FINANCIAL CONDUCT AUTHORITY

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Dear Chief Executive Officer,

FCA strategy for Credit Reference Agencies and Credit Information Service Providers

Credit Reference Agencies (CRAs) and Credit Information Service Providers (CISPs) are systemically important to the financial services market. These firms provide a vital service to millions of consumers and businesses, and credit information can have a significant impact on the ability of consumers to access a range of vital financial and non-financial services.

Since we wrote to you in 2023, we have seen ongoing challenges with the rising cost of living. While the economic environment may be easing, we continue to see an ongoing impact on consumers who may be increasingly reliant on credit. The credit information market has an important role to play in facilitating responsible lending decisions, and access to credit.

The use of technology, including artificial intelligence, and alternative data sources, such as open banking, utility payments, and rental history can improve access to credit for those consumers with thin credit files or limited credit exposure. However, as firms continue to onboard more data, there are potential operational and cyber threats that could lead to disruption if firms are not aware of, and responsive to, such risks.

The purpose of this letter is to set out our priority areas of focus for the next 2 years. The aim in doing so is to give some certainty on our regulatory areas of focus. We will of course keep these priorities under review and recognise that we may need to change them if there are other emerging issues. If our main areas of regulatory focus change, we will communicate this to you so that you can plan against them.

Our Priorities

Given the number of consumers who engage with this market, the amount of personal data held, and the potential risks of consumer harm, it is important that firms in this portfolio maintain high standards, particularly in relation to operational and cyber resilience.

Our priorities over the next two years will therefore focus on the following areas:

Firms' embedding of the Consumer Duty

Our ongoing work will be focused on reviewing how the Duty has been embedded across firms in the portfolio and will include testing and gathering evidence of how the Duty is making positive changes in CRAs and CISPs. We have set out the areas our programme of work will focus on below.

Consumer support and understanding

We have concerns that the process of raising a data dispute or complaint can be difficult for consumers to navigate. We have seen instances where a consumer has been passed between a lender, CRA and CISP without resolution. Complaint resolution may also be hindered by how firms are categorising these disputes, leading to poor root cause analysis and a lack of senior management oversight.

The Duty seeks to prevent this poor practice. Section 9 of the Consumer Duty guidance sets overarching guidance about the support firms should provide to consumers. This should be read in conjunction with our Dispute resolution rules.

Over the next two years we will undertake work to understand complaint practices across the portfolio and what actions firms have taken under the Duty to improve outcomes.

Price and fair value

Another area we expect to see improvements in following the introduction of the Duty, is how firms are considering whether there is a reasonable relationship between the price paid by a consumer, and the benefit they receive. As set out in FG22/5, firms also need to consider whether consumers will incur non-financial costs and should not impose unreasonable non-financial costs.

We will continue to assess how firms are meeting this outcome in relation to the different products and services on offer, particularly credit repair, credit builder and subscription models. Firms must monitor and assess the value of their products and services throughout their life, conducting regular reviews of their value assessments and provide us with evidence of this if requested.

Firms' operational resilience

Firms in this portfolio rely heavily on technology to provide products and services. During service outages, consumers may be unable to access their credit information, and for CRAs, failure to provide up to date and accurate credit information could lead to delayed or inappropriate lending decisions.

Effective operational resilience ensures business services can continue to operate even in challenging circumstances, such as disruptions or periods of heightened demand, minimising the impact on consumers and markets.

In our February 2023 letter, we set out the work we had carried out to understand the operational resilience maturity of several firms in the portfolio, which included the completion of an Operational Resilience Questionnaire (ORQUEST). Since then, we have expanded this work to include several smaller CRAs and CISPs. Our review has shown that firms need to better prevent, adapt, respond to, recover, and learn from operational disruptions and we will continue to engage with those firms who have shown significant deficiencies.

Our Operational Resilience Policy, set out in PS21/3, came into force on 31 March 2022. This requires in-scope firms to be able to demonstrate that they remain within Impact Tolerance (ITol) for their Important Business Services (IBSs) in severe but plausible (SBP) scenarios, by 31 March 2025. With less than 3 months until the policy deadline, firms should have made significant progress in meeting these requirements, with defined IBSs and ITols which have been scenario tested to identify vulnerabilities. Where vulnerabilities have been identified, actions should be underway to remediate those vulnerabilities before the deadline.

In May 2024, we published observations and insights on the preparations firms have made towards complying with PS21/3. Whilst the rules are not directly applicable to every firm in the portfolio, all firms can refer to the guidance and key learnings.

Firms' cyber resilience

The FCA is seeing a growing number of cyber-attacks that vary in scale and sophistication. Cyber-attacks risk the confidentiality, integrity, and availability of personal, company and financial information which could be used to commit identity fraud or other financial crime. Such attacks can erode trust among consumers and lenders.

In December 2024, the FCA, Bank of England and Prudential Regulation Authority (PRA) published a report on their joint annual CBEST thematic. The report contains areas firms should focus on to ensure they have adequate resilience capabilities to prepare for, and respond to, cyber incidents.

Firms should have a forward-looking outlook and remain vigilant to technological advances and emerging threats to be able to anticipate potential systems vulnerabilities. As technology and sophistication develops, firms must continue to manage the impact of data breaches and cyber-attacks to effectively protect the data they hold.

You should review the systems and controls, oversight, and monitoring arrangements that your firm currently has in place to ensure they are sufficient to identify weaknesses and vulnerabilities in your firm's environments and enable your firm to take appropriate action to mitigate risk.

Over the next two years we will continue to monitor and test firms' cyber resilience capabilities, including through our intelligence-led penetration testing scheme (CBEST).

Firms' financial resilience

Firms authorised under the Financial Services and Markets Act 2000 must meet our Threshold Conditions and Principles for Businesses, which require firms to have appropriate resources (see COND 2.4 Appropriate resources and PRIN in the FCA handbook). More detail is set out in our framework for assessing adequate financial resources (FG20/1).

You should undertake regular reviews of the adequacy of your firm's capital and liquidity to ensure that your firm has the financial resilience to withstand a range of stress-tested scenarios. You should proactively engage with us as soon as possible if emerging liquidity or capital risks are identified in your business.

In the event of a wind-down, we expect firms to do so in an orderly manner, to minimise the likelihood of harm to consumers and the market. Given the current economic environment, we strongly recommend you have detailed, up-to-date wind-down plans in place, even where you believe you have adequate financial resources, as circumstances can quickly change. Further guidance can be found in the FCA Wind-Down Planning Guide.

All CRAs and CISPs are required to submit the FIN073 – Baseline Financial Resilience Report. We will use a proportionate data-led approach to assess financial resilience risks in firms, resulting in early intervention, where appropriate.

The Credit Information Market Study (CIMS)

The CIMS set out to assess the functioning of the credit information market, focusing on aspects including the quality of credit information, competition and consumer engagement and behaviour.

Since we last wrote to you, the CIMS final report was published in December 2023. This report sets out both proposed new FCA requirements to improve the quality of credit information in the market, and industry-led remedies to primarily be taken forward by the proposed new governance body.

We expect both the FCA led and industry led remedies to drive positive and significant change across the credit information market.

An Interim Working Group (IWG) has been formed with industry representatives, consumer bodies and an independent Chair to produce recommendations to the FCA on the design, implementation, and operation of the proposed new Credit

Reporting Governance Body (CRGB). We will provide detailed feedback to the IWG upon publication of their final report. After this we expect the CRGB to be established by the industry.

Once the new governing body is established, we expect firms to support its work, to achieve a fair and well-functioning credit information market. To help industry in their consideration of progressing the industry-led remedies pending the formation of the CRGB, we have published some principles.

We expect to publish a consultation paper on FCA rules relating to mandatory data sharing, which will include cost benefit analysis and a competition assessment.

One of the key findings of CIMS was that it is not always clear to consumers that free credit information is available through a statutory process, without the need to sign up to subscription services. This may prevent consumers from reviewing their credit information, to identify any inaccuracies or discrepancies, and taking action to correct or address them.

Firms should look at whether the information they are providing to consumers, on the availability of statutory credit reports, meets our expectations under the consumer understanding principle of the Duty. Clear signposting will enable consumers to compare this option against the other subscription-based services, to make an informed choice as to how they access their credit information. We will be monitoring how firms advance this as part of our ongoing testing on how firms have embedded the Duty.

Next steps

You are not required to respond to this letter; however, you should consider how it applies to your business and act as necessary, including discussing this letter with fellow directors and/or board members and agreeing actions to ensure compliance with our rules and principles.

As CEO, the Senior Managers and Certification Regime requires you to ensure that relevant staff at your firm understand our rules and principles for businesses and that your firm complies with them. You must comply with SUP 15 notification obligations and inform the FCA if you are not meeting the rules and standards.

Contact

Please contact us on 0300 500 0597. This is the primary point of contact for your firm's day to-day interactions with the FCA, and further details of how we can be reached are on our website. You can also email us at firm.queries@fca.org.uk.

We recognise there may be instances when your firm faces urgent issues of strategic importance. If this happens, please contact Head of Department, Jonathan Phelan on 020 7066 1470, or Jonathan.Phelan@fca.org.uk. If these contacts are not available, please contact Sunil Thakar, Manager, on 020 7066 5996 or Sunil.Thakar@fca.org.uk.

We look forward to working with the sector to continue to improve standards and market outcomes.

Yours sincerely,

Alison Walters
Interim Director, Consumer Finance
Supervision, Policy & Competition Division