

# Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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Dear Toby,

## **GC16/7 – Revised proposed guidance on guarantor loans**

The Financial Services Consumer Panel welcomes this further opportunity to comment on the proposed guidance on guarantor loans.

We agree that the clarifications outlined in this consultation are useful and support the proposal that lenders cannot take a payment from the guarantor without either going to court, or giving five working days' notice, during which time the guarantor can cancel the payment arrangement if they wish. It is important that guarantors understand that they may still be liable for the money even if they cancel the payment arrangement. However, we still believe that guarantors should receive additional information post-contract, including annual statements and arrears notifications. As we have said before, it is likely that many guarantors do not understand the nature of their liability. However,

We do not agree with firms' concerns around the future availability of guarantor loans. They may help some consumers with 'thin' or adverse credit files to borrow but in general, there should be a very limited role for guarantor loans in the consumer credit market. Furthermore, if lenders are conducting appropriate affordability checks in the first instance, it should be rare for them to have to call on guarantors.

Yours sincerely

Sue Lewis  
Chair  
Financial Services Consumer Panel