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Mark Hopkins
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23 October 2008

Dear Mr Hopkins

Irresponsible Lending

This is the Financial Services Consumer Panel's response to the Office of Fair Trading's scoping paper on Irresponsible Lending. The Panel welcomes this paper as we have some significant concerns that lenders do not always take reasonable care in making loans or advancing lines of credit, and therefore do not always take full account of the interests of consumers in doing so. In these difficult times the implications of such irresponsible behaviour are considerable. We also believe the timing of the paper is appropriate and are especially pleased that the paper is framed within the wider regulatory context, taking into account both the FSA's Treating Customers Fairly initiative and the EU Directive on Consumer Credit. We do, however, have some concerns with the proposed scope of the project.

Our responses to the specific questions are as follows:

Q1 Do you agree with the OFT initial view that the scope should cover all stages of a lending transaction?

No. Please see our answers to the subsequent questions for further detail.

Q2 Are there any other factors which you think should be included within the scope of the project?

No.

Q3 Are there any factors which you think should not be included within the scope of the project?

We feel that, as the Consumer Credit Act already offers excellent guidance in the area of arrears it would make sense to exclude this element from the scope of the project.

Q4 Do you have any other comments or suggestions on the scope of the project?

We feel that the scope of the project could more helpfully be restricted to the areas indicated by the guidance materials covered in paragraphs 4.2 and 4.3 of the paper. By focusing its efforts on what it considers to be responsible and

fair lending across different product categories we feel the OFT could more effectively use its resource to produce clear guidance materials in this respect. The Panel believes that many of the areas given further consideration, especially those indicated in paragraph 4.14, could be adequately addressed within other existing OFT jurisdictions. For example marketing and product design should be picked up under paragraph 2B of section 25 of the Consumer Credit Act: "deceitful or oppressive unfair or improper practices". Similarly, the implementation of the EU Consumer Credit Directive should effectively address the issue of providers automatically raising credit limits.

We hope you have found these points helpful and look forward to seeing the outcome of the consultation.

Yours sincerely,

A handwritten signature in black ink that reads "David L. Lipsey" followed by a long, horizontal flourish.

David Lipsey
Chairman