as younger borrowers and people who have recently arrived in the UK. Innovation is urgently needed to address all these factors, both in the sort of data that is gathered and used to make credit assessments, the repayment schedules offered and in the terms on which credit is advanced.

Q6: Do you agree that in a healthy credit market, there will be people who will not be able to access credit? What are the characteristics of these people and what would the impact of not having access be on them?

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[13] https://www.standardlifefoundation.org.uk/en/our-work/publications/emerging-from-lockdown
[14] https://www.fca.org.uk/publications/multi-firm-reviews/relending-high-cost-lenders
[15] 'Alternatives to High-cost Credit Report', Financial Conduct Authority, FCA July 2019.

In a purely market-driven credit market there will inevitably be people who will not be able to access credit at affordable prices. Mitigating the potential harm of unaffordable borrowing must therefore also involve the public sector, whether through affordable loan schemes, money and debt advice services, debt management and forbearance, incentives, guarantees, or a mixture of all these.

Q7: Please provide evidence and/or views on:

a. the main areas of change, innovation and growth in the supply of unsecured credit.

With some notable exceptions, most of the recent innovation in the market has focussed on merchant-led credit, marketing and channels for consumer acquisition. Where there has been insufficient focus is on those with thin files and or uneven incomes, and on non-price product features which make borrowing more sustainable. We would recommend that the FCA harnesses its Sandbox and Innovate capabilities to the design of "sustainable" or "inclusively designed" unsecured credit products. It should also explore why unsecured credit is priced so discontinuously and what acceptable prices are for different kinds of provision.

b. the key pressures and challenges to the sustainability of firms supplying unsecured credit, including how these have changed over time and how they might develop in the future

The ongoing pandemic will undoubtedly put strain on many business models which will require great attention both in terms of how these firms treat their customers and in how customers are being served in the wake of market exits. What also concerns us, and which predates the pandemic, is that some business models seem to be predicated either on lending on unaffordable terms or on customers entering into cycles of repeat borrowing – or both[16]. There are also some business models that appear to target vulnerable consumers, where we would again point to the evidence that consumers with gambling disorder are using guarantor loans[17]. To our earlier point on the FCA scrutinising business models – we believe that business models should be examined from a sustainability standpoint: businesses should not be judged to be sustainable (and fit for approval) solely on the basis of their financial viability, but also based on the impacts their products and services have on consumers. The FCA should look at how different points in the lifecycle of the consumer, such as failure to pay on time, are embedded in to the profitability of the product and overall business model. Credit must be sustainable not just for the lender, but also for the borrower.

c. new and emerging business models, including those making use of behavioural biases and income from other sources than the end consumer (e.g. employers, retailers), and how existing models may be adapting to change

The growth in point-of-sale lending has, at least in theory, led to greater competition in the unsecured credit area, however price comparability is poor. Indeed, competition does not appear to be creating new price points in the market. This might indicate that the focus is on market share at prices that have been shown to support demand. This is not a market that is working well for consumers. We would welcome research into the extent to which competition has led to lower prices and/or more favourable credit conditions for borrowers and we would encourage the development of transparency requirements that would enable consumers to understand the costs of borrowing *and* undertake price comparisons themselves. As stated earlier, the FCA should mandate that all firms report

[16] https://www.fca.org.uk/publications/multi-firm-reviews/relending-high-cost-lenders
[17] https://www.talkgen.org/post/gambling-and-guarantor-loans

new lending commitments to credit reference agencies (CRAs) serving the UK market, and share real-time data at the point at which credit products or credit-like facilities are extended.

Q8: Regarding unregulated credit or credit-like products:

a. What evidence can you provide of the increase in availability and uptake of these products?
b. What impact has this had on the regulated credit market, and how might it play out in the future?
c. What are the characteristics of customers of these products?
d. What role do these products play in the wider economy?
e. What benefits, risks and harms do these products create? Is there more the FCA or other authorities could do to preserve benefits or address harms and risks?

Anecdotal evidence, coupled with providers' financial reports, suggests there has been tremendous growth in some areas of unsecured credit – particularly with regard to point-of-sale lending, including BNPL products. There has also been growth in the Employer Salary Advance Schemes (ESAS) market. We have some reservations in respect of both.

When offered and used responsibly, ESAS can help employees. They can be a convenient way for employees to deal with unforeseen expenses and occasional short-term cash flow issues. We are concerned, however, that they are not all covered by credit regulation, which leaves consumers without the regulatory and statutory rights and protections from which borrowers under consumer credit agreements benefit. Providers have no obligation to check affordability, leaving it to employers to decide who can participate in the scheme and what may often be vulnerable employees to decide for themselves that they will have enough money to pay on payday. The high-cost short-term credit (HCSTC) price cap on charges does not apply either, and the Financial Ombudsman Service is not able to consider complaints. In fact, it is not clear at all where users of these products could take complaints.

There is also a lack of transparency about cost. Any individual fees charged under ESAS might be modest, but so too can employees' drawdowns. Employees may find it difficult to compare fixed transaction fees with interest rate-quoted products and underestimate the true rates being charged. There is a danger of employees becoming dependent on the products, repeat-using ESAS and facing escalating fees. Finally, the borrowing information is not passed on to credit reference agencies who thus lack full visibility into customers' leverage and who may – in extremis – hold back from lending to the particular demographics that most depend on these services.

BNPL products have seen explosive growth in some overseas markets and in the UK. Alongside the new dedicated entrants to this market, we have seen existing providers begin to offer their own BNPL solutions. While theoretically all this could lead to greater competition and better pricing both within the BNPL universe and across the short-term credit spectrum, we remain doubtful of this, owing to the lack of pricing transparency and the speed of consumer decision-making online. Furthermore, since the first-order customers of BNPL schemes are the retailers, not the borrowers, we would question *where* any such competition is playing out and to *whose* benefit. There are also issues around skewed incentives.

All this combines with the reservations we set out above regarding digital marketing, where we would point to the amount of consumer-targeting that accompanies these products – in particular the amount of targeting directed at younger consumers via social media whose numeracy skills are known to be lower than older consumers'[18]. And we have very particular reservations about the lack of clarity at the point of sale and the likelihood that many buyers are being pushed into borrowing when they don't need to, or encouraged to spend when they can't afford it.

Q9: Please provide evidence and/or views on:

  a. **where the gaps are in the supply of unsecured credit, and where they are likely to be in the future**
  b. **The effect on consumers of any gaps in supply**
  c. **The main barriers to a sustainable market developing to fill these gaps**
  d. **What role the FCA, or others, could play in helping innovation and growth in these areas**

The biggest gaps are in the supply of unsecured credit to those most in need. These are gaps that we expect to widen at precisely the same time that need is both deepening and widening. The effect on such consumers is likely to be devastating and requires urgent attention. We would encourage the FCA to work closely with government, industry and the third sector to pursue initiatives such as the no-interest loan scheme[19] and to incentivise investment and innovation in this area. A mapping of credit provision, borrowing and income patterns in severely deprived areas, such as Demos' Good Credit Index[20], could provide useful insights and important evidence to support the development of this work.

That said, credit should not be used to alleviate inadequate income or to plug gaps left by the social security system. We would therefore encourage the FCA to engage with HM Treasury and other areas of government to share insights that can be used to improve the social safety net and drive public sector solutions such as those outlined under question 6 above.

There are also gaps in the pricing of unsecured credit. Prices are clustered, and the reasons for this require investigation. It may be that there are there barriers to attracting capital, or inefficiencies in supply. Also, pricing may be following demand rather than being driven by competition. It is curious that products and prices are less diverse than the credit risk and affordability characteristics of consumers, and it suggests a market that is not working well for consumers.

Q10: Do you think current regulation drives similar outcomes for consumers who use similar or substitutable unsecured credit products?

No. We believe that any form of deferred payment or financial advance is a form of credit and should be accompanied by the same regulatory provisions and protections as regulated credit products; currently they are not, which is misleading for customers. In the same way, similar *regulated* credit products should face the same regulations and carry the same sort of protections. The current piecemeal approach to product regulation likely leaves consumers confused and open to harm.

Q11: How have changes in regulation, or other changes in the market, affected firm incentives?

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[18] In 2016, the UK was ranked joint bottom for adult financial literacy in a league table of 17 OECD nations, putting it on a level with Albania, and was the only OECD country where the numeracy skills of 16- to 24-year-olds were lower than the over-55s. See: https://www.oecd.org/skills/piaac/Country%20note%20-%20United%20Kingdom.pdf

[19] https://londoneconomics.co.uk/wp-content/uploads/2020/03/NILS-feasibility-study-report.pdf

[20] https://demos.co.uk/project/the-good-credit-index-2020/ See also Centre for Cities research: https://www.centreforcities.org/publication/household-debt-british-cities

Since 2014, lenders to sub-prime segments of the credit market have come under intense scrutiny. Many business practices have been prohibited by rules and conduct has been called into question by supervisors. The result has been a sharp rise in complaints. Some firms have left the market; others have sharply reduced lending volumes. There is a question as to whether complaints on past business combined with thinner margins, higher costs and lower volumes on new business has reduced willingness to lend. Government and prudential authorities have intervened to maintain lending to businesses during the pandemic, effectively indemnifying lenders for lending to poorer risk customers. The FCA's measures have supported individuals stay on top of credit they already had, but little has been done to improve access to new credit.

The Panel supports all these developments, but the reduced availability of credit for those who need it most at the time they need it most is a development the review cannot overlook. We would encourage the FCA and Government to consider the following (non-exclusive) policy options:

- Steps to encourage business models for sustainable lending that might fill some of the observed price gaps in the market.
- Increasing focus on access to social lending.
- Public sector measures on the social safety net to reduce dependence on credit

Q12: How could changes in the market drive incentives which do not align with consumer interests?

To attract capital, businesses will be tempted to focus on lowering acquisition costs, hedging credit risk through penalties and ancillary charges, and running underwriting models that are normative rather than disruptive (in other words, models that lend to well-served, proven segments). The FCA should therefore seek to drive different types of innovation through its Innovate and Sandbox capabilities and, if necessary, through its product regulation powers.

Q13: Please provide evidence and/or views on the current level of cross-subsidisation between different consumers in the unsecured credit market. What forms of cross- subsidisation are compatible with a healthy credit market?

Without visibility into providers' business models it is unclear how much cross-subsidisation there is. However, we imagine that there may be some reasons to have concerns not just around cross-subsidisation between customers (some of which may be reasonable), but also between credit and other financial products – particularly payments.

As mentioned above, we would encourage deeper scrutiny of business models. This would help reveal, for instance, where businesses are able to take on new customers only by harming existing ones.

Regarding cross-subsidisation across products: the bundling of payment products with credit is not a new phenomenon, and is not a problem *per se*, however we do have concerns if providers' business models rely mostly or wholly on credit subsidising the payments part of their activities. Such models could push providers toward predatory lending and, should they ultimately fail as going concerns, leave their payment customers without a means of taking or making payments.

Q14: Are there gaps in data or the way information flows in the current market that create problems for consumers or lenders? How might these be addressed?

The acquisition, sharing and use of data by Credit Reference Agencies is the subject of an FCA market study. That work needs to be concluded alongside this review so that any subsequent interventions are co-ordinated and effective. We understand it to be the case that a number of credit (or credit-like) products, such as ESAS and deferred payment products, do not show up on credit records, at least immediately. We also believe it to be the case that providers do not update credit information in real time in all cases. This could both undermine the efforts of responsible lenders to ascertain affordability and encourage consumers to overspend – particularly given the increased availability of immediate online lending. It could also ultimately deter some providers from lending to particular demographics if they believe they are more likely to be borrowing through these vehicles.

The unsecured credit market is opaque for consumers. Consumers do not understand how lending decisions are made, which can lead them to inappropriate behaviours and an unwarranted focus on credit scores. The FCA should consider "sunlight remedies" to illuminate lending decisions and better empower consumers.

Q15: Please provide evidence and/or views on the impact of Covid-19, both now and as you expect it may play out in the future, on:

a. the demand for different types of unsecured credit
b. the supply of credit, including impacts on sustainability of affordable lending and gaps in provision
AND

Q16: Do you think the impact of Covid-19 presents new or unique challenges for the unsecured credit market, or has it just emphasised or entrenched existing issues?

As mentioned above we believe the pandemic will bring more people into problem debt and exacerbate the situation of those people already facing long term debt problems. We believe that the fair and affordable supply of credit may shrink (even further) at the more economically vulnerable end of the spectrum and we believe that new and flexible approaches to consumer credit are urgently needed. We commend the work and recommendations put forward by the likes of London Economics[21], StepChange[22], the Money Advice Trust[23] and the Money and Mental Health Institute[24] and would encourage the FCA, together with government, to explore these further as a matter of priority.

Q17: Do you think any of the measures set out in the FCA's temporary guidance for consumer credit, including those related to credit information and forbearance, or the FCA's wider approach have broader relevance to customers in financial difficulty more generally?

Yes. As we set out in our responses to the FCA's guidance on consumer credit and coronavirus[25], whilst we believe there should be further flexibility and greater import placed on individual consumers' circumstances, the measures that the FCA has introduced have proved invaluable for consumers in recent months. We hope that the regulator will build on the guidance and embed it into lending and forbearance requirements. Credit products and services should serve consumers at *all* times, not just *in extremis*, and business, lending and recovery practices should be closely scrutinised to ensure this. The Panel has long argued for a duty of best interests in financial services to eliminate conflicts of interest, deter firms from mis-selling products, drawing customers into unsustainable

[21] https://londoneconomics.co.uk/wp-content/uploads/2020/03/NILS-feasibility-study-report.pdf
[22] https://www.stepchange.org/Portals/0/assets/pdf/tackling-the-coronavirus-personal-debt-crisis.pdf
[23] http://www.moneyadvicetrust.org/SiteCollectionDocuments/Research%20and%20reports/Money%20Advice%20Trust%20Debt%20options%20in%20the%20new%20normal%20October%202020.pdf
[24] https://www.moneyandmentalhealth.org/online-shopping/
[25] https://www.fs-cp.org.uk/sites/default/files/final_fscp_response_to_additional_guidance_on_consumer_credit_and_coronavirus_20201106.pdf

debt situations and providing poor service. It is arguable that nowhere has the absence of such a duty caused more harm than in consumer credit.