

Credit Information Market Interim Working Group

Response to the FCA Credit Information Market Study (MS19/1.3)

Report Two:

**How the Credit Reporting Governance Body should be
constituted**

July 2024

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Chapter 1: Foreword by the IWG's independent chair

This is the second of four reports to be issued on behalf of the Interim Working Group (IWG), to make recommendations to the FCA on the creation of the Credit Reporting Governance Body (CRGB). This report represents the collated views arising from the IWG process and not that of any individual person or company, except where stated otherwise.

There have been days in the last couple of months when I doubted that this report would be issued with the endorsement of the IWG. Such was the complexity, interdependence, sensitivity, and importance of some of the subjects contained in the report. However, where there is a will, there is a way, I am proud that we all continue to work for the benefit of progress.

Making recommendations on governance models, board composition and funding, along with assessing the legal, regulatory, and practical implications of those recommendations was an education for all involved. It required significant work on the part of the IWG secretariat to research and frame subjects and major investment of time of the IWG members to equip themselves to make informed recommendations. A special thank you to the governance bodies mentioned in Appendix D for their engagement and valuable insights. The IWG members went above and beyond to help their colleagues, who come from different parts of the industry, to understand how the industry operates in different segments. They were open and professional in their sharing of perspectives, always trying to appreciate the implications of choices for each other. Their efforts were well supported by advice from the IWG's legal advisors, Mills & Reeve, and always with the exceptional commitment of the IWG secretariat.

The recommendations in this report were developed in a short time frame, where topics were being considered at pace and with regular changes discussed and circulated. These factors meant that there has only been limited opportunities for IWG members to consult with their cohorts. The IWG members and secretariat team will continue to socialise the recommendations with wider industry over the coming months. It is acknowledged that some elements of this report may substantially evolve with further insights and feedback.

It is also recognised that not everyone will get everything they would like from the recommendations. Compromise was necessary to deliver a workable proposal that meets many of the needs of a diverse stakeholder group and that goes a long way to deliver on the challenges set out in the FCA's credit information market study (CIMS) reports. Particularly, to allow the design and development of the CRGB to progress, the IWG chair is proposing a Board structure that seeks to balance the views and needs of stakeholders. All viewpoints were considered with continued efforts to find a middle ground. I and the IWG welcome further engagement from the wider industry and reactions to this report will be given our full attention.

In addition to report one feedback, the FCA have made themselves available to respond to clarification asks of the IWG. They have been consistent in their intent not to provide opinions prior to receipt of the final report, leaving the IWG and the financial services industry to define what they deem appropriate for their own oversight body. This re-enforces the nature of self-regulation and the regulators willingness to work with industry to deliver positive change.

Finally, whilst this is report two of four, and there is still much to do to deliver, I am thankful for the support, commitment, hard work, and staying power of all involved.

Jacqueline Keogh

Independent Chair, Interim Working Group

Chapter 2: Executive Summary

The Financial Conduct Authority (FCA) issued the CIMS [final report](#) in December 2023, which set out the remedies they believed are required to change the industry for the benefit of consumers. The first of these remedies to be actioned is the formation of a new governance arrangement, called the Credit Reporting Governance Body (CRGB), with the mandate to oversee the development and implementation of some of the remedies. This joint FCA and industry-led remedy resulted in the creation of the IWG, representing diverse industry groups and consumer bodies. The IWG are producing recommendations to the FCA on the design, implementation, and operation of the CRGB.

The IWG issued its [first report](#) in April 2024 addressing “what the CRGB should do”. Report one recommended the CRGB’s purpose, three objectives including a consumer objective, roles to be fulfilled by the CRGB, datasets and initial outcomes against which success of the CRGB could be measured. Industry and FCA feedback was received on report one, during and after issuance. In general terms, this feedback confirmed satisfaction with the direction of travel with a couple of key enhancements, along with expectations on future reports. This report, report two, is the next step in the design of the CRGB and addresses “how the CRGB should be constituted.”

2.1 IWG and IWG Chair recommendations

To constitute the CRGB, the IWG are making a comprehensive set of recommendations built on the foundation of a multitude of engagements, academic research, and analysis of similar bodies. Likewise, whilst there have only been limited opportunities for IWG members to consult with their cohorts to date, the IWG members sought initial validation on certain aspects of the proposals and external legal advice was sought from the IWG’s legal advisors, Mills & Reeve. To ground these recommendations in practicality, the IWG gave much thought to the benefits to be delivered by the existence of the CRGB. These benefits will be enhanced over time as the organisation comes into its own with the delivery of the FCA’s proposed industry-led remedies. The CRGB as a governance body is not a regulator, it permits the industry to continue to oversight its own activities, with limited regulatory intervention from statutory regulators. As such it needs the voluntary support and buy-in of the wider industry to enable a more efficient and inclusive market for all stakeholders.

The summarised recommendations below are interdependent and complex and as such are best considered as a complete package. Due to the nature of the IWG’s stage-gated approach to its work, these recommendations are not yet finalised and may be subject to substantial change following further stakeholder consultation and once the IWG begins its work on the operationalisation of the CRGB for its third report. While the IWG could not reach a complete consensus on all topics in this report, at a high-level, the IWG and the IWG chair recommend that the CRGB:

1. Should be a legally incorporated body, in the form of a Company limited by guarantee, to be best able to deliver on its purpose and objectives. A Company limited by guarantee is the most common model utilised by not-for-profit entities.
2. Should be a single tier membership organisation where the Board of Directors are the owners, guarantors, and controllers. Directors cease being members at the point they exit the Board. This is an effective model to allow for efficient decision-making with safeguards put in place to ensure that the Board of Directors consider wider stakeholder opinions.

3. Should have a governance structure made up of a Board of Directors with Board Committees and Advisory Councils to allow it to fulfill its function, drive transparency in its actions and enable broad stakeholder engagement.
4. Should have a Mixed Board of Directors with a majority of Independent Directors, including an Independent chair and representation for other stakeholder interests. This will allow for technical capabilities and a greater likelihood of industry buy-in via the Nominated Directors. A transparent nomination process and independent representation seeks to provide for greater consumer confidence in the workings of the CRGB. There will be significant opportunity for influence via the Advisory Councils.
5. Should apply a standard decision-making process recommended generally for good corporate governance. Certain decisions will require special procedures which will be listed in the Memorandum & Articles of Association, where those decisions have substantial impact on the CRGB or the wider industry. Decisions requiring a cost-benefit analysis, will also include a consumer impact assessment.
6. Should implement actions such as Directors' insurance and training, including in respect of competition law, with other liabilities and mitigants to be further assessed and addressed as part of the contracting and data sharing governance.
7. Should apply a tiered funding model with subscribers, who access shared data, paying an annual subscription fee reflecting their size and business type. Non-fee-paying subscribers will be defined as part of the exemption rules. Stakeholders who do not access data, but seek to influence decisions, such as trade associations, can join the CRGB as participants who do not pay. The specific criteria for such stakeholders will be developed later in the process.
8. Will gain its powers to operate under contract law. Regulators endorsement of the data sharing rules will be sought, to re-enforce the industry benefits. The need for statutory underpinning should be kept under review, reflecting working experience and government considerations.

2.2 The recommended next steps

The proposals contained in report two to constitute the CRGB have far-reaching implications for the industry, other stakeholders and the CRGB. They were developed with serious consideration for all stakeholders but also within a limited timeframe, not allowing for anything more than limited opportunities for direct consultation between IWG members and their cohorts. Therefore, the next steps are as follows:

- This report will be published on the [IWG landing page](#) and feedback will be welcome via iwgsecretariat@fca.org.uk.
- The IWG members will utilise the report to consult with their stakeholders on the recommendations. In recognition of the time required to undertake the consultation, the IWG will raise with the FCA the need to revisit the current timeframe for production of report three and report four.
- The report will be shared with the FCA for consideration and interim feedback on any red flags or areas of concern. A full assessment by the FCA will be reserved until the final report is issued.

Chapter 3: Background

The IWG issued [report one](#) in April 2024. Report one focused on the recommended purpose, objectives, and outcomes of the CRGB. This report is the second of four reports to be issued on behalf of the IWG, making recommendations to enable the setting up of the CRGB. These reports should be viewed in the context of the wider CIMS [final report](#) remedies and in the understanding that the IWG do not have the mandate to address the other remedies outlined in the CIMS final report.

3.1 Governance as the first remedy

In November 2022, the FCA published the CIMS [interim report and discussion paper](#). Here the FCA outlined that, while the market was working well in several ways, there were also several areas where it could be working better. The FCA highlighted four potential areas for improvement:

- Data consistency and data quality.
- Consumer awareness in terms of accessing and disputing credit information.
- Greater competition and innovation could be fostered through changes to data access arrangements and more timely reporting of key metrics.
- Updated governance arrangements.

In December 2023, the FCA then published the CIMS final report which detailed the 12 remedies the FCA propose to address the improvement areas outlined above.

The FCA has adopted a hybrid approach to delivering its remedies package, with each remedy categorised into one of three distinct implementation types:

- FCA-led (four remedies)
- Industry-led (seven remedies)
- Joint FCA and industry (one remedy)

In the CIMS final report, the FCA acknowledged that the current industry governance arrangements, the Steering Committee on Reciprocity (SCOR¹), have achieved significant milestones to date. However, the FCA also explained that it felt that SCOR could be more efficient in driving forward change, represent a wider range of stakeholder views, give greater priority to consumer outcomes, and operate more transparently.

Therefore, as a priority, the FCA is working closely with a range of stakeholders to form new industry governance arrangements (the CRGB). To assist with the development of the new governance framework, the IWG was launched in January 2024. The IWG will produce recommendations to the FCA on the design, implementation, and operation of the new CRGB. The IWG is temporary and advisory only.

To drive forward the work of the IWG, the FCA appointed an independent chair of the IWG, Jacqueline Keogh, and the chair is supported by a secretariat team seconded from the FCA. Industry and wider stakeholder views are represented on the IWG by the 11 IWG members who were either volunteered or nominated from alternative finance providers, challenger CRAs, consumer groups, CISPs, large CRAs and trade associations. IWG representatives have a responsibility to seek and incorporate views from the cohorts they represent.

¹ <https://www.scoronline.co.uk/>

Once the CRGB is established, it will oversee the development and implementation of the seven industry-led remedies set out in the CIMS final report. These remedies are outlined in Appendix E. The CRGB may also need to engage with some of the FCA-led remedies.

Meanwhile, the FCA will be working toward publishing consultation papers on its proposed FCA-led remedies, starting in Q4 2024. Further information on the CIMS FCA-led remedies can be found outlined in the [CIMS final report](#).

3.2 Report one recommendations

Report one focused on answering the question “what should the Credit Reporting Governance Body do?” In answering this question, the IWG recommended:

1. The CRGB purpose should be to provide effective governance of credit information for all consumers and other stakeholders.
2. Three objectives setting the agenda and priorities for the CRGB being: operational, consumer-focused, and future-looking.
3. A set of roles which would enable the CRGB to operate and deliver on its objectives, along with potential longer-term roles.
4. To support the definition of datasets, a set of principles along with recommendations on next steps to progress the incorporation of these datasets.
5. Outcome themes which set a framework to measure and evidence the progress being made.

3.3 Scope of report two

Report two provides recommendations for consideration by the FCA on how the CRGB should be constituted. This report covers:

1. The **structure** of the CRGB, including its legal status, with the implications for any relationship between ownership, membership, and participation, along with the liabilities associated with the model proposed. It also covers the proposed governance structure, outlining whether there should be an Independent Board which approves decisions, separate to the working groups which recommend decisions or other viable options.
2. The **governance model and decision-making processes of the CRGB** which sets out the rules, practices, and procedures on how the CRGB is governed. This includes the authority of the CRGB with the implications for legal, regulatory, and contractual conformity; the voting process and entitlements of the CRGB on both day-to-day activities and material decisions; the mandate of the chairperson and any other employees; the CRGB’s liability for its actions, including the liability of the Board, and members; and the assumptions on day one data sharing rules and the decision-making process by which the rules can be evolved.
3. The **resource and funding model for the CRGB** on a sustainable and equitable basis for the future, including who contributes and how contributions will be calculated. This addresses whether funding should influence ownership, participation, and decisions.

3.4 Development of report two

The IWG members, representing their cohorts and organisations, in the development of the recommendations in report two, sought to be consultative, inclusive, comprehensive, and

considered. The desire to engage the community to get to the best solution is reflected in the publication of the IWG meeting summaries on the [IWG landing page](#), the hosting of monthly consumer meetings, ad hoc webinars, trade association meetings and individual discussions between the IWG secretariat and IWG members. Additionally, feedback was received directly via iwgsecretariat@fca.org.uk and the IWG secretariat and chair continue open dialogue with an extended number of government bodies, regulators, and oversight entities in the UK and overseas.

The topics included in this report can best be described as complex and interdependent; therefore, alongside the fact that there was a short time frame for production of report two, it was not always possible for IWG members to seek anything more than high level input from their cohorts on the proposals. As such the intent is to undertake further validation post-publication.

Chapter 4: Report one feedback

Recognising that the pace at which the IWG has been mandated to work did not allow for extensive industry and wider stakeholder consultation during the process of producing report one, IWG members were asked to further engage with their cohorts and respective organisations post report one publication. The report was also published on the IWG landing page on the FCA website and shared on LinkedIn.

Likewise, the IWG chair and secretariat also discussed the content with several regulators and data users in other industries, outlined in Appendix C.

This further consultation resulted in additional written feedback:

- Consumer groups and bodies – five responded.
- Trade bodies representing mainstream data users and contributors – five responded.
- Large CRAs – three responded.
- Challenger CRAs – no feedback received.
- CISPs – no feedback received.
- Alternative credit providers – one responded.

The FCA also provided written feedback on report one, which complemented the ongoing constructive engagement between the IWG and FCA.

4.1 Stakeholder feedback

An anonymised summary of the feedback received in response to the issued report one is outlined below.

4.1.1 Focus/purpose of CRGB

- Some stakeholders felt strongly that the primary focus of the CRGB should be on governance, and the scale and costs of the CRGB need to be proportionate to the requirements. There were concerns that otherwise, costs and burdens will become excessive for firms.
- Others thought that the current focus/purpose of the CRGB is too narrow, and that good governance should be treated as a given and it should be made clear that while consumer views and industry views may naturally conflict, there should be an expectation that these tensions will be resolved in the public interest.

4.1.2 Consumer objective

- Some stakeholders felt that 'promoting good outcomes' is not strong enough – the CRGB should ensure or achieve good outcomes.
- These stakeholders also pointed out that the CRGB will need to oversee the CIMS industry-led remedies and will make decisions that will impact vulnerable consumers, therefore the CRGB should clearly take responsibility for this, and its objectives should reflect this.

4.1.3 Future-looking objective

- Some stakeholders pointed out that the CIMS final report stated that the FCA wanted the CRGB to take account of emerging issues – they felt this should be brought out in the future-looking objective which they thought was too narrow.

4.1.4 Financial inclusion

- Some stakeholders said that the CRGB cannot materially impact financial inclusion and therefore that this should be left to government and the FCA.
- Others felt that the CRGB's role in ensuring that the process of producing and sharing credit information is consistent, fair, and cognisant of broader public policy outcomes will help to reduce financial exclusion. Likewise, stakeholders have pointed out that, given the CRGB will take forward the CIMS industry-led remedies, it is important that the CRGB keeps financial inclusion in mind. Therefore, there were suggestions to clearly define what is meant by financial inclusion in this context and to bring it out more explicitly in the consumer objective. Respondents stated that it is not about solving financial inclusion or delivering access to credit but ensuring that the creation, reporting and sharing of credit information does not produce financial exclusion beyond the principles of responsible lending.

4.1.5 Outcomes

- Some stakeholders felt that the consumer outcomes are unambitious and that financial inclusion itself is not a sufficient consumer-focused outcome as it doesn't consider the wide range of consumer related issues the body will need to tackle – the consumer objective is broad, but the consumer outcomes don't match up and are too narrow. Some thought that consumer outcomes should be the foundation of the IWG's approach.
- Other stakeholders emphasised the importance of the CRGB's Board setting out quantifiable measures for outcomes to help to clarify whether the CRGB can realistically influence the outcomes as currently set out.

4.2 Report one – the FCA's interim response

The [FCA welcomed the IWG's first report](#) and recommendations on what the CRGB should do. They thanked the chair, secretariat and IWG members for the report and for engaging with them collaboratively.

The FCA said that they will provide detailed feedback to the IWG upon publication of the final report. In the interim, feedback was provided on key issues or concerns, so that they can be considered by the IWG.

The FCA particularly welcomed the proposed purpose, the scope of the three proposed objectives and the focus on outcomes. They said that they look forward to the IWG's subsequent reports expanding on these areas and others still subject to discussion and consultation, in particular the legal framework in which the CRGB should operate.

They would like the IWG to note the following considerations as they continue their work:

- The FCA expect that the consumer and future-looking objectives are given equal priority and weight as the operational objective. This will enable the CRGB to achieve the outcomes proposed in the CIMS reports.
- The FCA expect that a later IWG report will cover the CRGB's relationships with other relevant regulators in addition to the FCA.

4.3 Action taken post feedback

The IWG noted and considered all feedback received. The IWG proposes to make the following changes to what was published in report one. These changes will now be reflected in the recommendations to be provided to the FCA in the final consolidated report four.

4.3.1 Focus/purpose of CRGB

The focus and breadth of the CRGB purpose and objectives were debated on numerous occasions within the IWG's discussions. The three objectives (operational, consumer and future-looking) seek to balance the different views of IWG members, wider industry, and other interested parties. They also recognise the FCA's recommendation that the CRGB will need to have a broader remit than SCOR. No change is recommended given the FCA's published view that it is important all three objectives carry equal weight.

4.3.2 Consumer objective

While it is understandable that some stakeholders would like the consumer objective to be strengthened, it is not within the sole power of the CRGB to ensure or achieve good consumer outcomes generally because there are dependencies outside the CRGB's span of control. However, the CRGB should be able to control practices and hence outcomes, that fall within the scope of credit information governance. The relative narrowness of the CRGB's remit does not constrain it from acting to achieve good consumer outcomes within the terms of its remit.

The point on the CRGB overseeing the CIMS industry-led remedies is a valid one, therefore it is proposed to add further clarity to the consumer objective as follows:

Original Consumer Objective

'The CRGB will promote good outcomes for all consumers. It will support the credit information industry to build transparency, trust, understanding and fairness. In doing so it will have regard for the impact credit information has on consumers in terms of access to credit and other goods or services.'

Updated Consumer Objective

'The CRGB will promote good outcomes for all consumers in its data governance and leadership of industry initiatives. It will support the credit information industry to build transparency, trust, understanding and fairness. In doing so it will have regard for the impact credit information has on consumers in terms of access to credit and other goods or services.'

4.3.3 Future-looking objective

The future-looking objective as currently proposed states that 'The CRGB recognises the dynamic nature of the industry and embraces a forward-looking approach. It is dedicated to support competition and innovation to ensure that the industry remains adaptable and sustainable in the face of evolving technology and customer needs.' The IWG believe that this objective already accounts for the FCA's recommendation on emerging issues. Therefore, no change to this objective is recommended.

4.3.4 Financial inclusion

Financial inclusion is clearly an important and contentious point and has now been raised on multiple occasions both within and outside of the IWG. As stated in the first report, the IWG do not deem that the CRGB will have the tools to justify making financial inclusion an objective. This is supported by the fact that the FCA also does not have a financial inclusion objective for very similar reasons.

Upon further consideration, the IWG believe that financial inclusion will need to form an essential part of the CRGB's decision-making process. This aligns with the FCA's recommendations in the [CIMS final report](#) that the CRGB will need to 'seek to enhance financial inclusion when considering changes to existing or new data sharing arrangements'.

Therefore, it is proposed that financial inclusion should neither be an objective or an outcome but is something that the CRGB will need to have regard for in all decision-making – whether that be day-to-day or in relation to the industry-led remedies.

4.3.5 Outcomes

It is important to emphasise that the competition and data quality outcomes may have positive impacts on consumers. None of the outcomes were designed for 'consumers only', but rather they will complement each other to foster good outcomes for all stakeholders, both directly and indirectly. Changes to the rules or solutions to the CIMS industry-led remedies will also need to have regard to proportionality.

As stated above, financial inclusion will be removed as an outcome, and it is acknowledged that financial inclusion is only one 'measure' of improved consumer outcomes. The CRGB's Board will be required to measure the CRGB's performance against its objectives, as defined in report one, and will also need to define the CRGB's outcomes.

The point raised around quantifiable measures is recognised and fully accepted as vitally important, which is why it was stated in the first report that the CRGB, once established, will be responsible for defining quantifiable measures.

Chapter 5: Benefits of the CRGB

Before considering the most appropriate governance structure and funding model for the CRGB, the IWG felt it important to ensure a clear value proposition of the CRGB could be defined to support industry and wider stakeholder engagement and buy-in with the new entity.

The CRGB as a governance entity was driven from the FCA's CIMS [final report](#). The FCA stated that the industry governance arrangements needed to be inclusive and representative of credit information users, including consumers. That could be argued to be sufficient justification for stakeholders to wish to engage with the CRGB, noting though the need to also secure input from non-FCA regulated firms. However, the CRGB will also bring benefits to the industry and shared data users, in the way it is being formed and the mandate under which it will operate.

The greater the engagement with the CRGB, the greater the benefit created for each user and the industry at large. Therefore, a core goal of the CRGB will be to continue to enhance the benefits gained by improving the value proposition for its users. The table below summarises the main benefits of involvement in the CRGB. These are indicative examples of benefits at this point and will need to be enhanced and refined over time.

The CRGB users are invited to participate in the CRGB

Access to the scheme rules² - allowing organisations to ensure they are sharing data appropriately and in line with permitted purposes.

Influence on rules (including data usage) - allowing users to have an opportunity to help shape the rules either through their participation in Advisory Councils or through consultation responses.

Influence on scope and implementation of industry & FCA remedies - allowing firms to be part of leading industry change and shaping the future of credit information data sharing.

Allow organisations to demonstrate accountability through CRGB participation and maintaining their reputation with consumers, clients, and regulators.

Access to future services or training the CRGB may provide, or access to those at discounted rates.

The CRGB users can access and/or influence data

Access to shared data - via service arrangements with the CRAs, members shall have the right to access shared data for use in relation to certain permitted purposes, including credit risk assessment

The CRGB will work with subscribers and CRAs to ensure that rigorous data quality standards are maintained, which will improve outcomes for all, and which are pragmatic and flexible and work for firms and consumers.

Standardisation of data sharing, which could reduce costs across the ecosystem, enable competition and ensure there is a robust framework in place to capture events/flags that ensure that a consumer's latest financial circumstances are recorded and shared.

The CRGB users are better informed about industry issues and progress

Helps to limit FCA perimeter increase, allowing industry to take control of their own self-regulation agenda.

² Report onechapter 6.1, the Scheme rules are defined as the way the credit information data sharing system will operate and the behaviour and interaction of participants. Scheme rules are defined to minimise risks, maintain integrity and provide customers with a seamless, common, convenient, secure and reliable experience.

Better informed on industry activities - the CRGB's reach will be extensive and will be the only body to provide this stakeholder group with a genuinely independent and informed view grounded in evidence through its oversight and remedy work.

Contribute to an inclusive industry by supporting the CRGB's work to foster diversity, trust and confidence in the credit information industry.

Leveraging its regulatory engagement, the CRGB will have with the FCA, the ICO and others. With strong industry participation the CRGB will have an avenue to influence regulators.

Chapter 6: Structure

This chapter provides the thinking and recommendations on the proposed structure of the CRGB. It addresses the legal status and the associated liabilities along with implications for ownership, membership, subscription, and participation.

6.1 Current governance model - SCOR

SCOR is a cross-industry forum made up of representatives from credit industry trade associations, credit industry bodies and credit reference agencies. It is an unincorporated body, and therefore, has associated benefits and limitations discussed further in Section 6.3.

6.2 Legal vehicle considerations for the CRGB

As an industry governance body, the CRGB must account for certain considerations in its ability to represent the industry and wider stakeholders, to perform its functions, and to hold and be held accountable. These considerations are integral in deciding the legal incorporation vehicle of the CRGB. The IWG identified the following considerations that were relevant in deciding the incorporation option for the CRGB:

1. The CRGB should have the capacity to enter into agreements:
 - With employees and contractors.
 - With regulators.
 - With subscribers and participants.
 - With customers (when it offers services³).
2. The CRGB should have the capacity to take action against the relevant industry players where necessary for the success of its schemes:
 - It should have the ability to act on complaints.
 - It should have the ability to take dynamic decisions in the event of breach.
 - It should have the ability to enforce these decisions.
3. The CRGB should have the capacity to raise finances, including:
 - An ability to undertake commercial activities derived from the potential services provided for a fee (even if, non-profit).
 - An ability to secure payments from the industry stakeholders.
4. The industry participants, consumers, and regulators should be able to hold the CRGB accountable for its actions.
5. The CRGB should have the capacity to administer schemes relevant for the credit information industry, including:

³ Report one chapter 6.2, upon establishment, the CRGB will have no assets to deliver services, but could be resourced to offer services that fund its operations, provided these align with its purpose and objectives. Potential services, though not yet defined, could include consolidating existing services for efficiency, offering educational training and events, conducting research and analysis, and supporting new members with onboarding and data-sharing accreditation. There is in-principal support to keep the option of offering services open for future consideration.

- The ability to implement, amend or adapt the Principles of Reciprocity (PoR).
 - The ability to start new schemes whenever required.
6. The CRGB should be able to represent the market with industry and wider stakeholder confidence and have the flexibility to add new players and adapt itself to newer market dynamics. This is essential in driving the industry-led remedies recommended by the FCA in the CIMS final report.
7. Yet, the IWG should be conscious of the costs, relating to:
- Incorporating the CRGB, including, preparing its governance documents, appointing office-bearers, their insurance, competition law assessments etc.
 - Regular compliance costs in running the CRGB, including holding its governance meetings, methods to account for views of various stakeholders, annual legal compliance costs, etc.
 - The staffing needs of the CRGB (which will be discussed in the following reports) which must be kept proportionate to its purpose and objectives.

6.3 Incorporation options

The IWG legal sub-group considered the following six options for incorporation of the CRGB:

1. **Company limited by guarantee:** A Company limited by guarantee is a corporate entity which has a separate legal entity apart from its members who guarantee the obligations of the entity. The members may restrict their guarantee to a limited amount of even £1. The entity has a memorandum of association to which all members subscribe to that dictates the scope, purpose, and objectives of the entity. The members appoint a set of Directors who undertake strategic decision-making for the entity, and these Directors are accountable to the members. The Directors of a company have obligations prescribed upon them to act in a manner that is in the interests of the company under the Companies Act 2006.
2. **Company limited by shares:** A Company limited by shares has the same features as a Company limited by guarantee. But, instead of members guaranteeing the obligations of the corporate entity, members subscribe to share capital of the company as shareholders. The share capital can be as nominal as £10 contributed through 10 shares of £1 held by each member, or the share capital can be composed through differential contributions by various members, and each would own proportionate share capital of the company. Each share owned by a member of the total shares issued by the company gives them a proportional vote in the decision-making of the company, including in selecting the Board of the company.
3. **A Community Interest Company (CIC):** A CIC has the same features as a Company limited by guarantee, or shares, and may be constituted as either. However, apart from Companies House, the Regulator of CICs also regulates such a company to ensure that all its actions are undertaken in the interests of the community whose interests the company represents itself to be working for.

4. **A Limited Liability Partnership (LLP):** An LLP has the same features of a company in terms of having a separate legal personality from its partners and the ability to restrict the liability of its partners to a limited amount of capital agreed to be incorporated by them. However, an LLP is not a separate legal entity for tax purposes. All members of the LLP are taxed separately for the share of their income from the LLP. An LLP can be set up with constitutional documents that separate the partners from the decision-makers. However, these decision-makers only have obligations towards the partners and no statutory obligations comparable to Directors of a company.
5. **Charitable incorporated Organisation (CIO):** A CIO is a corporate entity which has a separate legal personality from its members with the capacity to enter into agreements, hold property, and provide services. These entities are regulated by the Charities Commission. A company may also register as a charity, but the IWG are not considering such entities. The IWG are only considering those entities that are directly registered as an entity through the Charities Act, 2011. Such organisations must ensure that their activities align with one of the charitable purposes preserved under the Charities Act, 2011.
6. **Unincorporated associations:** This may take various forms, such as, committees, trusts, partnership by agreement, etc. This option does not require any real incorporation or registration. Therefore, it does not offer separate legal personality and capacity to enter into agreements or enforce its rules to the organisation.

6.4 Assessment of options

The IWG legal sub-group's assessment of the six incorporation options was shared and discussed with the IWG. The pros and cons of all options were debated, and two options were selected for external legal review by Mills & Reeve: Company limited by guarantee and Company limited by shares. The group also sought a legal opinion on whether the CRGB could meet the requirements of a CIC. Details of the feedback from the discussions are outlined below.

Incorporation Option	Decision
Company limited by guarantee	Shortlisted
Advantages: <ul style="list-style-type: none"> • Addresses all considerations listed above. • Quite often used by non-profit organisations. • Provides a level of financial security to the members, by limiting their liability to their guarantee. • Greatest flexibility to allow all stakeholders to join in incorporation and hold the decision-makers to account. • Greatest flexibility for creative solutions to decision-making possible via members' agreement, or provisions in Articles of Association around various matters that need special consideration in decision-making. • Similarly, allows for the creation of a robust governance framework. The company's Articles of Association, which serve as its constitution, and, if needed, a members' agreement can be tailored to define the decision-making levels (such as members, 	

Board, and execution as well as Advisory Councils and committees), process and deadlock resolution. This includes specifying the number of Board members, voting rights of the chair, avoidance of unanimous decision making, clear rules on conflicts of interest, delineation of reserved matters, right to appoint Advisory Bodies, and the resolution of disputes (via mechanisms such as escalation to the members and/or external referral).

- Can only raise funds via subscriptions or member joining fees and all members are always equal in standing at the annual general meeting (could be a disadvantage too).

Disadvantages:

- More expensive than CIOs in terms of reporting and compliance requirements.

Company limited by shares	Shortlisted
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Advantages:

- Similar to Company limited by guarantee.

Disadvantages:

- Shares bring a level of complexity to a company's membership which would add significantly to the administration of the new CRGB, without any real benefit.
- Necessarily subordinates stakeholders contributing less than others – unless special measures are instituted.
- Greater compliance requirements / costs regarding shareholders' register and issues around share transfers than a Company limited by guarantee.
- Share transfer could bring tax consequences.
- Membership subscription options are limited for a CLS. Payments from members would usually be linked to shareholdings, which would result in a lack of flexibility.

Community Interest Company	Reassess
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Advantages:

- Similar to a Company limited by guarantee or shares, in whichever it is chosen to be incorporated.
- It has a requirement to act in the interests of the community for whom it has been set-up.

Disadvantages:

- It is dual regulated – both, Companies House, and Regulator of the CICs. This translates into increased compliance costs as additional legal reports and forms need to be filed justifying its business plans and decisions to be in the interest of the community.
- Further, the assets can only be transferred in the interests of the community, or to another such company that represents the interests of the community.

Limited Liability Partnership	Reject
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Advantages:

- Addresses all the IWG's considerations.
- Further, the costs of day-to-day compliance will be lesser than a company, and the compliance requirements are also lesser than a company.

Disadvantages:

- However, this structure may reduce transparency and its decision-makers cannot be held to account at par with Directors of a company.
- Specifically, the separation between stakeholders and their decision-makers is not easy. Directors do not have to be appointed, therefore, there are no corporate governance principles that can bind them or even require them to be independent in some cases.
- Further, LLPs pose several tax issues to the members. All members of the CRGB, if constituted as an LLP, will need to file self-assessment returns on the share of their income from the CRGB.

Charitable Incorporated Organisation (“CIO”) (excluding the set up through Company limited by guarantee)	Reject
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Advantages:

- Limited compliance costs:
 - All filings and reporting to be done before the Charities Commission, no need to report anything to Companies House.
 - Only need to file limited information, offering greater flexibility.
 - Allows the same form of governance as a company with a Board of Trustees, and a general meeting to hold everyone to account.

Disadvantages:

- It has restrictions on borrowing money against its assets.
- Limited ability to structure rights of stakeholder cohorts differentially (Advisory Councils or grant different powers to each stakeholder cohort (reserving matters for particular cohorts). Similarly, nomination of members by stakeholder cohorts is not possible.
- Creates a higher fiduciary relationship on trustees vis-à-vis Directors of a company.
- It may be difficult to prove that the CRGB has a ‘charitable purpose’ under the Charities Act, 2011 at the time of registration, and may be subject to audits for being in compliance with this purpose.

Unincorporated Associations	Reject
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Advantages:

- Simple to set up as created by agreement between the members.
- Finances are private as an unincorporated association does not have to file accounts and other information with Companies House
- Flexible in how an unincorporated association operates.

Disadvantages:

- The association does not have limited liability.
- It is not a legal entity and does not have a separate legal existence from its individual members.
- It cannot hold land, property, or investments other than in the name of officers or trustees.
- The association cannot make formal contracts.
- Ruled out as it failed to deliver on the IWG’s governance considerations.

6.5 External advice on proposed recommendation

Mills & Reeve were asked to provide their advice alongside the work of the IWG legal sub-Group.

A **Company limited by guarantee ('CLG')** was their recommendation. They stated that as the IWG moved on to the next stage of its work – to consider the membership, governance, and funding model of the CRGB - a CLG would provide the greatest flexibility. In their experience, all large not-for-profit membership organisations which take the form of companies, take the form of a Company limited by guarantee. Further details are provided below on their opinion.

As a non-charitable not-for-profit Company limited by guarantee, membership would simply be governed by company law. Company law is well established and provides great flexibility for different 'ownership' and control models for companies. For large membership organisations a CLG is invariably used over a Company limited by shares, as it is much easier for members of CLGs to be appointed and removed, whereas transferring, creating, or cancelling shares in a Company limited by shares can be difficult to achieve. A CLG would also allow for the CRGB to be funded via a variety of options, including subscription fee (which could be tiered, and easily amended from time to time), and third-party commercial contracts/grants.

Mills & Reeve also expressed a view on the additional options considered by the IWG:

- Company limited by shares - In their view a Company limited by shares has limitations, particularly relating to the operation of shareholdings, which means it would not be a recommended option for the CRGB.
- Community interest company (CIC) - Although it is likely possible for the CRGB to be formed as a CIC, they were unconvinced that CIC status would be appropriate; the benefits it brings are unlikely to be worth the additional regulation and the benefits of community interest can be replicated in the constitutional documents of a CLG too.
- LLP - A partnership (of which an LLP is one type) is, by definition, a profit-making venture. As the members of an LLP are taxed individually, if the CRGB is formed as an LLP there may be unexpected consequences for each members' individual tax position. For these reasons it was their view that this structure would not be appropriate for the CRGB.
- Charitable Incorporated Organisation (CIO) - Based on the proposed activities of the CRGB as detailed in report one, their initial view was that the CRGB would not be granted charitable status (i.e., it would not meet the definition of a charity under English and Welsh legislation as it would not be exclusively charitable for the public benefit). On that basis, it would not be possible for the CRGB to be formed as a CIO.
- Unincorporated association - An unincorporated entity does not provide the limited liability and administrative benefits which come with a corporate structure. As such this structure is not appropriate for an organisation the size and complexity of the CRGB.

6.6 IWG recommendation on legal vehicle

The IWG considered the detailed assessment of the incorporation options and the external legal advice, having Mills & Reeve available for further clarification. A review was also undertaken of wider industry governance models which demonstrated that a Company limited by guarantee is the most favoured, see Appendix D. Therefore, the IWG recommend that the CRGB should be formed as a Company limited by guarantee.

6.7 Implications of Company limited by guarantee

As a Company limited by guarantee (CLG), the CRGB is legally obliged to have at least one 'member' under company law. The membership of a company refers to those persons who subscribe to the company's Memorandum of Association – the company's constitutional document indicating its purpose and objectives. These persons are deemed to have agreed to become members of the company and are entered as such in its register of members (Companies Act 2006, s 112(1)).

Being a company law member of a CLG means:

- Being in ultimate control of the company. The members of a company are the ultimate decision-making body within a company. They sit above the Board of Directors, and together can pass resolutions:
 - to appoint and remove Directors.
 - which change the company's governance (e.g. the Articles of Association).
 - which can order the Board to take, or refrain from taking, specific actions.
- Being a guarantor of the company. This is a promise to pay to the company's creditor(s) a set amount in the event of the company's winding-up. This can be set at any figure and is usually a nominal amount such as £1 or £10.
- Being the 'owner' of the company. This means the members can share in profits (if any) (either annually or upon dissolution) of the company.

The structure and identity of the CRGB's membership is a key decision given the ultimate power its members will have over the CRGB.

6.8 Membership options assessment

As a company does not legally require more than one member to validly constitute itself, most governance entities opt for one of two structures:

'Single Tier': In this structure, only the Directors of the company are required to become members of the company.

'Double Tier': In this structure, all participants (industry and wider stakeholders) become members of the company.

In conjunction with external legal advice, options under these two structures were evaluated.

6.8.1 Option one

The members of the CRGB will be those individuals who are the Directors from time to time (known as 'single tier membership').

The Articles of Association would be drafted to automatically appoint a new Director as a member, and to remove membership on ceasing to be a Director. This is a common structure, and much simpler than the two options set out below.

The main advantage of this option is that the Board of Directors will be able to make all decisions efficiently and effectively. The Board shall be able to take into consideration the views of the industry and consumers and their wishes and expectations through Advisory Councils. However, the inefficiencies associated with obtaining stakeholder confidence through company law mechanisms such as general and special resolutions (at a meeting or otherwise) are not needed. This also allows member decisions to be taken quickly, without many financial costs, and in a straightforward manner.

The disadvantage is that the Board of Directors would lack accountability; they would entirely control the strategy, operations, and management of the CRGB. External industry influence would be gained via Advisory Councils, and/or safeguard arrangements.

This option requires training of the Directors and staff to recognise when discussions would be made by the Directors as a Board of Directors, and which decisions must be made by them as a group of members. This is key from a legal perspective (to avoid any suggestion of decisions not being valid and binding if passed incorrectly or using the wrong process), but also from a liability perspective. Most member decisions will carry little risk, other than the guarantee mentioned above. However, decisions as Directors could carry significant personal liabilities, for example, in the event of a breach of the Directors' duties under the Companies Act, or in the event of an insolvency situation.

This option has been adopted by the Enforcement Conduct Board⁴.

6.8.2 Option two

Membership is different from the entire Board of Directors. Two approaches are available within this option.

- Option 2(a): Membership open to all CRGB stakeholders.
- Option 2(b): Member is the independent chair.

2(a): All CRGB stakeholders

Any individual and/or organisation with an interest in the operation of the CRGB could become a member. The main advantage of this is that all stakeholders will consider themselves to have ownership and control of the CRGB, which may ensure greater buy-in. Additional advantages could include the following:

⁴ <https://enforcementconductboard.org/>

- Subscription fees could be applied to membership, thereby providing more funding options.
- The threat of removal as a member may ensure all stakeholders abide by any terms and conditions.
- Greater scrutiny and accountability for the Board, as the members could remove them.

However, these advantages could also be achieved with the governance model being proposed in this report. The main disadvantage is that any member decisions would require the agreement of a large number of stakeholders at a general meeting. The time and financial costs required to hold a meeting of those stakeholders would be significant. This is an important consideration for the CRGB as the number of stakeholders that have an interest in its operations could be in the thousands. Maintaining such a large membership would carry significant and complex administrative requirements.

2(b): Independent chair

This option is for the independent chair to be the sole member. This differs from Option one, as the other Directors would be excluded. This is an unusual structure, however the IWG understands that Open Banking Limited⁵ (formerly OBIE) was set up using this approach. The independent chair was a trustee and an independent investigation found that too much power was vested in the Trustee personally with insufficient checks and balances. This resulted in changes to the governance of Open Banking.⁶

This option creates significant disadvantages:

- The ownership and control of the CRGB would be vested in one individual, who would be answerable to no one.
- The CRGB could be left without a member if it loses its independent chair suddenly and unexpectedly.

It may be possible to make this structure work, provided sufficient limitations were placed on the independent chair to mitigate the risks above. However, this would require additional and complex governance.

6.9 IWG recommendation on membership

The IWG assessed standard industry models, considered approaches taken by other governance entities and benefitted from the legal advice of Mills & Reeve. On balance, the IWG members consider the disadvantages of Option 2 (a) and 2 (b) outweigh the advantages. Therefore, they were unanimous in the recommendation that the CRGB should be formed as a single tier structure in which only Board Directors of the company are required to become members of the company, thereby being the ultimate controllers, guarantors, and owners. Mills & Reeve also recommended this approach.

A Board Director is only a member for as long as they hold the Board seat. They will be replaced with a new Director according to the Board tenure that will be defined in later reports. The IWG will ensure that safeguards are recommended to offset risks associated with a single

⁵ <https://www.openbanking.org.uk/>

⁶ [Update on Open Banking - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/update-on-open-banking)

tier model. Some safeguards will be written into the Articles of Association and will be via wider stakeholder influence either as part of the Advisory Councils, annual meeting or directly. An initial outline of such safeguards is set out in chapter seven.

Chapter 7: Governance model

The discussion on governance models resulted in extensive and time-consuming IWG meetings to ensure that all aspects of the debate were clearly understood, and all parties had an opportunity to explore the implications for their cohort. This was considered a good investment of time and energy by the IWG members, as the governance model is foundational and interdependent with many later decisions tasked to the IWG. The governance model has been established following careful consideration by the IWG throughout the following stages:

1. Discussion and agreement on governance principles
2. High level agreement on governance structure
3. Application of a framework for assessing Board models
4. Identification of concerns and preferences
5. Proposal of a single model for cohort validation
6. Engagement with respective cohorts

7.1 Governance principles

The governance discussion was framed with a set of governance principles. These principles went through several reiterations as the governance model was defined in more detail. The principles were utilised to validate that the governance model addresses the drivers of the creation of the CRGB.

- Principle 1: The CRGB shall be a not-for-profit entity.
- Principle 2: There shall be no link between financial contributions and the CRGB Board positions. The Board shall be a mix of Independent Directors and Nominated Directors.
- Principle 3: Recommendations by Advisory Councils will require mandatory consideration from the CRGB's Board and may only be rejected with written reasons. Dissent notes will also go to the Board.
- Principle 4: Subject to confidentiality requirements, the CRGB's Board shall be transparent in its operation with published minutes, engagement of all the stakeholders at an Annual Forum and through a written report.
- Principle 5: All decisions of the CRGB's Board shall be taken with a majority vote of the CRGB's Board, except for a few defined decisions which shall be subject to special procedures.
- Principle 6: The CRGB shall have the power to pronounce and implement decisions against entities not complying with the CRGB's scheme rules and decisions.

Additional principles were debated by IWG members and rejected following industry and wider stakeholder engagement. A summary of the conclusions are noted below:

- 'Stakeholders not contributing financially to the CRGB shall be represented via Advisory Councils' was considered and rejected. This was because the exclusion of consumers from the Board does not make for an inclusive Board and participation only through Advisory Councils will not be sufficient to safeguard the interests of those not contributing financially to the CRGB.

- ‘All stakeholders shall be equal in standing at the Annual General Meeting’ was originally a safeguard to ensure accountability of the Board. As the CRGB will be limited by guarantee and the membership is single tier, it is not necessary to hold an Annual General Meeting (AGM). However, the principle of an AGM will be applied in the form of an Annual Forum where all stakeholders will have an opportunity to engage with the Board and provide feedback.
- ‘The FCA shall have a veto over the CRGB’s decisions that involve a change to the CRGB’s constitution, and which substantially alter the scheme rules.’ This was rejected as the community which the CRGB represents exceeds the FCA mandate. Additionally, a veto for the FCA would rightly open questions about a veto for other industry regulators whose stakeholders are also represented by the CRGB.

7.2 High-level governance structure

A key consideration for the IWG members was to ensure that all stakeholders voices are heard and interested parties can influence the CRGB’s agenda. The limited membership of SCOR has created a perception amongst some parties of a closed shop and new non-SCOR participants of the CRGB will need to trust that the governance will fairly represent them. The CRGB needs to have the ability to lead other industry-led CIMS remedies, meaning the CRGB should have equitable representation of all stakeholders in decision-making on behalf of the industry. As such, the governance structure needs to have the capacity for stakeholders to participate in the CRGB’s decisions.

From the outset there was agreement that the governance structure should allow for three bodies to enable the CRGB to fulfil its functions.

1. **Board:** The Board is responsible for ensuring that the entity acts according to its purpose to achieve its objectives and will measure its performance against its defined outcomes. As a single-tier structure of membership, where the Board and membership are the same, the Board shall be the highest authority of the company and will be empowered to take all actions for the entity.
2. **Board Committees:** Board Committees are standing committees that are subsidiaries of the Board and advise the Board on specific subjects. These committees are made up of a sub-set of the Board and can also have external advisors or experts.
3. **Advisory Councils:** These are flexible bodies that may be set up for each stakeholder group, or around a particular subject and may have several different stakeholders sitting on them. The powers of these bodies and their composition can be defined in the constitutional documents of the company. Advisory Councils are very useful in cases of large stakeholder groups, being a representative of the community. They normally sit between the Board and the community.

The diagram below summarises the recommended governance structure of the CRGB:



7.2.1 Board Committees

Board Committees are made to serve a more specific purpose compared to the Board itself. There can generally be two kinds of Board Committees. In all cases, the powers of the Board Committees are devolved from the Board and the Committees remain accountable to the Board.

- **Standing Committees:** These are permanent Committees functioning as subsidiaries of the Board drawing their power from delegation of authority of the company's Board.
- **Special Committees:** These are Committees set up for limited periods to perform special functions expected to be performed by the company's Board.

At setup, it is recommended that three Board Committees – Audit, Nominations, and People and Remuneration – should be set up as Board Standing Committees as they are integral for governance.

Audit Committee: This committee shall have the Board's authority to look after financial reporting matters and the company's relationship with its auditors. Its key responsibilities include:

- Managing relationships with audit firms to ensure that the company has a fair choice of suitable auditors at the next tender.
- Engaging with stakeholders on the scope of the audit (where appropriate).
- Inviting challenge by the auditors, giving due consideration to points raised, and making changes to financial statements in response where appropriate.

Nomination Committee: This committee shall have the Board's authority to seek out potential candidates to fill senior management positions and Board membership roles.

- The committee shall also be entrusted to review candidates' qualifications and performance to ensure they match the organisation's requirements.

- At the CRGB, all applications for Independent and Nominated Directors shall be invited by this Committee. Among those shortlisted, the selection shall also be made by this Committee.
- At the CRGB, all applications for Independent and Nominated Directors shall be invited by this Committee. Among those shortlisted, the selection shall also be made by this committee.
- This committee shall be responsible for both attracting and securing the best talent for the CRGB's Board.

People & Remuneration Committee: This Committee shall have the Board's authority to set the policy on the remuneration of senior management personnel. It is responsible for:

- Reviewing the terms and conditions of employment along with the compensation of Directors and Executives.
- Deciding on termination payments for Executive Directors and the chairperson.
- Reassuring stakeholders that remuneration is decided fairly and transparently with no conflicts of interest.

Initially, Board Committees shall not participate in any activities that are undertaken by Advisory Councils or can be satisfied by a full Board. Once the CRGB is functioning, and upon a review of the effectiveness of the Advisory Councils in discharging their role, special Board Committees may be set up to absorb some of the responsibilities of the Advisory Councils.

7.2.2 Advisory Councils

An Advisory Council is a group of experts who lend their skills, guidance, and knowledge to a company. The Advisory Councils can be set up in one of two ways:

- **Advisory Board:** This is a permanent body of advisors for the company that can pervasively advise on all aspects of the company, including, its goals, objectives, actions, and projects. The primary function of an Advisory Board is to fill a knowledge gap in the organisation. As the body is a permanent body, it may be compared to the Board of Directors of the company. However, unlike the Board of Directors, the Advisory Board generally has no legal or governance responsibilities. Essentially, its members have no voting rights regarding the company's actions and cannot make financial decisions on the organisation's behalf. It is very common for government departments to have such Advisory Boards.
- **Subject or Project-oriented Councils:** Instead of one Advisory Board, the company can have several Project-oriented or Stakeholder-oriented Councils with a set term of reference according to its defined objective. For instance, LINK – the governance entity for UK ATMs – has a standing Consumer Council to provide advice on consumer issues that relate to the UK's cash machine network.

At set up, it is recommended that the CRGB opts for three Subject-oriented Councils instead of a permanent Advisory Board with pervasive powers over all subjects relevant to the CRGB. This is because the CRGB will have industry representation on the Board which is often the purpose of an Advisory Board and due to the diverse nature of the credit information industry, different experts will be required for different sets of projects to be undertaken by the CRGB.

Therefore, it is better to have the flexibility of getting these experts through Subject-oriented Councils instead of a fixed panel of advisors.

These Councils will be structured as follows:

1. **Consumer Council:** This Council will bring together members representing consumer cohorts to ensure that the CRGB has an understanding of consumer issues and holds the CRGB accountable by ensuring that it acts in the consumer interest.
2. **Remedies Council:** This Council shall obtain feedback from the industry and shall advise the CRGB on its actions towards implementing the CIMS industry-led remedies.
3. **Rules and Standards Council:** This Council shall be primarily responsible for advising the CRGB on the scheme rules (initially the PoR), data, standards, and market practice. The Council shall keep the PoR under constant review and make recommendations to the CRGB's Board to adapt or amend them based on their implementation and feedback from the industry.

The delineation of these Councils and their functions reflect the priorities for the credit information industry set out by the FCA in its CIMS report. The membership, chairing, and functioning of these Councils shall be discussed in detail in report three.

Feedback on Advisory Councils

There was broad agreement across IWG members and their cohorts, where consultation was possible, to the inclusion of Advisory Councils in the CRGB's governance. Some considerations and concerns were raised that are addressed throughout this report.

- Having Advisory Councils is key to allow consumers and smaller firms to have a voice without it being cost and resource prohibitive.
- There were important concerns flagged on disenfranchising the stakeholders as the Advisory Councils do not have powers to give binding advice.
- There were also concerns around the idea of governance being disjointed and the Advisory Councils making the decision-making inefficient, slow, and expensive.
- There were suggestions around making the Advisory Councils powerful by defining rules in Articles of Association which govern the rejection of their advice.
- Others were concerned about the specifics of the composition of Advisory Councils, the number of Advisory Councils, and their understanding of the work of the CRGB in the first place.

To provide authority to the Advisory Councils, it is recommended that the CRGB's Articles of Association will provide that any recommendation presented by these Councils cannot be rejected by the CRGB's Board without reasons in writing. Dissent notes from these Councils will also go to the Board.

7.3 Governance structure evaluation framework

The IWG agreed that a discussion on the CRGB's Board is heavily influenced by the position of the Board in relation to the following two questions:

1. What will be the level of independence and industry representation on the CRGB's Board?
2. What functions will be respectively discharged by the CRGB's Board and those by bodies under it?

Accounting for this feedback, these questions were positioned as two axes on which the CRGB's Board may be designed, namely:

- On the x-axis, from high to low, level of independence on the CRGB's Board.
- On the y-axis, from high to low, CRGB Board's engagement in the scheme.

This led to nine potential models for the CRGB's Board, as set out in the diagram below.

Board Structure and Composition considerations

Board engagement in Scheme (Board ultimately make decisions)	High	<p>Nominated Board</p> <p>Lack of Independence</p> <p>Risk of Closed club</p> <p>Strong tech skills</p> <p>May not need Advisory groups</p> <p>Position as Board or Executive</p> <p style="text-align: right;">1</p>	<p>Mixed Board</p> <p>Some independence</p> <p>Some tech skills</p> <p>Validate with Advisory Groups</p> <p style="text-align: right;">2</p>	<p>Independent Board</p> <p>Challenge to recruit tech skills</p> <p>Possible conflict Advisory group</p> <p>High Staff costs – frame/draft</p> <p>Impact on buy-in of decisions</p> <p style="text-align: right;">3</p>	
		<p>Nominated Board</p> <p>Lack of independence</p> <p>Risk of Closed club</p> <p>Strong tech skills</p> <p style="text-align: right;">4</p>	<p>Mixed Board</p> <p>Some independence</p> <p>Some tech skills</p> <p>Partner Advisory Groups</p> <p style="text-align: right;">5</p>	<p>Independent Board</p> <p>Recruit some board with tech skills</p> <p>Partner Advisory Groups</p> <p style="text-align: right;">6</p>	
	Low	<p>Nominated Board</p> <p>Lack of independence</p> <p>Risk of Closed club</p> <p>Strong tech skills</p> <p>Confirm Advisory recommendation</p> <p>Low staff costs – admin only</p> <p>Slow decision process</p> <p style="text-align: right;">7</p>	<p>Mixed Board, iNED & advisory chairs</p> <p>Some independence</p> <p>Low tech skills</p> <p>Active engagement with Advisory Groups</p> <p style="text-align: right;">8</p>	<p>Independent Board</p> <p>Low tech skills</p> <p>Governance & Strategy focus</p> <p>Rely Advisory recommendation</p> <p>Well defined process on Advisory</p> <p>Low staff costs – admin only</p> <p style="text-align: right;">9</p>	
	Low	Level of independence (resulting in independence or nominated)			High

The IWG debated the implications of different levels of independence and the expertise of the Board to engage in scheme decisions. The discussion centred on the following points through which preferences were expressed:

- Concern was expressed in relation to the chair of the Advisory Councils automatically holding a nominated Board seat due to the double hurdle/resource burden that would favour larger firms from an available resource perspective. This would also mean that the nomination criteria would apply to the Advisory Councils rather than the Board. The preference was to encourage participation in the Advisory Councils, even if the representation changes frequently, and ensure that there is an appropriate mechanism for Advisory Council recommendations being considered by the Board.
- It is preferable that the CRGB's Board has some Independent Directors to ensure that the wider set of stakeholders have confidence in its approach to decision-making. There was a desire to ensure that the perception of a closed shop is avoided. The need for some independence resulted in the removal of models 1,4,7, which were Nominated Boards only.
- A fully Independent Board was seen as most acceptable to consumer groups and smaller entities who had some concerns around their voices being sufficiently heard. However, there was a recognition on the cost implications of this and the challenge in sourcing Independent Board members with the necessary credit information expertise.

- d) It is essential for the CRGB's Board to have some industry representation as it is important that the industry buys-in to the CRGB's decisions and industry representatives need to live by their decisions. This means that the nomination criteria are very important and should be transparent. This resulted in the exclusion of a fully Independent Board and therefore models 3,6, 9.
- e) It is desirable that the CRGB's Board is not solely concerned with governance related decisions but has some sight of technical principles that will be monitored by the CRGB. This resulted in the discounting of models 7,8,9 as they are fundamentally governance-only Boards.
- f) It is also desirable that the costs are not prohibitive for such a Board, which created concerns around model 9. Model 9 is a fully Independent technical Board where sourcing the suitable resources could be challenging and expensive. There was also some concern on potential conflict between a fully Independent technical Board and technical industry Advisory Councils.

This feedback led to the shortlisting of two Board models:

Model 2: This model proposes a Board composed of Independent Directors, Directors Nominated from the industry, and perhaps, some Executive Directors. All its Directors have technical understanding of the various functions that are expected from the CRGB. This Board is similar to Board 5, but it is expected that in this model the Board has greater remit over technical decisions and is just supported by Board Committees and Advisory Councils.

Model 5: This model proposes a Board composed of Independent Directors, Directors Nominated from industry, and perhaps, Executive Directors. This Board shall be supported by Advisory Councils composed of representatives from industry. The Directors shall have technical skills enabling the Board to assess the CRGB's scheme but will not be the sole source of it and will obtain input from Board Committees which are in turn supported by Advisory Councils.

The shortlisted models, both Mixed Boards, have the scope for degrees in which different functions may be performed by the Board and its supporting bodies, and the mechanisms through which industry representation may be ensured at the CRGB Board. The preference for these models did not completely take an Independent Board off the table as IWG members continued to engage their cohorts during the more detailed discussions on Board composition.

7.4 Identification of preferences and red lines

The IWG discussions on the Board composition evolved significantly over time with strong views softening into more accommodative 'minimums' in recognition of the need for balance at the CRGB. At the outset the majority of the IWG preferred a Mixed Board, with the majority of Directors being Nominated by industry, with a few members seeking a fully Independent Board. The composition evolved once discussions advanced to include the wider governance framework, responsibility of the Board Directors, costs of the Board, feedback from stakeholders and best practice examples.

7.4.1 Director responsibilities

To support the discussion on the composition of the CRGB's Board, a set of definitions were established:

1. **Independent Director:** A member of the Board who is free from any affiliations with the entity (i.e., it is not employed by the entity), its management, its subscribers or participants, shareholders and other stakeholders that may, or may be perceived to, influence the Director's decisions. The Independent Directors will be compensated by the CRGB.
2. **Nominated Director:** A Nominee Director is a member of the Board who is appointed by another person or a group to act on their behalf. Within the CRGB, Nominee Directors' nominating organisations will remain responsible for their compensation.
3. **Executive Director:** A member of the Board who is also an employee of the company or a subsidiary of the company. Usually, an Executive Director will be part of the company's senior management such as the Chief Executive Officer.

To help counter potential concerns about conflicts and undue influence, it is worth noting that under the Companies Act, both Nominee and Independent Directors are legally required to act in the best interests of the organisation on whose Board they are sitting, irrespective of their nominating organisation or other organisations with which they may have any affiliation.

7.4.2 Range of opinions

Once there was agreement on a Mixed Board, the IWG shared their concerns and expectations on the composition of the Board.

Consumer Groups:

- Consumer groups have limited resources to represent consumer interests on the CRGB through Nominated Directors, but explicit representation of consumers' interests is essential.
- The consumer voice on a Board may be overpowered by a greater number of industry voices on the Board.
- More Nominated Board members may slow down the implementation of the CIMS-remedies due to concerns around direct implications for their business.

As a result of these concerns, the feedback given to the IWG consumer representatives by the IWG consumer sub-group was that consumers should not be limited to a single voice on the Board. Therefore, a red line was a minimum of two Board members with consumer representation experience. There was a strong preference from the consumer sub-group to have clear water between the Independent and Nominated Directors. Feedback from the consumer cohorts therefore asked the IWG to consider equal consumer and industry representation or for consumer representation to make up one third of the Board. This was felt to be good practice.

CRAs

- The CRAs consider it vital that the Board have the technical capabilities to understand the issues faced by the industry. This is required to ensure the Board gains industry buy-in to lead the CIMS industry-led remedies.
- The CRAs' direct business relies on the shared data that will be governed by the CRGB and therefore CRA's are impacted significantly by the decisions of the CRGB's Board. Arguably, more than any other stakeholder.
- Any disproportionate decisions made by the CRGB can impact the CRA's entire business models, including, make certain operations prohibitively expensive.
- As single institutions they are likely to be the largest funders and as such need to be able to justify the funding through representation.

- The CRA community is relatively small and being represented on the Board by a major competitor is an uncomfortable position.
- Their interests are not intentionally against the consumer interest, and they will be subject to the FCA's Consumer Duty purview nonetheless so their representation in decision-making should be considered.
- Therefore, the three largest CRAs expressed a redline of holding one Board seat each.

The CRAs recognise that to have an effective Board the number of Directors must be manageable. Therefore, they may negotiate their red line provided adequate safeguards in Board decision-making and Advisory Councils are put in place to ensure that they are not forced to invest unreasonable sums against the interest of their business.

Lenders:

- It is lenders that provide the data for which the CRGB has been established to govern and are therefore likely to be impacted by every decision made by the body.
- The Board must have technical capabilities and relevant credit/ risk/ data experience to understand the issues faced by the industry.
- Any disproportionate decisions can impact their core business, including, making certain core operations prohibitively expensive.
- There are a variety of lenders and mode of operations, it is important to accommodate views of different firms.
- Giving lenders the option to directly represent themselves or be represented by the trade association is an important choice.
- The Board needs to be kept at a manageable size both to allow for effective decisions but also to limit the funding challenge.
- Their interests are not intentionally against the consumer interest, and they will be subject to FCA's Consumer Duty purview nonetheless so they should also be represented in CRGB decision-making.
- It is important to lenders that all CRGB Directors recognise their responsibility to the CRGB before responsibilities towards their own organisations.

CISPs

- The Board must have technical capabilities and relevant credit/ risk/ data experience to understand the issues faced by the industry.
- The CISPs direct business relies on the shared data that will be governed by the CRGB and therefore are impacted significantly by the decisions of the Board. Therefore, giving CISPs representation in decision-making directly is important.
- Their interests are not intentionally against the consumer interest, and they will be subject to FCA's Consumer Duty purview nonetheless so they should also be represented in CRGB decision-making.
- Pure CISPs have not previously been represented on SCOR and therefore are keen to have their voice heard right up to the Board of the CRGB.
- Parties that are both a CRA and a CISP should only be allowed to be represented in one of their roles i.e., they could not hold two seats.

Challenger CRAs, Alternate Credit and Non-FSMA firms

- Board representation will create a significant call on the resources of a small organisation and as such there were question marks on the ability of smaller players to fund a Nominee.

- There is a preference for innovative and small firms to have the ability to represent themselves and their diversity on Advisory Councils.
- Non-FSMA firms from other sectors are important data contributors as they often provide data to allow consumers to create a credit rating record and as such need to be engaged in key decisions. However, as this is a small part of their business there may be a challenge gaining a Nominee.

There is a clear ask amongst all cohorts that steps are taken to ensure that the Board is supported with cost/benefit analysis to enable informed decisions. Along with appropriate wider consultation via the Advisory Councils.

7.5 Board of Directors

The Directors of a company are generally specified in a range of minimum to maximum to allow flexibility for the company to adjust these positions as per its requirements and annual plans. It also allows vacancies to arise from time to time without risking the company being in breach of its Articles of Association, which would result in the Board becoming incapable of acting until that vacancy is filled.

7.5.1 IWG chair's recommendation on Board composition

The IWG recommend a Mixed Board with a minimum of 8 Directors and a maximum of 11 Directors to constitute a Board. The IWG also recommend that the CRGB's Board shall comprise of 9 Directors at set-up, which does not include any Executive Directors. This can be reviewed by the CRGB Board once in place, subject to appropriate voting process.

Due to the potential impact that decisions made by the CRGB Board could have on the stakeholders represented by the IWG, the IWG were not in a position to make a final recommendation on the composition of the Board. Considering this, the IWG Chair is recommending the following model for the CRGB's Board which seeks to balance the view of all stakeholders:

Directors	Minimum	Set up	Maximum
Independent Chair	1	1	1
Independent Directors	4	4	5
Nominated Directors	3	4	4
Executive Directors	0	0	1
Total Directors	8	9	11

The CRGB's Board shall be composed of:

- Independent Chairperson of the Board – with demonstrable experience in corporate governance and the regulatory landscape of the UK.
- Minimum 4 and Maximum 5 Independent Directors – who between them (and in line with the requirement above) should have demonstrable specialist knowledge and experience in the following subjects:
 - a) A Chartered Public Accountant.
 - b) Consumer-facing or Consumer-rights related work.
 - c) Small players/Innovation related work.

d) (Optional) Legal expert.

Two of the Independent Directors will be required to have demonstrable consumer-facing or consumer-rights related work experience, one shall be required to have demonstrable experience of working for a small/innovative business, and one shall be a Chartered Public Accountant. If a fifth Independent Director is appointed, they shall be required to be a legal expert.

- Minimum 3 and Maximum 4 Nominee Directors: with one Director selected from each of the following cohorts:
 - a) Firms whose principal business is the provision of credit references and which are designated by the FCA as Designated CRAs. Until such designation is granted, firms with a revenue of GBP 100 million or more whose principal business is the “provision of credit references” and which are authorised by the FCA to provide credit references.
 - b) Firms authorised under FSMA to “provide consumer credit in any form.”
 - c) Firms authorised under FSMA to “provide credit information services.”
 - d) FSMA firms not covered in the above categories and non-FSMA firms relying on credit information or credit information users.
- Minimum 0 and Maximum 1 Executive Director who shall be the CEO of the CRGB.
At set-up, the duties of the CRGB’s CEO shall be discharged by the chair of the CRGB. But the Board may later resolve to appoint a separate CEO and can choose to have them represented on the CRGB Board.

Due to operational and other considerations, if a suitable candidate for the position of Nominated Director from the fourth cohort (d) cannot be found, the CRGB can still begin its functions with three nominated Directors. Further, the second cohort (b) may be represented through a trade association of the entities in that cohort. The detailed nomination criteria for each cohort shall be discussed in detail in later reports.

7.5.2 IWG chair’s acknowledgment of red lines

As the IWG could not arrive at a consensus on the CRGB’s Board composition at this stage, the IWG chair has recommended the Board composition described above. It is worth noting that many of the IWG members do endorse the Board composition as recommended by the IWG chair. However, some IWG members are not sufficiently comfortable that their requirements have been satisfied and are not yet able to conclude on composition. The IWG remain committed to finding a resolution and are willing to explore the IWG chair’s recommendation on the Board composition further once extensive safeguards are fully considered. Additional safeguards will be introduced within the operationalisation of the CRGB, to be discussed in later reports. These safeguards may include, for example, the tenure of Directors, voting requirements for decision-making and Advisory Council membership. IWG members reserve the right to revert to their original ‘red line’ positions should these safeguards not be considered adequate.

However, as the model currently stands, every effort was made to ensure red lines were not crossed, where possible, and initial safeguards have been put in place to mitigate against risks

flagged. These are described below. However, further discussions will be required to achieve a consensus with additional safeguards to be defined in later reports.

Consumer Groups

The proposed Board delivers on the minimum of two Independent Directors who will be employed with consumer experience. These Independent Directors will co-chair the Consumer Advisory Council and shall be employed for a higher number of days than their peers to reflect this workload.

The Memorandum and Articles of Association will require the Board to always have a majority of Independent Directors. The nomination process, to be discussed in greater detail in subsequent reports, will ensure independence in the selection of Directors, both for the first and future Boards.

One of the three CRGB objectives is a consumer objective which must be embedded by all Directors. Board Directors have a responsibility under the Company Act to act in the best interest of the company.

Revisions to the consumer objective can only be considered once they have been agreed by the Consumer Council and need a super majority at the Board to be accepted.

There will be industry representation on the Consumer Council to support with technical expertise. Consumer representatives can sit on any of the councils.

As a safeguard, the Consumer Council has been proposed to further secure consumer interests. This Council will have powers to feedback consumer interests to the CRGB's Board. Similar to other Advisory Councils, the Consumer Council may make any recommendations to the Board and the Board has to consider them and cannot reject them without reasons in writing. However, unlike other Advisory Councils, the Co-chairs of the Consumer Council will also directly participate in the CRGB's Board as Directors. Therefore, the requirement to take Advisory Council proposals into consideration shall be further safeguarded for the Consumer Council. Further, the chairs of the Consumer Council shall be empowered to undertake wider consultation from consumer groups rather than just its own members. Therefore, ensuring a wide range of consumer interests are accounted for by the CRGB.

CRAs

The Nominee Directors and the Advisory Council should deliver on the need for technical capabilities.

One Board seat is being proposed for Designated CRAs in order to ensure that entities that fulfil this function are represented. Challenger CRAs that do not qualify as Designated CRAs are represented within cohort four.

The IWG Chair recognises that this does not meet the red line of the CRAs, however, appropriate safeguards in the nomination process and terms of the Nominee Directors shall be proposed in subsequent reports to safeguard their interests.

As a further safeguard, the composition of the Remedies Council and the Rules and Standards Council will allow representation from all Designated CRAs. Similarly, safeguards will be put in place to ensure that a council dominated by one cohort cannot force decisions that would ultimately be detrimental to any other cohort.

Finally, the Board voting process will require special procedure for any decisions that require material investment from certain stakeholders or those that lead to material adverse effects on a stakeholder.

Lenders

The Nominee Directors and the Advisory Council should deliver on the need for technical capabilities.

Lenders can choose to self-nominate or put forward their Trade Associations to represent their interests.

As a further safeguard, the composition of the Remedies Council and the Rules and Standards Council will allow representation from lenders. Similarly, safeguards will be put in place to ensure that a council dominated by one cohort cannot force decisions that would ultimately be detrimental to any other cohort.

The proposed Board is within the range normally applied for best practice and the remuneration of the Independent Directors will reflect the salary point of a governance entity not a bank Board. The Board has a minimum and maximum so can evolve as required.

CISPs

The Nominee Directors and the Advisory Council should deliver on the need for technical capabilities.

An entity that is both a CRA and a CISP and can qualify for Nomination in either cohort (a) or (c) among Nominee Directors can only obtain a seat from cohort (a).

As a further safeguard, the composition of the Remedies Council and the Rules and Standards Council will allow representation from CISPs. Similarly, safeguards will be put in place to ensure that a council dominated by one cohort cannot force decisions that would ultimately be detrimental to any other cohort.

Challenger CRAs, Alternate Credit and Non-FSMA firms

For small and innovative players, it is recommended that one Independent Director will have demonstrable small and/or innovative player experience. The Advisory Council will allow for a diverse group of firms to participate.

It is recognised that non-FSMA entities may not have the same desire to commit the resources necessary to participate in the Board. As such whilst the IWG recommend a Board seat for this cohort, the Board can be constituted without this Board representation.

7.5.3 IWG recommended nominations process

While the Board Nominations Committee will select the members of the CRGB Board after the CRGB has been set up, the appointment process for the CRGB's first set of Directors needs to be recommended by the IWG.

The IWG recommends that the CRGB's first set of Directors will be selected by an 'Initial Nominations Committee'. This Initial Nominations Committee shall have the power to contract an executive search firm, invite applications for the positions, review the candidates against

job descriptions prepared by the IWG, interview them, and confirm their appointment for the CRGB. The Initial Nominations Committee shall vary according to the candidate being selected, as follows:

CRGB role to be filled	Composition of Initial Nominations Committee
Independent Chair	<ul style="list-style-type: none"> • A representative from the FCA • The Chair of the IWG • An independent person
Independent Directors	<ul style="list-style-type: none"> • A representative from the FCA • Independent Chair of the CRGB (once appointed) • An independent person
Nominee Directors	<ul style="list-style-type: none"> • Chair of the CRGB • 2 Independent Directors (once appointed)

It is recognised that this sequential process will extend the set-up of the Board. However, safeguarding the independence of the selection process is deemed a higher priority by the IWG.

Chapter 8: Governance implementation and implications

The IWG also considered the implementation and implications of the recommended governance model. Further recommendations are set out in this chapter on how decisions should be made within the CRGB, including voting, along with the liabilities resulting from the model.

8.1 Decision-making process

The IWG recommend adopting a single-tier structure of membership for the CRGB whereby the Board and membership of the CRGB will be the same. Therefore, the Board of the CRGB shall effectively be the highest authority of the CRGB. This implies that the Board theoretically can be empowered to take all actions for the CRGB. The CRGB's Board shall take its decisions through a fair process prescribed in the CRGB's Articles of Association and associated governance documents. Additionally, safeguards must be placed on its powers with some decisions subjected to certain exceptions, and checks and balances.

8.1.1 General procedure for Board decisions

Widely, in corporate governance, company Boards use the following methodology in Board decision-making:

- A 'quorum' of the Board is specified – this is the number of Directors that are required to be present in a Board meeting for a valid decision to be made and for the Board to collectively bind the company.
- A Director proposes a motion.
- Thereafter, a vote on the motion is undertaken and each Director gets one vote.
- Note, due to the conflict-of-interest rules, any conflicted Board members are not allowed to vote, and they are also excluded from calculation of a quorum. The conflict-of-interest terms for the CRGB will be defined in subsequent reports.
- If the motion secures a simple majority, it is passed as a resolution of the Board approving a decision and binding the company accordingly.
- Whilst it is expected that most Board decisions will be made at Board meetings, in some circumstances (e.g., urgent matters or between meetings) written decisions (e.g., via email) may be required.

This above mechanism is a standard decision-making process. For instance, the Lending Standards Board has prescribed this procedure for Board decisions of its Articles of Association. The Lending Standards Board initially had a Board composed of a mix of Independent and Nominee Directors ("Mixed-Board"), and later moved to a fully Independent Board in 2019. During its phase as a Mixed-Board, the requirements of a quorum for the Board were specifically prescribed to include at least one Director from its three different kinds of Directors: chair, Independent, and a Nominee.

The IWG recommends the above standard for all decisions-making of the CRGB's Board except in the matters prescribed below. The IWG will recommend the quorum requirements for the CRGB in report three. Apart from the above processes the IWG has also recommended that in its standard procedure for making decisions, if the Board encounters a decision that requires a cost-benefit analysis, the CRGB's Board shall be required to undertake a consumer impact assessment of such decisions as well.

8.1.2 Decisions requiring special procedure

It is recommended that a few decisions and circumstances should be exempted from the standard decision-making procedure due to the likelihood of their impact on certain stakeholders. Therefore, the IWG recommend that the following decisions be prescribed in the CRGB’s Articles of Association as requiring a special decision-making procedure:

- a) Revising the purpose and objectives of the CRGB.
- b) Material amendments to the scheme rules.
- c) Any decisions on changes to CRGB membership and number of Directors.
- d) Any decisions that require material investments from certain stakeholders.
- e) Any decisions that lead to a material adverse effect on a stakeholder.
- f) Any decisions that revisit the subjects or thresholds prescribed for special decision-making procedure herein.
- g) Any other decisions that the Board may add to this list from time to time.

Note: The above list is non-exhaustive and may be subject to additional decisions being added as required. the IWG will also define the principles for the CRGB’s Board to determine the thresholds for ‘materiality’ at (b), (d) and (e) in the above list in report three. The IWG shall also discuss principles that prescribe how the Board determines which decisions qualify for special procedure in subsequent reports.

The IWG has recommended that the above set of decisions can be taken through one of two special decision-making procedures:

- a) Decisions requiring both relevant Advisory Council approval and a super-majority at the CRGB’s Board.
- b) Decisions requiring a super-majority approval at the CRGB’s Board.

Accordingly, the IWG has proposed an indicative set of decisions for each of the above procedures:

Authorities to be involved	Decisions	Decision making process
Board of Directors and relevant Advisory Councils	Implementing the CIMS industry-led remedies and other similar initiatives	- Proposal for amendment approved by a simple majority at the Remedies Council; - Super-majority at the Board
	Revising the consumer objective of the CRGB	- Proposal for amendment approved by a simple majority at the Consumer Council; - Super-majority at the Board
	Material amendments to the Scheme Rules	- Proposal for amendment approved by a simple majority at the Rules and Standards Council; - Super-majority at the Board
Board of Directors only	Revising the purpose, operational and future-	Super-majority at the Board

	looking objectives of the CRGB	
	Fundamentally revisiting the proportional contribution of an entity vis-à-vis CRGB's budget	
	Revising material powers of the CRGB, e.g., policing	
	Decisions on changing CRGB's membership	
	Decisions on changing the minimum and maximum number of Directors	
	Decisions on changing the role, purpose, and powers of the Advisory Councils	
	Decisions that require material investment from certain stakeholders	
	Decisions that lead to material adverse effect on a stakeholder	

The above decisions consistently require a 'super-majority' approval at the Board. The threshold for super-majority has not yet been defined by the IWG. However, a decision requiring a super-majority implies that these decisions will require more than a simple majority approval at the Board. Accordingly, these decisions will be prescribed in the Articles of Association as decisions requiring special procedure at the Board and will not be allowed to be decided upon through the standard Board procedure discussed in Section 8.1.1.

The IWG shall define the principles for categorising which of the above decisions should be subjected to a 75% approval, or a 66% approval, or a unanimous approval at the Board in report three. Further, the first special procedure decisions recommend simple majority at the Advisory Councils, this simple majority recommendation is subject to both the CRGB agreeing that a proportionate diversity of stakeholders in Advisory Council membership shall be ensured and further discussion on overall framework for special procedure decisions in report three. Details on Advisory Council membership will be discussed in subsequent reports.

Whilst the above are the more seismic decisions to be made by the CRGB's Board, there will be several day-to-day decisions to be made by the CRGB's staff. These decisions will carry powers delegated by the Board to the CRGB staff to run the company on a day-to-day basis. Details of these decisions will be defined in report three but can currently be classified as non-strategic decisions.

8.1.3 Appeals against Board decisions

Generally, for governance entities such as the CRGB, decisions made by the entity's Board may be appealed to the Board's secretariat⁷ within a stipulated time-period. The Board

⁷ It is expected that the CRGB will hire staff to support the Board in various capacities, such as organising the agenda of meetings, keeping meeting records, acting as a compliance officer, advising the Board, among other roles.

secretariat reviews the appeal, and if merited, places the appeal before the Board for a review of their past decision.

The CRGB will not operate under the authority of a regulator. Therefore, any direct intervention of regulators against CRGB's decision making shall not be possible. However, the CRGB shall maintain a relationship with relevant sectoral and general regulators to ensure the impact of CRGB's decisions on their industry is understood and acknowledged.

The ultimate recourse against the CRGB Board's decisions shall be through the jurisdictional courts. In its later reports, the IWG shall consider mechanisms to limit the exposure from such legal actions to ensure that its decision-making is effective and efficient.

8.1.4 IWG recommendation on decision-making

The IWG recommend that a standard decision-making process generally applied for good corporate governance is utilised. Additionally, the IWG recommend that certain decisions will require special procedures which will be listed in the Memorandum & Articles of Association, where those decisions have a substantial impact on the CRGB or the wider industry and related stakeholders. Decisions requiring a cost-benefit analysis, will also include a consumer impact assessment.

8.2 Liability implications relating to the CRGB

The creation of the CRGB will result in several liabilities that need to be considered and managed. The key liabilities are noted below. A number of these liabilities cannot be fully assessed until the operationalisation of the CRGB is further scoped within report three. Additionally, the mitigants for a number of the liabilities will only be addressed within the transition period from SCOR to the CRGB, as part of the development of the Memorandum and Articles of Association and the legal agreements between parties engaging with the CRGB.

8.2.1 Liabilities as result of being a guarantor of the CRGB

The guarantor is liable for their promise to contribute a set amount to the company's assets in the event of the company's winding-up. This can be set at any figure and is usually a nominal amount such as £1 or £10.

There are no further liabilities associated with being a guarantor of the CRGB. However, as guarantors are also considered owners of the company, in cases where the company conducts any "impropriety", and it is found that the guarantors set up the company to perpetrate this impropriety, the courts may pierce the corporate veil and hold the guarantors liable for the company's impropriety. However, Mills & Reeve have advised that this seems unlikely in the case of the CRGB.

8.2.2 Liabilities as result of being a Director of the CRGB

Company Directors can be exposed to numerous claims for personal liability arising from wrongdoing while managing the company. In addition, the company as a separate legal entity is subject to statutory controls and the Directors are responsible for ensuring that the company complies with such statutory controls.

The Companies Act 2006 codifies certain common law and equitable duties which Directors owe to the company. The Act sets out the general duties of Directors, which are:

- To act within powers in accordance with the company's constitution and to use those powers only for the purposes for which they were conferred.
- To promote the success of the company for the benefit of its members.
- To exercise independent judgement.
- To exercise reasonable care, skill, and diligence.
- To avoid conflicts of interest.
- Not to accept benefits from third parties.
- To declare an interest in a proposed transaction or arrangement.

In addition to the duties under the Companies Act 2006, various other legislation imposes responsibilities on Directors, a breach of which could result in claims for personal liabilities, for example:

- In the case of companies in financial difficulty, the Insolvency Act 1986 imposes strict requirements on the behaviour of Directors. For example, in such circumstances, the duty to act for the benefit of the company's members is changed to a duty to act in the best interest of its creditors.
- The Health and Safety at Work, etc Act 1974 imposes a duty of care on the Directors towards the health and safety of the company's employees. If found in violation of the Act, the Directors of a company may be prosecuted and held liable for a health and safety offence committed by the company against an employee if it can be attributed to a Director's consent or neglect.
- Similarly, the Corporate Manslaughter and Corporate Homicide Act 2007 extends liability on the Directors for a breach in a company's duty of care towards their employees or any member of the public. Under this legislation, a Director may be prosecuted for neglect in discharging the company's duty of care towards its employees or members of the public, which results in death.
- The Company Directors' Disqualification Act 1986 prescribes a number of duties – the failure of which – could be a ground for disqualification of a Director from its position.
- Liabilities can also arise under other laws, such as environmental legislation and through competition law risks.

A company Director can be held personally liable if the company fails to carry out its statutory duties or for any losses to the company which are proven to be the result of Board decisions, or a failure to act properly.

While most duties expected of a Director have been codified into the above statutes, common law duties expected of a Director still inform the Directors' conduct and may be applicable where the statutory duties are not explicitly applicable. Further, even the statutory duties are interpreted by the courts using common law principles. Therefore, the fiduciary duty of a Director to act in the best interest of the company always remains applicable.

For this reason, it is essential that the CRGB puts in place appropriate mitigation and protection for a company Director, including in the form of Directors Liability Insurance, and appropriate Director induction/refresher training. The IWG recommend that the annual funding of the CRGB allows for the appropriate Directors insurance.

8.2.3 CRGB Executives and Senior Management liabilities

As for all organisations, liability for the CRGB's conduct under different statutes, including criminal law, where intent is required to establish liability, such liability may be attributed to persons occupying Executive or Senior Management positions of the CRGB. For, these persons will represent the 'mind' of the CRGB. The precise number of executives and

management roles required at the CRGB shall be discussed in subsequent reports. But, this assessment of liabilities shall remain applicable for them.

The FCA, as a regulator, shall continue monitoring the credit information industry. The CRGB is a governance oversight body and not a regulator. It is not replacing the FCA nor is it accepting any responsibilities on behalf of the FCA. Therefore, the liability for lack of appropriate outcomes in the industry, despite the CRGB's best efforts, shall not be on the individual Executives or Senior Management.

8.2.4 Liabilities for data sharing

All entities which process personal data are required to comply with applicable data protection legislation. In the UK, the main pieces of legislation that apply include (but are not limited to) the Data Protection Act 2018, the UK GDPR, and (for marketing communications and cookies) the Privacy and Electronic Communications (EC Directive) Regulations 2003. For ease of reference, this note will refer to the applicable legislation within the UK collectively as the "Data Protection Legislation". The Data Protection Legislation sets out various compliance obligations which organisations that process personal data must follow both in principle and in operational practice; this includes seven key 'data protection principles' that should be considered throughout an organisation's data processing activities. One of these principles requires that personal data must be processed fairly, lawfully, and transparently. The obligation on organisations to comply with the Data Protection Legislation exists independently of the roles undertaken as part of the CRGB governance framework.

Under the Data Protection Legislation, the role of controller or processor is determined by the activities of a party and the personal data flows that occur in practice, rather than the contractual arrangements (although contractual arrangements can inform and provide context to what is happening with regard to those data flows). Both controllers and processors have compliance obligations (and therefore liability risks) that automatically arise when processing personal data, but ultimately controllers bear greater responsibility and greater risk as a reflection of their increased level of control. Unless exempt, controllers also have to pay a fee to the Information Commissioner's Office (the ICO). Both controllers (joint or otherwise) and processors can be held liable for breaches and non-compliance under Data Protection Legislation. The maximum fines the ICO could issue for a breach of UK GDPR may be up to the greater of i) £17.5m and ii) 4% of global annual turnover, and the maximum fines for a breach of marketing regulations may be up to £500,000. An individual affected by a breach of Data Protection Legislation may bring a claim directly against any of the organisations involved in that breach. Controllers are directly and severally liable to data subjects, although if an organisation must fully compensate an individual then it may be able to claim back some of those losses against the other liable parties.

As per the IWG's legal advisors, the CRGB must examine its liabilities for data sharing under the Data Protection Legislation in two aspects, i.e., (a) in its regular functions as a company operating to achieve its defined purpose and objectives; and (b) in its specific role as the administrator of scheme rules prescribing the rules of sharing credit data between data contributors and CRAs. Note, each organisation's potential liability under Data Protection Legislation arises automatically, independently of the contracts used. The ICO has the power to investigate and sanction without the need for a contract to be in place.

For the first aspect, as per the IWG's legal advisors, based on the currently proposed roles and functions of the CRGB it is likely that the CRGB will act as a controller of personal data when exercising several of its functions. These include processing of any personal data of its members, employees, subscribers etc; processing of any consumer/public personal data

received through contact options or complaints processes; or the processing of any personal data as part of its governance role. If it receives personal data from any CRAs, lenders, or other data users, then it will either be a controller or (less likely) processor in respect of this data too. Therefore, it will be important for the CRGB to consider the data flows that will take place regarding its activities and carry out an assessment of the risks, roles, and lawful bases for different processing activities.

On the second aspect, as per IWG's legal advisors, it is also possible for an organisation to be considered a data controller for a given activity even if it does not directly receive any of the personal data involved. It is not intended that the CRGB will collect, store or otherwise have any direct access to shared data. Further, shared data will continue to be shared directly between data contributors and CRAs, which shall in turn make it available to shared data users. However, it will be important for the CRGB to consider if liabilities flow from this role of defining and administering that govern sharing of data between data contributors and CRAs.

As the full extent of the CRGB's roles for both of the above aspects are still subject to discussion regarding operationalisation of the CRGB in subsequent reports, it is not currently possible to firmly conclude the scale of any liability risk under Data Protection Legislation. This will need further consideration once the CRGB proposals are more advanced. The CRGB's contractual liability to other parties, as discussed in detail below, can in principle be limited under the terms of the relevant contracts. But, the limitations of liability under a contract will not limit the CRGB's risk of direct liability to data subjects or ICO sanctions under Data Protection Legislation.

IWG's legal advisors have posed certain questions to the IWG regarding the potential scope of the CRGB's activities to be able to conclude the analysis of liability risk under Data Protection Legislation. These are currently under consideration with the IWG and shall be addressed within report four. Based on these consultations, the opinion of IWG's legal advisors will be sought to conclude this analysis.

8.2.5 Liabilities for contracting

The CRGB will want all subscribers, including non-fee-paying subscribers, to enter into a contractual relationship with CRGB, to address the following elements:

- The terms under which entities subscribe to CRGB – the subscription agreement.
- The data sharing rules applicable across the industry – the scheme rules (currently, the PoR).

There are different ways that CRGB could enter into contractual relationships with all subscribers and the efficacy and appropriateness of how the contract should be put in place is to be discussed further.

This raises a set of liabilities under these respective contracts. As per IWG's legal advisors, liabilities can arise under a contract in several circumstances. Some of these liabilities and their connected losses may be relatively straightforward to quantify, such as a party defaulting on a commitment to pay a specific sum of money. However, the risk posed by other potential liabilities may not be so clear to assess. To claim for damages resulting from a breach of contract, you must be able to prove that a valid and binding contract was in place, that the other party breached the contract, and that you suffered a loss as a result of the breach.

It is common practice for parties to limit their respective liabilities to each other under a contract, and the proposed CRGB contracts would ordinarily be expected to adopt this practice. Subject to certain liabilities that, by law, cannot be limited, these limitations are

usually a matter for commercial negotiation based upon the respective risks that each party will be exposed to. This commercial negotiation often centres around four broad concepts, subject to the bargaining power of the parties involved:

- A realistic estimate of the losses that could be suffered by the innocent party.
- The overall value of the contract.
- The level of insurance cover available to the liable party.
- What is, taking all the circumstances into account, a reasonable limit to set.

In relation to the proposed CRGB contracts, one challenge will therefore be in valuing these concepts and identifying the potential losses that each of the parties will be exposed to. This is something that may need further detailed evaluation as the CRGB roles and contracting arrangements develop. IWG's legal advisors have posed certain questions to the IWG regarding the potential scope of the CRGB's contracts to be able to conclude the analysis of liability risk under CRGB's contracts.

These are currently under consideration with the IWG and how they will be addressed will be covered within report four. Based on these consultations, the opinion of IWG's legal advisors will be sought to conclude this analysis.

8.2.6 IWG recommendation on liabilities

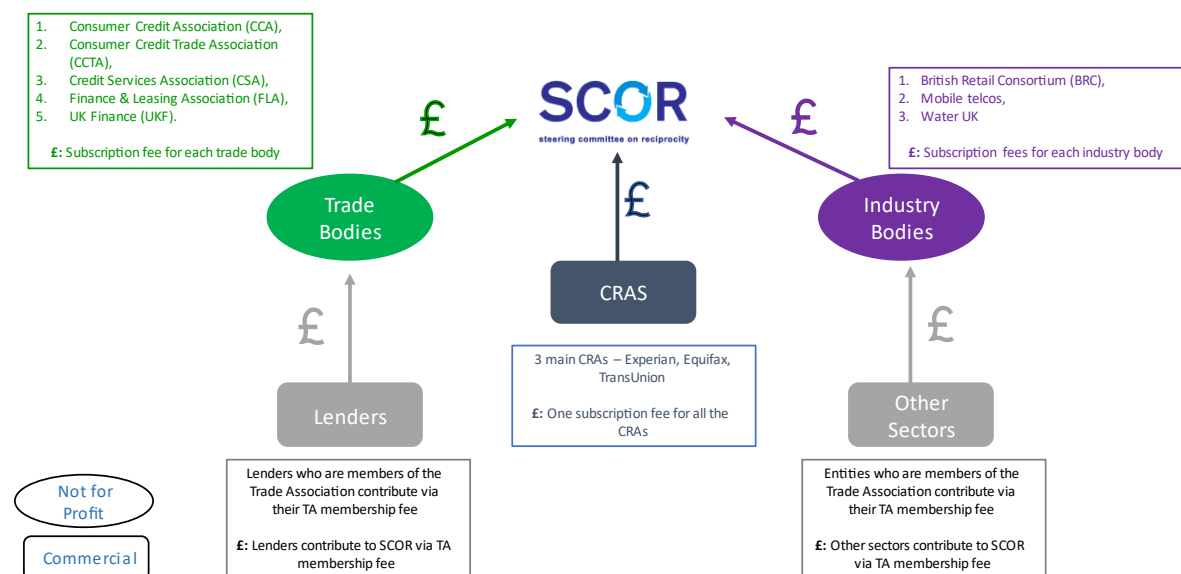
The IWG recognise many liabilities are created from the formation of the CRGB with implications for the entity and its stakeholders. Not all liabilities can be defined at this stage of development, and some will only become clear once the operationalisation of the CRGB is advanced in report three. As such, the IWG recommend that the CRGB should implement actions such as Directors' insurance and Directors' training. Other liabilities and mitigants should be further assessed and addressed as part of the contracting and data sharing rules definition in report four.

Chapter 9: Funding

The funding of any new oversight body is always a contentious subject, even more so when the entity concerned is perceived to be creating additional industry costs. To support the funding discussion, the IWG reviewed several case studies of oversight entities as set out in Appendix D, albeit with varying remits and legal incorporation vehicles. IWG members also benefitted from a comprehensive discussion on the flow of money in the industry, which played well into the debate on the benefits of the CRGB. They also leveraged the experience of both the IWG legal and finance sub-groups as well as external legal expertise.

9.1 Funding of SCOR

Before discussing the funding of the CRGB, the IWG ensured that they understood the funding of the current industry model, SCOR. Currently, the industry governance arrangements via SCOR are funded by eight trade associations⁸ and from the three large CRAs. The subscription amount is the same for all members, other than the three CRAs which share a single membership fee.



The lenders contribute to SCOR costs indirectly as part of their membership of the Trade Associations. The same model is applied to other sectors. It is possible that a lender could agree to the PoR with a CRA and not be a member of a Trade Association. In that instance the lender could be considered to be contributing to SCOR costs via the CRA.

As the current direct cost of SCOR operations are low, there is little reason to be concerned on the source and visibility of indirect fees. However, this will need to change as the cost of the CRGB is expected to be much higher. The FCA anticipates a cost-effective, inclusive, and

⁸ Trade associations: British Retail Consortium (BRC), Consumer Credit Association UK (CCA), Consumer Credit Trade Association (CCTA), Credit Services Association (CSA), Finance & Leasing Association (FLA), Mobile Telcos, Water UK, UK Finance.

transparent governance structure. SCOR benefits from significant “free” industry resource to progress its activities. This resource, when costed, exceeds the published funding requirements of SCOR by many magnitudes.

9.2 Funding principles

To frame the detailed discussion of funding mechanisms, the IWG has proposed a comprehensive set of funding principles to guide discussions. These principles have been thoroughly debated at both the IWG finance sub-group and among the broader IWG members to ensure alignment and consensus.

These funding principles are designed to ensure that the funding model is transparent, proportionate, fair, sustainable and sufficient for the CRGB to execute its purpose. They highlight the importance of contributions from all firms accessing and using the shared data governed by the CRGB, except for those exempted as defined in Section 9.5. The principles also emphasise the need for a funding model that is adaptable and subject to periodic review by the Board, ensuring it remains relevant and effective over time.

1. The funding model must be transparent to all participants, proportionate, demonstrate fairness and be viable to administer.
2. Firms who want to access shared data governed by the CRGB must contribute to the funding of the CRGB, unless subject to the recommended exemptions (see Section 9.5).
3. Funding needs to be sustainable and adequate for the CRGB to deliver on its objectives. Upfront payments with a commitment beyond one year will be required, with the retention of some reserves.
4. Contributions may be uplifted and will be agreed against the annual work plan to safeguard sustainability. The cost base will be reviewed regularly to ensure it is as efficient as possible.
5. The funding model is expected to evolve over time and will be reviewed by the Board periodically, including any revenue from the CRGB’s services within the boundaries of roles defined that could contribute to funding.

9.3 Funding models considered

Based on research and early discussions, some funding approaches were discounted with minimal discussion. These options may not be off the table indefinitely as changing circumstances may make them viable for the CRGB at a future occasion.

Self-funded – The CRGB has no reserves and limited assets from which to drive revenue in the short term. Therefore, the entity could not be created nor sustained. Over time, should the CRGB provide appropriate revenue earning services, this could be incorporated into the funding model.

Government grant – His Majesty’s Treasury (HMT) have been clear during conversations held in March 2024 that they don’t believe that it is viable for the CRGB to be established under primary legislation. The Cabinet Office’s current policy is not to establish new bodies. The existence and success of SCOR to date demonstrates for HMT that the industry can sustain its own governance arrangements without the need for government intervention.

Donations – Common in non-for-profit organisations but usually charitable entities. Considering the commercial benefit gained by many of the stakeholders, a donation model is not appropriate for the CRGB.

Therefore, the following five models were evaluated by the IWG against the agreed funding principles:

Model 1 – Flat membership fee: All users are considered equal in terms of benefit and contribution.

Model 2 – Tiered fee: Recognises different types and sizes of entities achieving its own set of benefits.

Model 3 – Pay-as-you-go: Users pay based on consumption.

Model 4 – Specific charge: Time and material costs for a specific activity attributed to those benefitting.

Model 5 – Hybrid, being a combination of the above models.

The analysis of the funding models against the specified funding principles highlights the strengths and weaknesses of each approach:

- **Flat annual fee model:** while simple and easy to administer, lacks fairness as it does not account for the varying sizes and benefits of different subscribers. This model may face resistance from smaller firms who may feel overcharged compared to their larger counterparts.
- **Tiered fee model:** which aligns costs with the size and benefits received by its participants, is more equitable and widely used in the financial industry. Although more complex to administer, it ensures fairness and is adaptable over time, making it a sustainable option. However, its complexity can pose administrative challenges.
- **Pay-as-you-go model:** directly correlates costs with usage, ensuring fairness. However, accurately tracking usage is difficult, making this model less viable and potentially unstable due to variable income.
- **Specific charge model:** which attributes costs to those benefitting from specific activities, is not practical for ongoing funding needs but may be suitable for one-off activities in the future.

The hybrid model (model five), combining elements from the other models, emerges as the most balanced and adaptable approach. It offers the transparency of clear component structures, the fairness of tiered fees and specific charges, and potential sustainability through a mix of upfront payments and annual subscription fees. The hybrid model is also inherently flexible, allowing for periodic adjustments to meet evolving funding needs.

In conclusion, the hybrid model is the current preferred option of the IWG for the CRGB in the longer term. This is as it aligns well with the funding principles of transparency, fairness, viability, sustainability, and adaptability. At the creation of the CRGB the IWG members recommend proceeding with the tiered model as defined below.

9.4 Proposed funding model

The IWG agreed on a funding model that thoughtfully accounts for the diversity of entities that will interact with the CRGB. At the core of the funding model is the fundamental principle that “Firms who want to access shared data governed by CRGB must contribute to the funding of the CRGB”, and the CRGB Board can agree exceptions where there is justification. This means that, together with the governance structure as explained in chapter seven, only a subset of the CRGB stakeholders will be involved in the funding of the governance entity.

In the context of the proposed model, it is useful to set out what we mean by subscribers and participants.

Subscribers: defined as entities who access the shared data, will be split between

- Non-fee-paying entities, either because they meet the social good definition or they are below the minimum turnover benchmark, explained in Section 9.5.
- Fee-paying subscribers who provide the funding to the CRGB.

Some entities that access the data for limited purposes, such as identity verification, might be exempt from subscription. The specifics of this exemption are yet to be defined.

Participants: defined as interested parties who will engage with the CRGB but do not seek to access shared data, such as trade associations, and will not be responsible for funding the CRGB.

By segmenting subscribers into cohorts based on their specific roles and relationship to credit information, the varying incentives and usage patterns associated with shared data can be addressed. Additionally, implementing tiers within these cohorts based on firm size ensures that contributions are proportionate to each firm's capacity and benefit derived from the CRGB. This dual approach of cohorts and tiers allows for a nuanced and equitable funding structure, reflecting the diverse landscape of participants and ensuring fair and effective resource allocation.

The IWG agreed a funding model that differentiates between set-up costs and the ongoing sustainable funding of the CRGB. This model follows the five funding principles, and, for example, this means that firms who want access to the shared data must contribute to the funding of the CRGB.

9.4.1 Funding set-up costs

To come to this recommendation on funding the set-up costs for the CRGB, four options were considered and discussed at the IWG finance sub-group and then agreed with the full IWG members:

- Call for volunteers.
- Collect a flat fee from large FSMA subscribers.
- Seek a loan.
- Collect prepayment of the annual subscription from a small subset of FSMA entities.

Each option has its own features. Firstly, a few subscribers can volunteer to fund the set-up costs, which can facilitate the process of collecting the money and make the entire constitution

process more efficient. This system has been implemented in the funding of the Future Entity (Open Banking), and after a slow start, several stakeholders have been engaged⁹. Nevertheless, this option faces the challenge of lack of attrition in the funding round.

Secondly, a flat fee can be applied to firms in the relevant FSMA cohorts, as the CRGB arises from the FCA CIMS report, which has greater implications for these entities. This option aligns with the funding principles, but it raises an operational challenge since it involves engaging with every firm within that classification. Additionally, it could be difficult for some firms to pay in advance given their financial calendar.

Thirdly, the CRGB could secure a loan and repay it in the coming years. For example, the Enforcement Conduct Board was initially funded via a £176k loan to the Civil Enforcement Association (CIVEA)¹⁰. Whilst a viable option, it does pose questions on whom would provide the loan and how would the loan be guaranteed.

Therefore, the IWG recommend that a subset of FSMA subscribers will contribute to the initial set-up costs of the CRGB by prepaying their subscription fee. This prepayment will be offset against the annual subscription fee in the first year of the CRGB. The recommendation that only large FSMA entities contribute to the set-up costs reflects that fact that the change is driven by the FCA CIMS report and therefore has a greater implication for these parties. A few potential FSMA subscribers have already been approached and in principle are agreeable to this model subject to the actual costs and clarification on balance sheet treatment. Further discussions will take place within IWG cohorts in the coming weeks and months.

9.4.2 Annual Subscription Fee

Subscribers will pay an annual subscription fee, which will be reviewed periodically by the Board. The annual fee will vary based on the cohort and the size of the firm.

Cohorts and Tiers

Subscribers will be segmented into cohorts and further divided into tiers based on the size of the firm by self-declared annual UK turnover. Other options, such as regulated turnover and loan book size, were considered but proved difficult to quantify and would be challenging for the CRGB to verify. It is expected that subscribers will self-classify by answering a series of questions when signing up to the CRGB, however, the Board can determine the criteria for the establishment of Tiers to which firm will be allocated, based on the following segmentation:

Cohorts

- A. Firms authorised under FSMA to “provide credit references”.
- B. Firms authorised under FSMA to “provide consumer credit in any form”.
- C. Firms authorised under FSMA to “provide credit information services”.
- D. FSMA governed firms not authorised for the above, and non-FSMA firms relying on credit information or credit information users.

Tiers

⁹ For more information see [Future Entity Working Group report to JROC](#)

¹⁰ For more information see <https://enforcementconductboard.org/wp-content/uploads/2023/03/ECB-business-plan-consultation-March-2023.pdf>

For cohort A, C and D there will be two tiers:

- Large firms
- Small and Medium firms

For cohort B, which is significantly larger, it is proposed to have three tiers:

- Large firms
- Medium firms
- Small firms

Minimum fee

All firms that are not exempt, described in further detail below, will pay a minimum annual subscription fee.

The amount each firm will pay above this minimum fee will be determined by their tier, then by their cohort.

9.5 Funding exemptions

The CRGB's funding model is based on the principle that all firms who require access to shared credit information governed by the CRGB, will be required to 1) subscribe to the CRGB and 2) contribute to the funding of the CRGB. This does not mean that payment automatically provides access to data, as this will be dependent on the requirements of the scheme rules, but payment does bring an opportunity to do so. Those that do not require access to shared credit information but still wish to engage with CRGB as a governance entity will be classified as participants and will not contribute to CRGB's funding.

However, to ensure that the CRGB's funding model recognises the wide variety of different firms, and sizes of those firms, operating within the UK that require access to credit information, the IWG recommends two categories of funding exemption. These exemptions will help to prevent the cost of the CRGB having a disproportionate impact on smaller firms or those with a focus on social good. This will also help to safeguard against the costs of the CRGB being passed onto consumers, particularly those consumers who may already find it difficult to access mainstream credit products and services. The IWG recommend that the CRGB Board should review these exemptions at regular intervals and ensure that any use of the shared data is within the bounds agreed by the scheme.

Firms that are not captured by the two exemptions outlined below but have other valid reasoning as to why they should not be required to contribute to the CRGB's funding will nevertheless be able to apply for a special exemption for consideration by the CRGB's Board. A clear special exemption process with set criteria is yet to be defined but will be referred to by the CRGB's Board in these circumstances.

All firms that are exempt but still require access to the shared credit information governed by the CRGB will still be required to subscribe to the CRGB. They will be non-fee-paying subscribers. This is to ensure that the CRGB has an accurate record of firms using the shared data as well as a record as to which firms pay and which are exempt (to ensure it can continue to cover its cost base going forward).

9.5.1 Social good exemption

Social good in this context can be defined as firms whose **core purpose** is to positively impact individual consumers or society more generally. Such firms will be able to access a defined level of shared credit information governed by the CRGB (strictly subject to the scheme rules) but will not be required to contribute to CRGB's funding.

This includes not-for-profit firms, groups representing consumer interests and organisations providing exclusively free debt and financial advice to consumers. Likewise, government departments, regulators and related public bodies would also be exempt. This also includes social purpose lenders such as the following categories of organisations, this is aligned with the FCA's exemptions for consumer credit fees:

- Community finance organisations (CFOs) - registered charities, community benefit societies or community interest companies. Under Part 2 of the Companies (Audit, Investigations and Community Enterprise) Act 2004 a company satisfies the community interest test if a reasonable person might consider that its activities are being carried on for the benefit of society.
- Credit Unions (CUs) - financial co-operatives that are owned and controlled by its members. They provide services to their members such as deposit taking, savings and lending. (approx. 250 CUs operating in the UK – BoE)

This definition is not exhaustive and will be reviewed regularly by the CRGB's Board. Likewise, any firms that do not feel they are captured by the above but wish to apply for a funding exemption because of social good reasons can submit a request for consideration to the CRGB's Board, as well as apply for an exemption through a CRA. A clear social good exemption process with set criteria is yet to be defined but will be referred to by the CRGB's Board in these circumstances.

9.5.2 Turnover exemption

For smaller firms that are not exempt under social good justifications, they may be exempt in relation to a turnover threshold. The IWG recommend that the CRGB apply a minimum turnover threshold to all subscribers of the CRGB. If a subscriber has turnover below a certain threshold, yet to be defined, they will not be required to contribute to the funding of the CRGB.

The IWG considered which measure of firm size was most appropriate to ensure that small firms could be captured by an exemption to prevent the cost of the CRGB having a disproportionate impact on them. It was suggested that the ideal measure would be search volumes, to ensure that firms who depend on shared credit information to a limited extent are not required to fund the CRGB. However, the practicalities of this measure were challenging. Lending value was also considered but given many firms will utilise credit information but would not be classified as lenders, this was not seen as a feasible measure. Therefore, it was agreed that firm total turnover provided the most suitable proxy.

The value of this threshold will be reviewed at regular intervals by the CRGB's Board to assess its continued appropriateness. This will include a review of the exemption measure itself.

9.6 Funding implementation

Several steps are in hand or need to be advanced to allow the funding model to be executed. These steps will be addressed in later IWG reports.

- Work is underway on the classification of tiers, both to estimate the market size and the cut-off more accurately for each cohort, along with the minimum turnover benchmark and minimum fee.
- Effort is required to define an execution plan for the funding model, addressing the invoicing and collection process, including the cost implications of staffing or outsourcing.
- A costing model is under development which will provide clarity on the expected fees to be paid by each cohort to cover the estimated budget requirements of the CRGB.
- The CRGB will enter into subscription agreements with the subscribers stipulating their fees, the shared data access terms under the scheme rules, the mechanism of renewal of subscriptions each year, and the consequences in case of non-payment of subscription fees. Discussions are already advanced but need to be concluded on the contracting model and the liability implications for all parties.
- The Board will periodically review the funding model to ensure it remains fair and adequate to cover the CRGB's operational costs. They will have the ability to adjust the annual subscription fees as necessary to reflect the strategy and published budget requirements.
- As a reminder, the cohorts relate to subscribers only. Participants who seek to engage with the CRGB but do not use the data are not included in the funding cohorts.

9.6.1 Cross-regulatory levy

The IWG members wish to retain the option of a cross-regulatory levy as this would deliver a simple collection approach, limit the CRGB's staff costs and could work with the funding model as defined above.

It is acknowledged that the CRGB rules and membership exceeds FSMA entities and therefore some CRGB subscribers would be outside of the remit of the FCA. Additionally, driving funding via the FCA is likely to create a subsidisation expectation and therefore limit independence. Finally, the FCA does collect a levy for other organisations but only those defined in the [FEES Manual](#)¹¹. The CRGB will not be included within this manual, at least for the foreseeable future.

The FCA was asked to consider an FCA levy and at first consideration the FCA felt that this was not likely to work given that some CRGB subscribers would be outside of the FCA's perimeter.

To resolve the FCA challenge, discussions could be held with other regulators to seek their support in collecting funding from their industries. The IWG secretariat has engaged with the Office of Communications (Ofcom), the Office of Gas and Electricity Markets (Ofgem), and the Water Services Regulation Authority (Ofwat) but did not specifically address the question of a levy collection, the priority of these early discussions was to seek in principle agreement on collaboration. This ask will be addressed with the other regulators, however the tone of past conversations suggested that this would not be overly welcome.

The IWG members request that the FCA consider supporting an FCA levy which will become a pertinent element in report three which will seek to address the operationalisation of the recommendations in report one and two.

¹¹ The FCA collect fees and levies to pay for the cost of the: Payment Systems Regulator, Prudential Regulation Authority, Financial Ombudsman Service, Financial Services Compensation Scheme, Money and Pensions Service, Financial Reporting Council, Illegal Money Lending Team, and Economic Crime Levy (ECL).

9.7 Legal advice on funding model

The foundation of the CRGB funding model is that those who access data must contribute to the funding of the CRGB, unless they benefit from an exemption. This point was subject to repeated IWG discussion and was also a topic for external legal advice to ensure that it did not breach any competition laws.

Legal confirmation has been received that the CRGB is not in breach under chapter I prohibition. The requirement to subscribe to the CRGB to access the data could have the effect of restricting competition from smaller organisations which may be deterred / prevented from subscribing to the CRGB due to the annual subscription fee. However, by making access to the data available to those who are willing and able to subscribe (and given the subscription fee will be proportional to different cohorts and tiers of firms), the arrangement can be seen not to have a negative effect on competition in the provision of credit information to lenders and other users.

In principle, making access to credit information data contingent on a subscription to the CRGB could possibly raise competition concerns, under chapter II, if the data could be considered an “essential facility” and the CRGB refuses other firms access to this facility. Where a dominant undertaking has control over a facility, access to which is indispensable for third parties to be able to compete, this can be defined as an “essential facility”. It is the advice of Mills & Reeve that it is possible that the CRGB could be considered a dominant firm in the market for the supply of credit information because the CRGB will have control over access to the shared data and subscription to the CRGB will be the only way of accessing this data.

However, the threshold for a facility to be considered “essential” is high and there are alternative sources of data, such as Open Banking, which lenders and CRAs could use (although not necessarily of the same type or quality). In the event that the shared data did constitute an “essential facility”, there would only be an abuse of dominance if the CRGB exercises its control over the data in such a way that access was not on fair, reasonable and non-discriminatory (i.e. non-exclusionary) terms. The CRGB will be taking measures, such as the tailored tier/cohort system and exemptions to funding, to ensure that the subscription fee and the CRGB governance requirements are fair, reasonable and non-discriminatory. Mills & Reeve’s current view is therefore that the risk of an abuse of dominance by the CRGB under the “essential facilities” doctrine is low.

Likewise, because of these fair, reasonable and non-discriminatory measures as well as the fact the CRGB will not be competing downstream against CRAs and lenders, it is the advice of Mills & Reeve that there is low risk there would be other possible grounds for an abuse of dominance.

9.8 Feedback on funding model

The challenge of a funding conversation is that everyone naturally wants to understand what it means for them in pounds, shillings, and pence. Therefore, whilst the IWG have been very thoughtful to consider as many implications as possible of the model, it can never be complete until it has been quantified. An early CRGB cost model has and will continue to be discussed with the IWG, with work underway to enhance and validate the costs for the first years of operation. The target is to have at least an initial funding level available to undertake industry and wider stakeholder consultation post issuance of report two. This model will continue to evolve as the work is progressed on the operationalisation of the CRGB, but the initial estimates will allow for a greater level of engagement.

9.9 IWG recommendation on CRGB's funding model

The IWG recommend a tiered funding model with subscribers, who access shared data, paying an annual subscription fee reflecting their size and business type. Non-fee-paying subscribers will be defined as part of the exemption rules. Stakeholders who do not access data, but seek to influence decisions, can join the CRGB as participants, who do not pay.

Chapter 10: Source of the CRGB's powers

For the CRGB to operate effectively as a governance body it needs to have the powers to compel the industry to behave according to pre-agreed rules. These powers or authority must address the implications for the CRGB of legal, regulatory, and contractual conformity. Research indicates that there are four key options with a few variants available for consideration:

- (1) Parliament could define primary legislation to grant the CRGB powers.
- (2) Secondary legislation or rules adopted under such legislation, for instance, the Designated Activities Regime (DAR).
- (3) The CRGB could rely on good faith with a non-binding code of comply or explain.
- (4) Firms could voluntarily sign up to the terms which would be subject to contract law.

Each of these options have been considered, including in terms of industry compatibility, in order to propose an immediate way forward which should be revisited by the CRGB's Board as circumstances change over time.

10.1 Primary legislation through Parliament

'Primary legislation' is the term used to describe the main laws passed by the legislative bodies of the UK e.g., Acts of the UK Parliament, Scottish Parliament, Welsh Parliament, and Northern Ireland Assembly.

For instance, UK financial services are subject to primary legislation in the form of the Financial Services and Markets Act (FSMA). As FSMA is an Act of Parliament, changes to FSMA can only be introduced through other Acts of Parliament.

The credit information market participants are subject to a complex regulatory and legislative framework. However, the sharing of consumer information, in addition to primary legislative requirements under the UK GDPR and Data Protection Act 2018, is predominantly governed by the PoR, an industry agreement that covers issues such as terms of access and purposes for which the information may be used.

This differs from other countries like Australia where laws were put in place 12 years ago covering credit reporting. This means that the rules defined and managed by the Australian Retail Credit Association (ARCA) are written into legislation.

This also differs from the approach taken in relation to Open Banking. Currently, access to customers' financial data through Open banking is limited to payment account information and access for the purpose of payment initiation. The scope of this access is currently defined by the Competition and Markets Authority Order and the requirements of the Payment Services Regulations 2017 (PSRs 2017). However, in the Joint Regulatory Oversight Committee's (JROC) proposals for the design of the future entity for UK Open Banking, published in April 2024, it references the government's intention to legislate to support the long-term regulatory framework for Open Banking, including through new powers in the Data Protection and Digital Information Bill (DPDI Bill). However, progress on the DPDI Bill has stalled due to the proroguing of the 2023 – 2024 parliamentary session.

Consequently, the question on whether the UK credit information data sharing rules should become law has been raised with the Treasury by the IWG's Chair and Secretariat. Feedback was not supportive of seeking statutory underpinning currently, His Majesty's Treasury (HMT) prefers that provisions are not explicitly mandated by law (statute) but are incorporated into industry-specific rulebooks. Equally the Cabinet Office current preference is not to create any

further government entities. Finally, passing primary legislation is a lengthy legislative process involving drafting, parliamentary readings, debates, and committee scrutiny. This is not feasible if the CRGB is to meet the timeframes it has committed to.

10.2 Secondary legislation or rules adopted under such legislation

Secondary legislation (also called 'delegated' or 'subordinate' legislation) is law created by ministers or other bodies under powers given to them by an Act of Parliament. It serves to fill in the details of Acts, providing practical measures that enable the law to be enforced and to operate on a day-to-day basis. Statutory Instruments (SIs) are a common form of secondary legislation. Parliament's role is to approve or reject SIs, but it cannot amend them. Entities, such as the HMT, have powers to make secondary legislation, under the authority vested in it by parliament. For instance, the FCA has been granted powers by HMT to make rules for FSMA entities, e.g., Senior Management & Conduct Rules.

The FCA could have intervened to introduce FCA rules to cover all remedies as defined in the CIMS final report. This would have eliminated the need for the CRGB to promulgate its own scheme rules or the existence of the CRGB. In this instance the CIMS final report indicates that the FCA believe that an industry-led approach is an appropriate and proportionate approach to gain industry expertise, buy-in and to reflect the fast pace of change.

Likewise, the FCA could have created the CRGB as an entity under their powers. The FCA have also highlighted that change is needed across the entire credit information market which includes non-FSMA entities. An industry-led approach was deemed to create less difficulties for non-FSMA regulated firms with engagement recommended with other regulators. It also means that the FCA does not need to revisit their own perimeter to cover the credit information data sharing activities of the non-FSMA firms. The FCA say that they will continue to consider whether using their powers remains a better course of action to deliver the change needed in the future.

Evaluation discussions were held with the FCA as to whether a regime like DAR may be a means by which the credit information data sharing activities could be overseen. DAR is a lighter touch supervisory and enforcement regime related to activities, not entities, that does not require authorisation. HMT had already defined the designated activities in FSMA 2023 of which credit information was not included in the list. As such, for the immediate future, this is not a viable option.

Like the FCA, other relevant regulators would face the same difficulties overseeing entities beyond their perimeter.

10.3 Non-binding code of comply or explain

The CRGB could adopt a 'comply or explain' approach. This is a legal principle whereby a company either states its compliance with a regulatory provision or voluntary code or explains any non-compliance. For instance, this approach is taken by premium listed companies regarding their compliance with the UK Corporate Governance Code.

The 'comply or explain' approach requires companies to describe their practices in relation to every principle and guideline as well as the elements within each guideline. 'Comply or explain' gives businesses a certain amount of flexibility in adhering to regulations or codes – although the underlying need to play by the new rules remains the same.

There are some advantages to the 'comply or explain' approach, which works particularly well when the code has been in place for some time and there is extensive public interest in compliance.

However, in view of the industry and wider stakeholder feedback on the need for the new governance entity to have teeth and the general support for the CRGB policing role, it does not bring the strength of power that would be needed at the start of the CRGB activities.

As per the IWG's legal advisors (Mills & Reeve), litigation to enforce compliance with a non-binding code is likely to be extremely challenging and they are not immediately aware of any instances where non-binding codes have been transformed into binding ones through case law.

10.4 Voluntarily sign up to terms subject to contract law

A contract is a legally binding agreement between parties to create mutual obligations that businesses and individuals use to protect their interests. Law of contract governs the legally binding agreements entered into by two or more parties. A contract is only binding when there is offer, acceptance, consideration, intention and capacity. A breach of contract occurs when one or more of the parties fails to perform their duties as stipulated within that contract. To claim for damages resulting from a breach of contract, you must be able to prove that a valid and binding contract was in place, that the other party breached the contract and that you suffered a loss as a result of the breach.

A number of UK oversight bodies including the Enforcement Conduct Board and the Lending Standards Board utilise contract law to support compliance with their accreditation and registration schemes. Contract law would give entities the free choice to voluntarily sign up to the data sharing rules and the terms of participation in CRGB.

However, enforcing contract breaches can be complex, costly, and time-consuming. Participants may also demand deviations to standard contract terms which could result in lengthy negotiations and inconsistency of terms across members. Consideration will need to be given to how contract breaches will be identified. In order to ensure any contract used remains standardised, it would have to be carefully drafted to outline which sections are commercially flexible and which sections must remain mandatory for the contract to be accepted by the CRGB scheme.

One challenge that the CRGB would face in relying on breach of contract for its enforcement mechanism is, as suggested above, in determining the loss suffered by CRGB as a result of the breach. While the losses of a CRA counterparty or a consumer may be straightforward to determine and sufficiently large to deter breaches, the CRGB's losses arising out of the breach may be minimal and insufficient as a deterrent. This is something that would need further consideration if it were to provide an effective deterrent.

An alternative approach that the CRGB may want to explore is to consider implementing an enforcement mechanism *within* the contract, so that non-compliance with the terms of the scheme triggers a complaints/sanctions/dispute resolution process that the organisation has committed to adhere to when signing the contract. This process could outline from the start how any non-compliance would be assessed, under what timescales, and what possible sanctions could arise as a result. For example, the benefit of entering the contract could be obtaining a subscription number proving a party's eligibility to access shared data, and the sanction for breaching the scheme could be suspension or loss of this subscription number. However, the precise details of such a scheme are something that need further discussion and consideration. Perhaps, at set up, the CRGB can opt for the subscription number

mechanism for sanctioning breaches. In the future, upon gaining a critical mass of subscribers, the CRGB's Board may resolve to opt for an accreditation system of these subscribers.

It should be noted however, that even though contracts are legally binding, they can be (and are) broken by the parties – this may even happen by design if a party considers the benefit of breaching the contract outweighs the risk. Any contractual enforcement method (or enforcement of a breach of contract) used by the CRGB will only be as strong as two core principles: i) what is the incentive for an organisation to enter the contract; and ii) what is the deterrent to stop an organisation from disregarding the contract. To use the possible example of subscription number from the previous paragraph, any such mechanism would need to be sufficiently essential to ensure both that organisations sign up to the contract in order to obtain it, and then continue to adhere to the contract in order to avoid losing it.

10.5 IWG recommendation on CRGB powers

The IWG considered what is preferable and what is pragmatic to allow the CRGB to advance. The immediate evaluation of options is clear cut at this point as most are not readily available in the timeline that CRGB is expected to be operational. Therefore, it is proposed that the CRGB should apply contract law. The general view of the IWG was that the CRGB will want all subscribers, including non-fee-paying subscribers, to enter into a contractual relationship with the CRGB. There are different ways that the CRGB could enter into contractual relationships with all subscribers and the efficacy and appropriateness of how the contract should be put in place will be addressed in report three. The contracts will create obligations on each of the parties to work together to support the application and effective implementation of the data sharing scheme rules. In practical terms, this means that the parties will be obliged to actively cooperate, coordinate efforts, and jointly uphold the rules governing data sharing. The precise contract terms will be a subject for a later date and will require significant engagement with impacted parties. Further, specific legal advice on these issues shall also be sought.

The IWG recommend that this subject be kept under review based on changes in the political environment and working experience of the CRGB. The IWG would favour a future review of the source of the CRGB's powers to consider if further statutory underpinning would support the purpose and objectives of the CRGB.

Separately, it is recommended to have the CRGB scheme rules "endorsed" by regulators. Regulatory endorsement could take the form of a memorandum of understanding (MoU) or confirmed industry guidance. In the context of the FCA, several options were reviewed and the most appropriate appears to be the CRGB applying for the scheme rules to be endorsed via the Code of Recognition. Positive discussions have already commenced with Ofwat, Ofgem, Ofcom and ICO on the concept of a MOU. The IWG would recommend that the CRGB progresses these discussions as some form of regulatory endorsement will strengthen the credibility of the CRGB's rules. The IWG's legal advisors have suggested that regulatory endorsements could make the requirement to sign up to the CRGB more compelling. Other implications of this endorsement shall also be assessed upon more discussions with regulators and further legal advice.

Chapter 11: Next Steps

Issuing report two is only part of the process to delivering on the IWG's [Terms of Reference](#). The intent is to continue the assignment with further steps:

- **Publication:** Publication of the report on the IWG landing page. The IWG invite feedback via iwgsecretariat@fca.org.uk. The report will also be shared widely with contributing stakeholders and made available via social media.
- **Consultation:** IWG members will utilise the report to further consult with their stakeholders on the recommendations. The consultation will include a data contributor and user event to be held on 23rd September 2024.
- **Timeframe validation:** In recognition of the time required to undertake the consultation, the IWG will be raising with the FCA the need to revisit the current timeframe for production of report three and report four.
- **FCA consideration:** The report will be shared with the FCA for consideration and interim feedback on any red flags or areas of concern. A full assessment by the FCA will be reserved until the final report is issued.
- **Report three:** Report three focuses on the operationalisation of the recommendations in report one and two. The development of recommendations in report three will validate in practical terms the ability of the transition team to implement the proposals.
- **Transition planning:** Efforts will now be increased with SCOR members to understand the implications of the transition from SCOR to CRGB. Additionally, the FCA will be engaged to enable the appropriate sequencing of industry-led and FCA remedies, in order to ensure an effective and efficient timely future agenda.

In view of the above steps, the recommendations contained in report two may substantially evolve when combined with all other recommendations in the final report.

Appendix A: IWG membership

Name	Job Title	Organisation	Representing	Role
Toke Myers	Head of Legal	Equifax	Large CRAs	IWG Representative
Jane Keyword	Head of Data Governance and Frameworks			IWG Alternate
Paul Cresswell	Director of Privacy & External Governance	Experian	Large CRAs	IWG Representative
Clint Hook	Director of Data Insights & Management			IWG Alternate
Sally Matthews	Senior Counsel	TransUnion	Large CRAs	IWG Representative
Colin Rutter	Consultant			IWG Alternate
Faizan Haq	Senior Policy Manager	Finance and Leasing Association	Trade associations, who's members and users are suppliers of credit information and are mainstream credit providers	IWG Representative
Fiona Hoyle	Director of Consumer and Mortgage Finance & Inclusion			IWG Alternate
Paul McCarron	Principal, Consumer Credit	UK Finance	Trade associations, who's members and users are suppliers of credit information and are mainstream credit providers	IWG Representative
Eric Leenders	Managing Director, Personal Finance			IWG Alternate
Ian Fiddeman	Principal, Personal Credit Policy			IWG Alternate
Jason Wassell	Chief Executive	Consumer Credit Trade Association	Trade associations, who's members and users are suppliers of credit information and are mainstream credit providers	IWG Representative
Naveed Asif	Head of Policy and Advice			IWG Alternate
Neil Allen	Head of Strategy	Crediva	Challenger CRAs	IWG Representative
Neil Williams	Managing Director & Chief Technology Officer	Lending Metrics		IWG Alternate
Will Mason	CEO	Infact Systems		IWG Alternate
Pedro Sousa – Resigned April 2024	Head of Risk and Compliance	ClearScore	CISPs	IWG Representative – Resigned April 2024
Courtenay Escorcio –	Senior Compliance Manager	ClearScore		IWG Representative –

Appointed April 2024				Appointed April 2024
Grainne O'Driscoll	Legal Counsel	Credit Karma		IWG Alternate
Sharon Evans	General Counsel	TotallyMoney		IWG Alternate
Adam Jackson	Director of Policy	Innovate Finance	Alternative credit providers (including BNPL)	IWG Representative
Luke Seaman	Head of Public Affairs (UK)	Klarna		IWG Alternate
Matt Steele	Director, Credit Risk	PayPal		IWG Alternate
Iana Vidal	Head of UK Public Policy	ClearPay		IWG Alternate
Fionn Sharpe	Policy Manager	Fair4All Finance	Consumer groups (consumer finance)	IWG Representative
Jonathan Turner	Technology Strategy and Innovations Lead			IWG Alternate
Peter Tutton	Head of Policy, Research, and Public Affairs	StepChange	Consumer groups (debt advice)	IWG Representative
Richard Lane	Head of External Affairs			IWG Alternate

Appendix B: Consumer group members

Organisation	IWG Consumer Sub-group member	FCA Consumer Network member
Wales Illegal Money Lending Team	✓	✓
England Illegal Money Lending Team	✓	✓
Citizens Advice	✓	✓
Debt Camel	✓	✓
Money Advice Trust	✓	✓
Centre for Responsible Credit	✓	x
StepChange	✓	✓
MaPS	✓	✓
Macmillan	✓	✓
Fair by Design	✓	✓
Money Advice Scotland	✓	✓
Money & Mental Health Policy Institute	✓	✓
Advice UK	✓	✓
Christians Against Poverty	✓	✓
Citizens Advice Scotland	✓	✓
Which?	✓	✓
Surviving Economic Abuse	✓	✓
NASMA	x	✓
Clean Slate/Quids In	x	✓
Age UK	x	✓
Alzheimer's Society	x	✓
Money Advice Liaison Group	x	✓
Citizens Advice Wales	x	✓
Shelter	x	✓
Financial Services Consumer Panel	x	✓
Mind	x	✓

Appendix C: Organisations engaged

- Australian Retail Credit Association (ARCA)
- British Retail Consortium (BRC)
- Commercial Credit Data Sharing Scheme (CCDS)
- Consumer Council for Water (CCW)
- Energy UK
- Enforcement Conduct Board (ECB)
- His Majesty's Treasury (HMT)
- Information Commissioner's Office (ICO)
- Lending Standards Board (LSB)
- Steering Committee On Reciprocity (SCOR)
- The Office of Communications (Ofcom)
- The Office of Gas and Electricity Markets (Ofgem)
- The Water Services Regulation Authority (Ofwat)
- Water UK

Appendix D: Case studies considered

- [Australian Retail Credit Association \(ARCA\)](#)
- [Deutsche Bank](#)
- [Enforcement Conduct Board \(ECB\)](#)
- [Lending Standards Board \(LSB\)](#)
- [LINK](#)
- [Open Banking \(Implementation entity\)](#)
- [PayUK](#)
- [Steering Committee On Reciprocity \(SCOR\)](#)
- [Swift](#)

Appendix E: Remedies for the CRGB to take forward

Remedy	Description
Common data format	A common data reporting format to improve consistency and granularity of credit information across CRAs.
Streamlined access to statutory credit report (SCR)	Streamlined consumer access to credit information, including SCRs, by having one stop for consumers to engage with.
Streamlined disputes process	Streamlined process to help consumers dispute errors in the credit information held on their credit file.
Streamlined Notice of Correction (NoC) and vulnerability markers	Streamlined process for improved consumer outcomes which builds upon existing processes.
More timely reporting of key data to designated CRAs	Provision of an accurate and up-to-date view of consumer credit commitments to further support lenders in making decisions.
Reviewing the Principles of Reciprocity (PoR) and related issues	Complementing the proposed mandatory reporting requirement implemented by the FCA.
Improved Current Account Turnover (CATO) data with updated access arrangements	Assessment of how access arrangements to CATO data can be updated for non-PCA providers, and how CATO data can be improved.

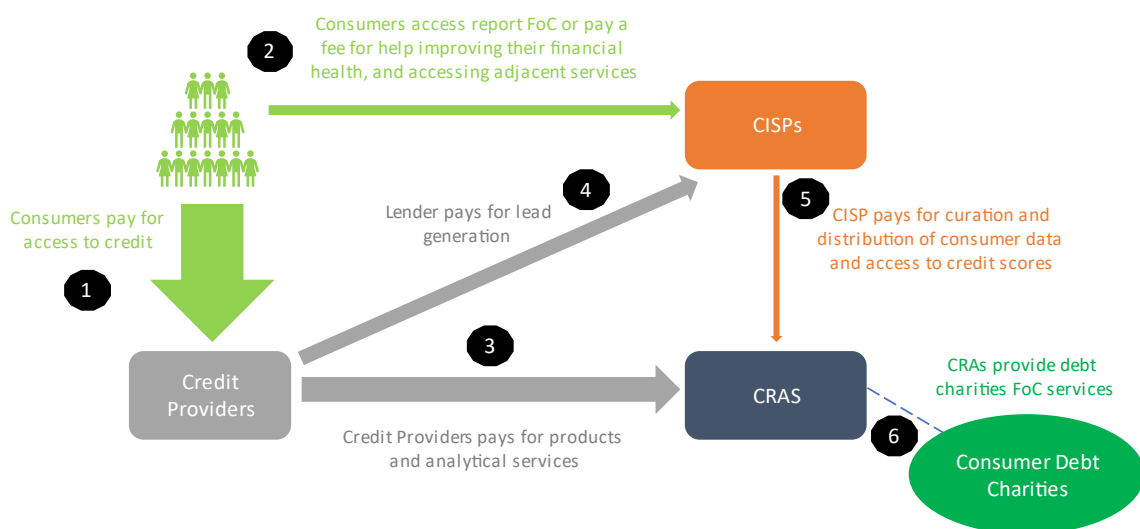
Source: [Credit Information Market Study Final Report](#)

Appendix F: Flow of revenue and data

To enable informed IWG conversation it was important for all IWG members, independent of their credit information experience, to be well informed to be able to fairly represent their cohorts. As part of this process information was shared to set the scene and increase insights.

The flow of revenue related to consumer data

The use of consumer data is the foundation in the creation of several products and services. The below graph seeks to define the money movement resulting from these products and services. The thickness of the arrow denotes the relative size of the flow of money between the parties for the transaction. This example addresses the credit flows and does not cover the use of the data and associated revenue for other products and services.



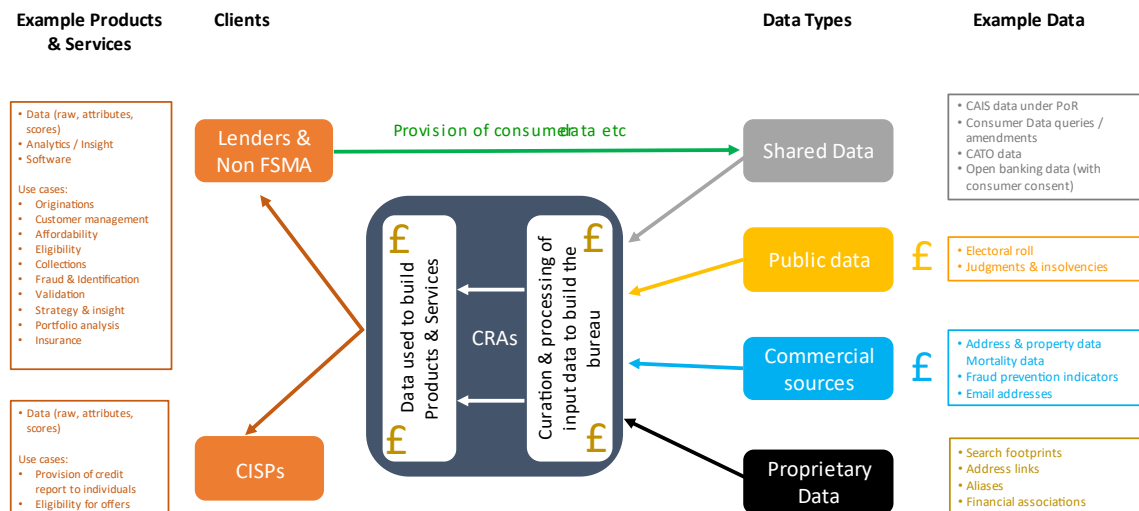
Notes:

1. Thickness of the arrows denotes relative size of fees flowing between the entities
2. Consumer Debt Charities such as Citizens Advice Bureau, take products / services from CRAs, it is usually free of charge (hence the blue dotted line)

1. The consumer pays the lender for the provision of credit. The lender uses the consumer data, usually after the CRA has cleaned and added value, as part of their credit risk assessment. However, it is fair to acknowledge that capital utilisation and acceptance of risk are a major contributor to the lender's revenue.
2. The consumer pays a fee to the CISP to help improve their financial health and to access suitable credit services. The CISP uses the consumer data, which may be consolidated across CRAs, to allow them to identify ways to improve credit ratings and to match consumers to credit products with lenders.
3. The Lender pays the CRAs for the provision of products and analytical services which are based on consumer data. The CRA has invested in the data cleaning and matching, supplemented with other data and analytical capability.
4. The Lender pays the CISP for lead generation which they have created by matching consumers with suitable credit products.
5. The CISP pays the CRA for access to the credit score and consumer data. The consumer data is not anonymised as it is for the consumer but has been subject to cleaning and matching.
6. The Consumer Debt charities gain access to services based on the consumer data free of charge, so no payment passes between the parties.

Industry data flow

The current industry data flows have the CRAs at the centre of the consumer data flow. With that in mind, it is appropriate to outline the difference between the consumer data provided by data contributors and the consumer data available to the data user. This is addressed in the chart below.



The £ symbols indicate a payment for this data by the CRAs. Whilst they do not directly pay lenders for shared data or for their own proprietary data there is a high cost to curate and process all data inputs to create the credit bureau.

The data flows out to clients e.g., lenders in the form of products and services created by the CRAs, which again has a high associated costs (both development, product maintenance and continual innovation).