



Consumer credit licence-holders: Population sizing & communications research

Technical Report

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**A research study for the Financial Conduct
Authority**

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Abbreviations

AR	Appointed Representative (firm)
CBA	Cost-benefit analysis
CC	Consumer credit
CCA	Consumer Credit Act
CI	Confidence interval
CP	Consultation Paper
deff	Design effect
DEFT	Design effect statistic
DA	Directly authorised (firm)
FCA	Financial Conduct Authority
FSA	Financial Services Authority
HMT	Her Majesty's Treasury
IP	Interim permission
L-H	Licence-holder
neff	Net effective sample size
OFT	The Office of Fair Trading
SE	Standard error
SRS	Simple random sampling

Glossary

Active	A consumer credit licence-holder was designated as active if they had used their licence in the previous 12 months <i>and</i> stated either that they expected to do so in the next 12 months or that they did not know whether they would do so. This information was ascertained early in the interview, before any description of what licence-holders need to do, as regulation of the market transfers to the FCA.
Active population	The number of standard consumer credit licence-holders estimated to have used their licence in the previous 12 months and either expected to do so in the next 12 months or unsure whether they would do so.
Appointed Representative (AR)	<p>An FCA designation: the Appointed Representative firm acts as an agent for the Principal firm. The Principal must be a firm that is directly authorised by the FCA. The Principal must accept full responsibility, including ensuring that the AR complies with FCA requirements. There must be a written contract between the Principal and the AR documenting this arrangement.</p> <p>FCA ARs are organisations that are existing Appointed Representatives for activities other than consumer credit.</p> <p>Under the full regime, most organisations (excluding lenders for profit and credit reference agencies) will be able to consider becoming an Appointed Representative for their consumer credit activities, if they can identify a suitable organisation to act as their principal.</p>
Cell	Shorthand for: weighting cell.
CF30	The designation applied by the FCA to Approved Persons carrying out regulated activities that fall under the Customer Function. CF30 covers a number of different activities, including: advising on investments; advising on corporate finance business; advising on pension transfers; dealing or arranging deals in investments; advising in relation to Lloyd's syndicates; and acting in the capacity of an investment manager. Some individuals with CF30 status have a consumer credit licence in their own right.
Consumer Credit Act 2006 (CCA06)	The Consumer Credit Act 2006 reforms came into effect in April 2008.

Consumer Credit Act (CCA) 1974	An Act to establish for the protection of consumers a system, administered by the Office of Fair Trading, of licensing and other control of traders concerned with the provision of credit, or the supply of goods on hire or hire-purchase, and their transactions.
Consumer credit licence	A standard licence issued by the OFT under the Consumer Credit Act.
Consumer credit licence-holder	An organisation holding a licence issued under the Consumer Credit Act. Before the implementation in April 2008 of the Consumer Credit Act 2006 reforms, licences were issued for a five-year period; now they are issued for an indefinite period, but are subject to the payment of a five-yearly 'maintenance' payment.
Consumer credit licence category	Consumer credit licences are issued for one or more specified categories of consumer credit activity. There are nine main categories, three of which are further divided so that there are 13 sub-categories in total.
Consumer Direct business activity	The OFT database of licence-holders contains information about the main business activity of some, but not all, licence-holders. The categorisation used is that developed by Consumer Direct, which provides three levels of designation: ultimate business type, broad business type and business type.
Direct authorisation	<p>Under the FCA full regime for consumer credit, organisations will either be directly authorised or be an Appointed Representative of a directly authorised organisation.</p> <p>The nature of direct authorisation will vary between organisations undertaking higher risk activities, who will need to be fully authorised, and those with only lower risk activities who will be eligible for limited permission.</p>
Directly authorised (DA)	An FCA designation: a firm that is directly authorised and regulated by the FCA. Appointed Representatives are not directly authorised by the FCA.
Full regime (FR)	Regulation of the consumer credit market transfers to the FCA from the OFT on 1 April 2014. The period 1 April 2014 to 31 March 2016 is a transition period, during which consumer credit licence-holders will become authorised by the FCA. The period from 1 April 2016 is referred to as the full regime.
Fully authorised	Before 1 April 2016, all consumer credit firms

	<p>with an interim permission that need to carry on regulated consumer credit activities should have applied for authorisation (or a variation of permission), or should instead have become an Appointed Representative. To become authorised, firms must demonstrate that they meet certain conditions. Firms that undertake higher risk activities will become fully authorised, whereas firms conducting lower risk activities will be granted a limited permission.</p>
Future population	<p>Licence-holders who have not used their licence in the past twelve months but expect to do so in the next year.</p>
Group consumer credit licence-holder	<p>In addition to standard licences for individual organisations, the OFT also operates a regime of group licences. Group licences are issued to professional and other altruistic organisations, which are then responsible for regulating the consumer credit activities of their members. Examples include the Law Society of England and Wales and the National Association of Citizens Advice Bureaux. Group licences were out of scope for this research.</p>
Higher risk	<p>Licence-holders are defined as higher risk for this research, according to the risk definitions provided by the FCA. Broadly, higher risk licence-holders are lenders using their own funds; credit brokers and credit intermediaries; debt counsellors/ advisers, debt adjusters and debt administrators; debt collectors; credit information service providers, credit reference agencies, peer-to-peer lending system providers; and secondary credit brokers levying charges or interest or higher costs for instalments.</p>
Inactive population	<p>Licence-holders that have not used their licence in the past 12 months and do not expect to do so in the next year.</p>
Interim permission (IP)	<p>All existing OFT licences will lapse on 31 March 2014. Interim permission is the permission granted to holders of current OFT licences to carry on consumer credit activities from 1 April 2014, if between 2 September 2013 and 31 March 2014 they have notified the FCA of their intention to seek interim permission and paid a fee, where one applies. Organisations already regulated by the FCA will receive an interim variation of permission.</p>
Legal formation	<p>The OFT records in its database of consumer credit licence-holders their legal formation. These are sole trader, partnerships, body</p>

	corporates and other. The legal formation 'other' includes charities, trades unions and other miscellaneous organisation types.
Limited permission	A less intrusive authorisation option for lower risk organisations, with fewer requirements and therefore subject to a lower application fee.
Lower risk	Licence-holders are defined as lower risk for this research, according to the risk definitions provided by the FCA. All licence-holders not engaged in higher risk activities are lower risk.
OFT database	The OFT provided the FCA with a database of all consumer credit licence-holders as at 14 May 2013 which was used as the starting point for the research. The database included contact and other information for the licensed organisations.
OFT total population	The population of 69,950 consumer credit licence-holders contained in the OFT database as at 14 May 2013.
Past population	Licence-holders that have used their licence in the past 12 months but do not expect to do so in the next year.
Pre and Post CCA06	The OFT licensing regime and arrangements changed as a result of the Consumer Credit Act 2006 reforms. The changes came into effect for all new licence applications or renewals from April 2008 onwards. Before the change (which, among other things, introduced an indefinite licence with a periodic 'maintenance' payment) licences had been issued for a five year period. Consequently, not all pre-2008 licences had been renewed by the time of the previous survey in 2012 ; those that had not done so were classified as Pre CCA06, while those that had been renewed, as well as new applications from 2008 onwards, were classified as Post CCA06.
Pre and Post CCA06 (2012)	In order to be able to estimate population sizes and weight research results in a comparable way to the 2012 research, licence-holders were allocated to the CCA06 status, either Pre or Post, which they would have held as at 2 April 2012.
Primary business groups	Five broad groups of licence-holders – Debt advisers, Lenders, Primary brokers, Sellers and Others – are based on their primary business activity: <i>Debt advisers</i> (most not-for-profit debt advisers operate under a group licence and so were not

	in scope for the research).
	<i>Lenders</i> (these are specialist lenders for profit not including organisations whose primary business was the provision of goods and/ or non-financial services who were acting as lenders only in connection with that primary activity).
	<i>Primary brokers</i> (these are specialist brokers not including organisations whose primary business was the provision of goods and/ or non-financial services who were acting as brokers only in connection with that primary activity).
	<i>Sellers</i> (these are non-financial organisations that are involved in consumer credit activities only in support of their core business. The motor trade and other retailers make up a substantial proportion of the total).
	<i>Others</i> (this comprises a mixture of groups each too small for separate analysis. Examples are as diverse as debt collectors and hire companies).
Principal	A directly authorised organisation that appoints and takes responsibility for one or more Appointed Representatives.
Regulatory status	The current regulatory status of licence-holders. Either they are only regulated by the OFT (OFT only) or they are dual regulated and already regulated by the FCA for other activities (directly authorised (DA) or as an Appointed Representative (AR)).
Risk	The FSA's March 2012 Consultation Paper (CP13/7), <i>High-level proposals for an FCA regime for consumer credit</i> , defines the concepts of higher and lower risk activities in Tables 2.2 and 2.3. This research follows the definitions of higher and lower risk set out in the CP, with, as requested by the FCA at the time of designing the questionnaire, two exceptions. The research takes no account of whether a licence-holder is not-for-profit. The research does not, for secondary credit broking, explore whether 'the lower-risk activity does not include broking carried on in the consumer's home on more than an occasional basis.'
Standard consumer credit licence-holder	An organisation recorded in the OFT database as holding a consumer credit licence.
Transfer date	On 1 April 2014 regulation of consumer credit activities transfers from the OFT to the FCA.

Trade body member	Licence-holders that are members of one or more trade bodies. The trade bodies of which they are members have been categorised into three types: <i>FCA type</i> for financial services trade and professional bodies with which the FCA, and the FSA before it, has an established relationship; <i>Other financial type</i> for financial bodies with which the FCA is establishing relationships as it takes on consumer credit regulation; and <i>Other type</i> for other bodies, that are largely retail-focused.
Weighting cell	All sampled organisations were identified to one of eight weighting cells. These were the four legal formation groupings each divided between Pre and Post CCA06 (2012) status.

Research terms

Confidence interval (CI)	The range within which a survey statistic falls 95% of the time, based on interviewing a sample of licence-holders.
Deff	The design effect introduced by complex sampling techniques and consequential weighting.
DEFT	The design effect statistic used in confidence interval calculations.
Neff	The impact of the design effect on the sample size of complex sampling design, indicating the sample size equivalent for a survey conducted with simple random sampling.
Standard error	The standard error is the standard deviation (a measure of variation from the average) of the sampling distribution of a statistic.
Weighting cell	All sampled organisations were identified to one of eight weighting cells. These were the four legal formation groupings each divided between Pre & Post CCA06 (2012) status.

1 Introduction

This report describes the methodology employed for the Financial Conduct Authority's (FCA's) research study, *Consumer credit licence-holders: Population sizing & communications research. Key Findings*, which was conducted in 2013 by Critical Research Limited.

This chapter describes briefly the research background and objectives. Further details are available in the *Key Findings* report.

1.1 Background – transfer of responsibility for regulation of consumer credit

The regulation of retail financial services is split between the Financial Conduct Authority (FCA) (regulating a wide range of firms including those that provide investments, banking, payment services, pensions, mortgages and insurance) and the Office of Fair Trading (OFT) (which, among other things, regulates consumer credit organisations providing, for example, overdrafts, personal loans, payday loans and debt collection services).

In January 2012, the government published the Financial Services Bill¹ which announced its intention to transfer the regulation of consumer credit from the OFT to the FCA, provided that a model of FCA regulation that is proportionate for the different segments of the consumer credit market could be developed. Following passage of the Bill,² Government subsequently confirmed its intention to proceed with the transfer which will now take place on 1 April 2014.

In March 2013, the FCA's predecessor, the Financial Services Authority (FSA), published its consultation paper CP13/7, *High-level proposals for an FCA regime for consumer credit*, describing how the FCA proposed to carry out its new functions to regulate the consumer credit market as the successor to the OFT. *Inter alia*, the new regime will be tailored to the risks of the consumer credit markets, minimising burdens on industry where risks are lower.

The consultation paper also outlines the intended process for the transfer of consumer credit regulation from the OFT to the FCA. Consumer credit licence-holders are required to notify the FCA, through an online process, of their intention to apply for 'interim permission' to continue providing consumer credit business from 1 April 2014.³

The interim permission regime will end on 31 March 2016, by when, in order to be able to carry on conducting consumer credit activities, licence-holders will need to have applied to become authorised by the FCA for consumer credit business, or become an Appointed Representative for the same. The research described to licence-holders the likely dates during which they would need to become authorised or an Appointed Representative as October 2014 to October 2015.

¹ http://www.hm-treasury.gov.uk/fin_financial_services_bill.htm.

² <http://www.legislation.gov.uk/ukpga/2012/21/contents/enacted>.

³ The online process for notifications is open from 2 September 2013 to 31 March 2014.

Compared with the interim permission regime, which lasts till 31 March 2016, the FCA's regime for consumer credit regulation from 1 April 2016 is referred to as the full regime.

For both stages of the transfer (interim permission, and authorisation or becoming an Appointed Representative) licence-holders, with some exceptions, will need to pay a fee.

The FCA needs to plan to have in place the right staff and resources, to regulate the organisations that seek interim permission and those that become authorised for consumer credit business under the full regime.

Research among existing licence-holders was required, therefore, to understand how many may choose to notify for interim permission and to seek to become authorised or an Appointed Representative under the full regime and, additionally, to understand their requirements for information about the transfer and the processes involved.

1.2 Research objectives

The FCA commissioned this research to address two primary business objectives:

- Understanding the size and segmentation of the consumer credit market, and the proportions likely to notify for interim permission and apply for the full regime.
- Designing the programme of communications required to inform licence-holders about the transfer and the actions they will need to take to become regulated by the FCA.

The **sizing objectives** of the research were to estimate:

- How many consumer credit licence-holders listed in the OFT database were still trading.⁴
- How many of those trading organisations were active, i.e. had used their consumer credit licence in the past 12 months and, prior to any discussion of the transfer of regulation to the FCA, expected to do so in the next 12 months or were unsure whether they would do so.
- How many trading organisations wished to remain regulated beyond March 2014, regardless of whether they were currently actively offering consumer credit services, again prior to any discussion of the transfer of regulation to the FCA.
- How many organisations expected to notify the FCA for interim permission.
- How many of the organisations expecting to have an interim permission were also intending to be regulated by the FCA under the full regime, and whether they were likely to become authorised by the FCA or preferred the alternative of becoming an Appointed Representative. It was anticipated that many licence-holders may not be certain about their intentions this far hence, and consequently it was recognised

⁴ Under the OFT licensing regime it is not unusual for organisations to have only infrequent contact with, or from, the regulator. Consequently, it was inevitable that some of the organisations listed as licence-holders in the database would have ceased trading in the period since they last had contact with the OFT.

that only a broad indication would be possible of the number of organisations that would want to be regulated for consumer credit under the full regime.

The **communications objectives** of the research were to gauge licence-holders':

- Attitudes and disposal towards the FCA.
- Awareness of the forthcoming change in regulation and change in the regulator.
- Understanding of what they need to do, by when, in order to notify for interim permission.
- Preferences for engagement: through which channels and from what organisations do they wish to receive information about the transfer.
- Expectations about the information they need in order to decide whether to transfer to the FCA.
- Initial reactions to the interim permission regime, including when they might notify and what would encourage early notification.

2 Overview of the research methodology to provide the population size estimates

This chapter briefly summarises the different inputs and the sequencing of the research programme. Technical details of each element, and the contribution they made to the overall methodology, are provided in subsequent chapters.

In addition to the randomly drawn sample used for the research to estimate the sizes of the various populations, additional non-random interviewing was conducted to provide larger sample sizes in two segments (Lenders and Debt advisers) specifically for use by the FCA Communications team. The results from the non-random interviews are not reported in *Consumer credit licence-holders: Population sizing & communications research. Key Findings*. **Consequently, details of the non-random interviews and interviewing process are not included in this technical report.**

2.1 The OFT database and sampling

The starting point for the research was the comprehensive database of 69,550 consumer credit licence-holders, as at 14 May 2013, which was provided to Critical Research by the OFT.

Analysis of this database revealed that many of the organisations listed lacked valid contact details (specifically, telephone numbers) which would jeopardise the ability to draw a truly random sample. As a first step to ameliorate this problem, a 'firm-matching' process was undertaken, seeking to identify organisations in the OFT total population which were also FCA regulated. As the FCA typically holds more detailed contact information than the OFT, in many cases where there was a 'match' it was possible to augment the contact information held by the OFT with that drawn from FCA records.

Furthermore, the FCA engaged a data contractor (Experian) to provide additional contact information (telephone numbers and email addresses) and to improve postal addresses, wherever possible.

Following these processes 54,701 licence-holders out of 69,550 (79%) had a telephone number.

A random sample of 4,080 organisations was drawn from the improved database, stratified by eight sampling cells,⁵ to enable survey results to be weighted and grossed up to the relevant estimated populations.

There was still a sizeable proportion of organisations in the drawn sample that lacked contact information: specifically, 984 lacked a telephone number (24%). Consequently, these organisations were sent to a specialist telephone number agency,⁶ searched for on the internet and/ or checked against a proprietary database, Riskdisk,⁷ to seek to ascertain:

⁵ See Table 3.4.

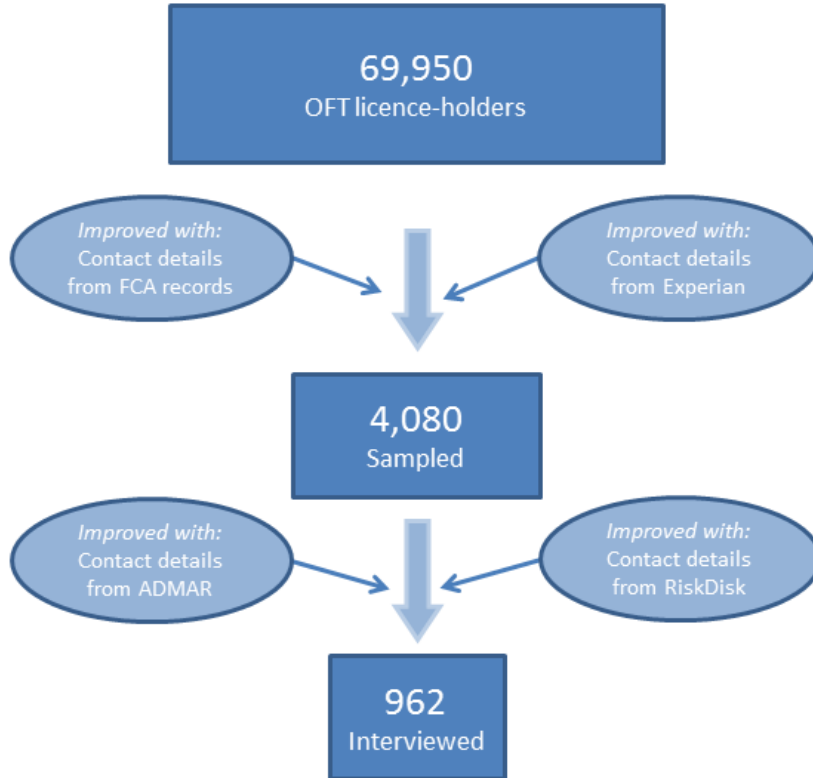
⁶ ADMAR <http://www.admar.co.uk/>.

⁷ www.riskdisk.com. This product was chosen because previous experience of using it suggested it is the most comprehensive solution available. Furthermore the web-based interface allows quick searching and access to up-to-date results.

- Whether they were still in business/ trading.
- If they were still trading, whether contact details (specifically telephone number) could be identified for them.

These processes yielded a valid random sample for the research by reducing the incidence of un-contactable organisations to 284 (7%) and also contributed to estimating the proportion of the OFT total population that comprise organisations still trading.

Figure 2.1 Improving the OFT database for sampling and interviewing



2.2 Data capture methodology design

A pilot was conducted to test the draft questionnaire for comprehension, and specifically to confirm that the concepts of notifying for interim permission and of becoming authorised or an Appointed Representative could be communicated over the telephone. Thirty-one interviews were conducted, and as a result some small changes were made to the questionnaire to ensure that the wording used was appropriate and unambiguous and that the correct routing was applied. Post-pilot changes were minor, such that the 31 interviews could be included in the final research sample, without call-backs being necessary.

2.3 Data capture

The project was designed with a target of completing at least 950 random interviews to enable the results to be grossed up to produce valid estimates of the total population of consumer credit organisations.

From the sample of 4,080 organisations selected at random, a total of 962 licence-holders completed a telephone interview. All licence-holders able to confirm that their

organisation held a licence were eligible for the interview. Those who were not able to confirm this information or who maintained they did not hold a licence (77), were screened out; they were not interviewed and did not count among the 962 interviews.

2.4 Data analysis

Once 500 interviews had been completed, interim analysis of the results was conducted, on an unweighted basis, providing early feedback to inform communications with licence-holders planned for mid July.

When final interviewing was complete, analysis was conducted initially to calculate how many of the 69,550 licence-holders in the OFT total population were still in business – the ‘trading’ population (See Section 5 for details of this analysis). This was necessary to ensure that the results of the survey were not grossed up to an inflated total universe that included some organisations that were no longer in existence.

Next, the survey results were used to identify what proportion of the trading population, and therefore how many organisations, would be likely to notify for interim permission and to seek to be regulated under the full regime.

3 Sampling from the OFT total population of consumer credit licence-holders

This chapter describes the approach taken to designing the sample for the survey, using the OFT database of CC licence-holders as the initial sample frame.

3.1 The OFT database

The starting point for the survey was the official OFT database of consumer credit licence-holders as of 14 May 2013. This database was the sole source of sample for the survey and served as the starting point for all market sizing and weighting calculations.

There were a total of 69,550 licence-holders on the database.

3.1.1 Legal formation

All organisations in the database were identified to one of four legal formation categories. These were:

- Sole traders (A).
- Partnerships (B).
- Bodies corporate, either from inside the UK (C) or outside the UK (E), together referred to as Corporates.
- Others (D).

Those in the 'Others' category included trade unions, charities and other miscellaneous organisations.

Since this information was held for all licence-holders, it was one of the characteristics used to define the sampling cells employed for weighting purposes.

3.1.2 Pre or Post CCA06 (2012)

This was the other characteristic used to define sampling cells.

The OFT licensing regime and arrangements changed as a result of the Consumer Credit Act 2006 reforms. The changes came into effect for all new licence applications or renewals from April 2008 onwards.

Before the implementation of the change, licence-holders were not prevented from applying for a licence to cover all the different consumer credit activities, even if they did not intend to be involved in them all. Since 'CCA06', the OFT has challenged new licence-holders and those renewing their licence who appear to have requested more categories than are required, or inappropriate categories, particularly where the categories selected are deemed to be high risk in OFT terms. In addition, applicants may be required to answer supplementary questions about the use of some of these categories.

As the Post CCA06 application/ renewal process was more rigorous, it was believed that there were likely to be significant differences in the proportions of Pre and Post CCA06 licence-holders who, for example, were actually using their licence. This was particularly relevant when we conducted the research in 2012: at that time a third of the licence-holders recorded on the OFT database were Pre CCA06.

Before the reforms, licences had been issued for a five-year period. After the change, the licence was valid indefinitely, but maintenance payments were required every five years. This means that almost all licence-holders as of 1 April 2013 should be 'Post

CCA06': they will have taken out their licence or made a maintenance payment on their existing licence since April 2008. In fact, there were 771 licence-holders (or 1% of the total of 69,550) marked on the OFT database as Pre CCA06 at 14 May 2013, largely for legitimate reasons.⁸

Given the very low numbers of remaining Pre CCA06 organisations in 2013, a Pre/ Post CCA06 stratification as at May 2013 would not be appropriate as it could not sensibly be used to split licence-holders into reasonably-sized cells for sampling and weighting purposes. However, as the Pre/ Post CCA06 stratification was a very useful method for sampling and weighting purposes in the 2012 study, we wished to retain it this year to ensure that the results of the two surveys could be compared.

Consequently, we decided to use Pre/ Post CCA06 status *at the time of the 2012 survey* to draw up our sampling and weighting cells for this year's research for all organisations that were on both the 2012 and 2013 databases.

Additionally, it was necessary to establish which licence-holders were new since the OFT database was drawn in 2012 so that they could be allocated as Post CCA06 (2012). Both 2012 and 2013 databases were compared by licence number; in this way 8,027 new licence-holders were flagged and categorised as Post CCA06 (2012).

3.1.3 Initial licence issue date and (where appropriate) most recent renewal date

Virtually all records in the OFT database included the initial date when a licence was issued to the organisation and also the date by which the latest renewal or maintenance payment was due.

This information was used, in conjunction with unpublished analysis conducted by the OFT, to provide reassurance as to the representative nature of the organisations sampled and interviewed. This process is reviewed in Section 6.3.

⁸ There are three reasons why a current licence might legitimately appear as Pre CCA06: (1) A new application was received before April 2008, but issued afterwards, and the expiry date had not yet passed, (2) A renewal application had been received but not yet granted, (3) Data errors.

3.2 Sampling

The information available from the OFT database was used to decide the design of sampling cells and helped to inform the target distribution of interviews across those cells.

3.2.1 Sampling cells

For market sizing and weighting purposes it was necessary to be able to segment the entire database using information which was available for all licence-holders. For this research, as indicated, we decided to use the same variables used in the 2012 study - 'legal formation' and 'Pre/ Post CCA06 (2012) status'. The advantage of using the same segmentation variables as used in the 2012 study was that we knew these variables show differences in behaviour and intention.

This gave eight cells (Pre or Post CCA06 (2012) status for each of four types of legal formation): referred to as the 'weighting cells'. The distribution of the 69,550 licence-holders across the eight cells is shown in Table 3.1.

Table 3.1 The OFT consumer credit licence-holder population as at 14 May 2013

Legal formation	Pre CCA06 (2012)	Post CCA06 (2012)	Total
Sole traders	1,932	18,558	20,490
Partnerships	637	4,737	5,374
Corporates	5,163	36,997	42,160
Others	291	1,235	1,526
Total	8,023	61,527	69,550

These OFT total population figures were used as the basis of the population sizing exercises and the weighting regime.

3.2.2 Deciding on and drawing the random sample

A stratified random sampling approach was used to ensure that every organisation within each of the eight weighting cells had, for its cell, an equal (and known) chance of being selected. In a stratified random design, interviews are not distributed randomly **between** cells (a deliberately higher proportion of organisations are interviewed in some cells than others) but **within** cells organisations are chosen entirely at random.

The sampling design employed was based on the OFT population in each of the eight sample cells and the estimated likely contact and success rates in achieving interviews, within each cell (based on experience from the 2012 study). This information was combined to create a 'target' number of interviews for each sample cell to distribute the expected total achieved interview size (950) in a statistically efficient way

The profile of interviews targeted to be achieved by sampling cell, to provide a statistically efficient design, was based on the following equally important principles:

- There are no analysis segments that can be more effectively represented by boosting in any of the 8 sampling cells.

- A minimum of 30 interviews in each cell (a lower sample size would risk unquantifiable sampling errors).
- A distribution closely reflecting the population, to reduce the size of the weights to be applied.

Table 3.2 below shows the distribution of interviews the sampling would be likely achieve.

Table 3.2 Target distribution of the 950 random interviews

Legal formation	Pre CCA06 (2012)	Post CCA06 (2012)	Total
Sole traders	40	230	270
Partnerships	30	60	90
Corporates	65	460	525
Others	30	35	65
Total	165	785	950

The profile of the stratified random sample selected (separate random samples within each cell) is shown in Table 3.3.

Table 3.3 Stratified random sample selected

Legal formation	Pre CCA06 (2012)	Post CCA06 (2012)	Total
Sole traders	400	800	1,200
Partnerships	190	210	400
Corporates	460	1,780	2,240
Others	160	80	240
Total	1,210	2,870	4,080

Consequently, the number of pieces of sample drawn by cell per interview for the target number of interviews is as shown in Table 3.4.

Table 3.4 Number of pieces of sample drawn at random per target interview by cell

Legal formation	Pre CCA06 (2012)	Post CCA06 (2012)	Total
Sole traders	10.0	3.5	4.4
Partnerships	6.3	3.5	4.4
Corporates	7.1	3.9	4.3
Others	5.3	2.3	3.7
Total	7.3	3.7	4.3

As shown, there were variations by weighting cell in the estimated sample required to achieve each interview. These reflected differences in the availability of telephone number details⁹ and anticipated differences in response rates (based on experience from the 2012 survey). Both of these implied a need to over-sample within the PreCCA06 (2012) cells, to give us a greater chance of achieving the targeted number of interviews within these cells. Once we had drawn random samples for each of the eight cells, the sampled records were themselves randomly sorted and released in tranches. This ensured that the sample employed would be representative throughout the fieldwork period, regardless of the proportion of the drawn sample that was finally used.

The proportion of the starting population sampled at random in each cell is shown in Table 3.5.

Table 3.5 Proportion of the OFT total population sampled at random in each cell

Legal formation	Pre CCA06 (2012)	Post CCA06 (2012)	Total
Sole traders	21%	4%	6%
Partnerships	30%	4%	7%
Corporates	9%	5%	5%
Others	55%	6%	16%
Total	15%	5%	6%

Releasing randomly selected sample tranches in batches ensured that response rates were kept at the highest levels possible. Call-backs and appointments during the fieldwork period were managed to maximise the likelihood that sampled individuals

⁹ The availability of telephone numbers in the OFT database, despite the improvements described in Section 3.3, varied by cell from 39% with telephone numbers amongst Pre CCA-06 (2012) Sole Traders to 88% amongst Post CCA06 Partnerships.

who were more difficult to contact were eventually interviewed, as opposed to being replaced by new sample.

The proportions of the total drawn sample that were not used are shown in Table 3.6. Sample is considered not to have been 'used,' if no telephone number details were available or where contact details were available but no attempt was made to invite the organisation to participate in the survey.

Table 3.6 Proportions of total sample drawn that were not used

Legal formation	Pre CCA06 (2012)	Post CCA06 (2012)	Total
Sole traders	61%	13%	34%
Partnerships	43%	8%	21%
Corporates	38%	7%	18%
Others	35%	11%	27%
Total	45%	9%	24%

3.2.3 Sampling for the pilot

Two hundred records from the randomly drawn sample of 4,080 licence-holders were made available for the pilot exercise. Any contacts made for which an interview was not completed at the end of the pilot were put forward for the survey.

3.3 Enhancing contact details

A sizeable proportion of OFT licence-holder records did not include details of telephone numbers. Addressing this problem was crucial to the accuracy and robustness of the population sizing and survey research since organisations without telephone numbers would not have a chance to participate in the survey. That, in turn, would mean that a truly random sample could not be used. Consequently, multiple steps were undertaken to enhance the contact details available.

3.3.1 Processes used to add contact details to the database

The FCA had spent considerable effort improving contact details for the database of OFT licence-holders as at February 2013.¹⁰ To improve the contact information and accuracy of data, such as trading address and contact name, they employed the several processes to facilitate contacting firms in different ways.

- Information sourced for the 2012 research was appended.

¹⁰ This extract comprised 71,487 licence-holders, slightly more than the starting database used for the research drawn in May 2013.

- A process of matching OFT organisations against FCA details for FCA directly authorised and AR firms. This included cross-referencing individuals that were listed as OFT licence-holders who also appeared in FCA records as CF30s.
- An external specialist, Experian, cleansed the database to ensure postal address and telephone number were accurate where present, and appended where missing.

Enhanced contact information yielded through these processes was appended to the starting database used for the research.

The May 2013 database used for the research included 2,335 licence-holders who had joined since February. No improvements were made to their records because as new licence-holders, their business name and address were likely to be accurate, but they lacked telephone numbers. These were appended using ADMAR (see Section 3.3.2 below).

3.3.2 Filling contact information gaps for sampled organisations

Once the random sample of 4,080 records had been drawn, a number of further steps were taken to add telephone contact details.

Firstly, all drawn sample that still lacked a telephone number (984) was put through a telephone number look-up process via ADMAR.¹¹ Two processes were conducted:

- Cross-matching of the three postal addresses¹² provided on the OFT May database against databases of telephone numbers, to source a suitable telephone number.¹³
- Manual searches of company name and address using search engines to source company web pages, in order to find a telephone number.

Even after these processes, however, a proportion of the drawn sample still lacked telephone contact details (448 out of 4,080, or 11%).

All of these 448 organisations were then put through a further, detailed manual process to try to locate telephone contact details using the Riskdisk¹⁴ credit information service.

The final outcome of these processes was that 411 out of the 4,080 sampled organisations (10%) could not be contacted, as they lacked a telephone number.

Whilst these organisations could not be contacted for the survey, they were accounted

¹¹ See www.admar.co.uk for details of this service.

¹² The OFT database, improved by Experian, has address details for the principle place of business, a trading address, and a correspondence address. Often these were the same address.

¹³ ADMAR are one of a select group of companies licensed to access the BT OSIS Database for Teleappending purposes. BT OSIS is used by all UK 118 providers, is updated daily and includes Directory Enquiry Request Only numbers and Ex-Directory information.

¹⁴ Riskdisk is an Experian-owned company formed in 1999 as a credit reference agency. It provides detailed company information based on Experian's own records and Companies House information in order provide a risk assessment for businesses and consumers. In this capacity it forms a near complete and up-to-date source of trading and recently wound-up corporate organisations. See www.riskdisk.com for further details of this service.

for when calculating the trading population¹⁵. Separate analysis (see Section 6.3) provided reassurance that interviewed organisations were representative of the total population; consequently, the inability to contact those lacking telephone numbers has not jeopardised the validity of the survey.

¹⁵ See Table 5.2 (*Found on Riskdisk as 'not trading' and Looked for on Riskdisk and not found – excluding sole traders*) and Table 5.3 (*Total 'not found'*) for details of how these organisations were handled when estimating the trading population.

4 Data collection methodology

The survey was conducted exclusively by telephone interviewing. Where requested – and most did so – respondents were issued (via email) with a reassurance letter, explaining the genuine nature of the research, its purpose and how they were able to find out more information.¹⁶ A copy of the letter is included in Appendix A.

The questionnaire for the survey was finalised after an initial pilot of a draft version; it was designed with input and sign-off from several different consumer credit workstreams at the FCA.

4.1 Pilot

A total of 72 licence-holders were contacted over two days, 31 of whom completed a telephone interview. All interviews were completed with an interviewer describing, and where necessary clarifying, the steps involved for notification of interim permission and the options of becoming authorised or an Appointed Representative.

Each pilot interviewee was given the opportunity to provide feedback on how they felt the questions worked, and what changes could be made to the script, to make it more straightforward to answer.

On completion of the pilot, interviewers also provided debriefing information and the questionnaire was reviewed, based on listening to interviews and the feedback from interviewers and respondents. As a result, some small changes were made to the routing and question wording. The changes made were minor such that it was justifiable to retain the pilot interviews in the total achieved interviews.

The questionnaire as modified post-pilot, including the screening questions used, is provided as Appendix B.

4.2 Respondent role

The individual respondent sought was *'the person responsible for compliance issues'* and it was confirmed with the nominated person that they were *'the person best placed within your organisation to speak to about your organisation's consumer credit licence'*. In small businesses it was typically the owner or a senior director/ partner who participated; in larger organisations respondents included financial and other directors and compliance officers.

4.3 Telephone interviews achieved

In total, 962 telephone interviews were conducted of which 944 were with organisations intending to keep their licence past March 2014.¹⁷ The distribution of the 944 interviews achieved by weighting cell, compared with the initial predictions set (which are provided in Table 3.2, and here for ease of reference in parentheses), is shown in Table 4.1.

¹⁶ A total of 923 letters were emailed to licence-holders.

¹⁷ The 18 organisations not intending to keep their licence past March 2014 were only asked a small number of questions and so did not complete a substantive interview.

Table 4.1 Random interviews achieved with organisations intending to retain licence (compared with sample design)

Legal formation	Pre CCA06 (2012)	Post CCA06 (2012)	Total
Sole traders	50 (40)	196 (230)	246 (270)
Partnerships	34 (30)	65 (60)	99 (90)
Corporates	67 (65)	464 (460)	531 (525)
Others	35 (30)	33 (35)	68 (65)
Total	186 (165)	758 (785)	944 (950)

Although the anticipated number of interviews was not reached for Post CCA06 (2012) sole traders, this was not a concern; the absolute sample size is large and the level of weighting required given the number of interviews achieved was minimal (see Section 7).

4.4 Timetable

The fieldwork dates for each stage were as shown in Table 4.2.

Table 4.2 Fieldwork dates

Stage	Date from	Date to
Pilot	29 May 2013	30 May 2013
Random interviews	03 June 2013	19 July 2013

Part of the objective of the survey was to provide a benchmark of awareness prior to FCA communications beginning. In the event, only 31 interviews were conducted after the first FCA letters to licence-holders were mailed on 15 and 16 July, so the entire sample has been included in analysis of awareness levels.

4.5 Response rates

Response rates for the random survey were calculated separately for each of the eight weighting cells.

The response rate was calculated as the percentage of those who reached the stage of being asked to take part in an interview who did participate, rather than refusing to do so. Details are given in Table 4.3.

This shows, for example, that of a total of 4,080 organisations, 962 completed an interview (24% of the total sample), compared with 1,007 refusals (25% of the total sample). Therefore, the overall response rate 49% (962 out of 1,969).

Table 4.3 Details of random sample utilisation

	Pre CCA06 (2012)				Post CCA06 (2012)				Total
	Sole trader	Partnership	Corporate	Other	Sole trader	Partnership	Corporate	Other	
Interview	51	34	68	35	200	67	474	33	962
Refused	47	31	79	31	225	61	514	19	1,007
Contact details available, organisation contacted, but interview not completed ¹⁸	158	109	250	85	246	72	724	28	1,672
Contact details not available	137	15	3	0	91	5	33	0	284
Not trading ¹⁹	7	1	2	0	38	5	35	0	88
Sample not contacted ²⁰	0	0	58	9	0	0	0	0	67
Total sample drawn	400	190	460	160	800	210	1780	80	4,080

From the random sample utilisation, the responses rates can be calculated and are show in Table 4.4.

Table 4.4 Response rates

	Pre CCA06(2012)				Post CCA06(2012)				Total
	Sole trader	Partnership	Corporate	Other	Sole trader	Partnership	Corporate	Other	
Interview	51	34	68	35	200	67	474	33	962
Refused	47	31	79	31	225	61	514	19	1,007
Response rate	52%	52%	46%	53%	47%	52%	48%	63%	49%

¹⁸ This included: appointments that were not kept, duplicate entries, engaged, no answer, wrong telephone numbers, unobtainable telephone numbers and those willing to participate but not available during the fieldwork period.

¹⁹ This included organisations which informed the interviewers they were no longer trading (71 in total); additionally this includes organisations with no contact details which were found not to be trading during the Riskdisk exercise described in Section 5.1.2 (17 in total).

²⁰ These are records drawn from the OFT database where no contact was attempted.

4.6 Improving the accuracy of data on regulatory status

In 2012 it was clear some consumer credit licence-holders firmly believed holding an OFT consumer credit licence afforded them FCA (FSA as it was then) regulated status and so they claimed to be FCA DA or AR when they were not. Similarly, some organisations stated that they were not FCA DA or AR but were found, on checking against FCA records, to be so.

Verification exercises were undertaken to counter these inaccuracies. In the case of organisations claiming to be FCA DA or AR:

- Respondents were asked for their FRN²¹ during the interview, and interviewers checked it was in the correct format (6 digits, no letters)
- Responses were then verified against FCA records²²

Mostly, it was clear whether the licence-holder was FCA regulated or whether they were mistaken. However, in about 10 per cent of cases there was some conflicting information, such as the FRN provided did not quite match or an organisation claiming to be FCA regulated could not provide an FRN. These cases were referred back to the FCA for more comprehensive checking.

In the case of all organisations claiming to be neither FCA DA nor AR, a cross-check was conducted against the full FCA lists to confirm that was the case.

Consequently, in total, the following matching rules were applied:

If licence-holder claims to be DA:

check FRN on DA and AR lists / if no FRN check company name and/or postcode on DA and AR lists

if FRN = consumer credit licence number, mark as "not FCA"

if FRN close match, assume a match, and follow rules below

if FRN found on DA list, or company name AND postcode both match DA list, mark as "correct"

if FRN found on AR list, or company name AND postcode both match AR list, mark as "incorrect" and update to "AR"

if FRN not found and financial organisation, mark as "not sure check with FCA"

if FRN not found and not financial organisation, mark as "Incorrect" and "Not FCA"

If licence-holder claims to be AR:

check FRN on DA and AR lists / if no FRN check company name and/or postcode on DA and AR lists

if FRN = consumer credit licence number, mark as "not FCA"

if FRN close match, assume a match, and follow rules below

if FRN found on AR list, or company name AND postcode both match AR list, mark as "correct"

²¹ All FCA DA and AR firms have a unique, 6 digit FRN or Firm Reference Number.

²² FCA records of all directly authorised and Appointment Representative firms were made accessible for this purpose.

if FRN found on DA list, or company name AND postcode both match DA list, mark as "incorrect" and update to "DA"

if FRN not found and financial organisation, mark as "not sure check with FCA"

If FRN not found and not financial organisation, mark as "Incorrect" and "Not FCA"

If claims to be neither DA nor AR (i.e. not FCA regulated):

check company name and/or postcode on DA and AR lists

if no exact match found, mark as "correct"

if found on AR or DA list, mark as "not sure check with FCA"

Those organisations referred to the FCA were subject to detailed checking across multiple databases. One additional issue emerged during the FCA checking; some licence-holders were found to be neither FCA DA nor AR but they were listed as CF30s. These were recorded as such but, for analysis purposes, the small number involved (7 interviews) have been amalgamated with the FCA AR organisations.

At the end of this process, the current regulatory status for each licence-holder was classified as either:

- FCA DA
- FCA AR or FCA CF30
- Not currently regulated by the FCA (also referred to as 'OFT only')

5 Sizing the trading population

It was inevitable that the OFT database would include some organisations that no longer existed. This is because:

- The OFT may have little or no contact with licence-holders between requesting and receiving licence maintenance payments, each of which only occur every five years.
- Organisations that cease trading typically do not notify the OFT in order to surrender their consumer credit licence.

Obviously, continued inclusion of organisations that were no longer trading (i.e. effectively did not exist) would mean that the survey results would be 'grossed up' to an artificially high estimate of the true number of consumer credit licence-holders. Consequently, it was necessary to estimate the proportion of licence-holders on the OFT database who were no longer trading so that the survey results could be 'grossed up' accurately.

The following steps were used to estimate how many organisations were still trading at the time of the survey.

5.1 Processes to determine whether sampled organisations were trading

A number of steps were taken to ascertain, as far as possible for each sampled organisation, whether or not it was still trading.

5.1.1 Telephone contact

Wherever a sampled telephone number was called, information was gathered to determine whether or not the organisation associated with that number was still trading; in some instances, although the telephone number was working it was found that the licensed organisation was no longer trading.

5.1.2 RiskDisk

Organisations without telephone numbers, were searched for in the RiskDisk database (see Section 3.3.2). As RiskDisk is more accurate for corporates than for the other legal formations, different procedures were adopted to reflect that.

In the case of corporates searched for in RiskDisk:

- Those identified as trading in RiskDisk were assumed to be *trading*
- Those identified as not trading were assumed to be *not trading*
- Those not found in Risk Disk were assumed to be *not trading*

In the case of the other legal formations:

- Those identified as trading in RiskDisk were assumed to be *trading*
- Those identified as not trading were assumed to be *not trading*
- Those not found in RiskDisk were referred for further, internet-based searches

5.1.3 Internet searches

Structured internet searches were conducted in the case of 607 non-corporates that had not been contacted by telephone or found on RiskDisk, including those with wrong or unobtainable phone numbers. The outcomes of those searches were used to allocate the organisations as either trading or not trading.

Evidence to classify a firm as *trading* could include a recently updated business website with a name and address, business listings on large websites such as companycheck.co.uk, findanadviser.org or 192.com/businesses, a LinkedIn account linking a name with a business or an active status on the FCA register. To confirm a status of *trading* the process would look to establish indications of *trading* in at least two separate locations.

In order to allocate a status of *not trading*, searches of various combinations of business type, location and name would fail to yield any indication of an active business. For example, searching may identify a company name, which may then appear on one or two small websites, for example local business listings that take information on companies from other online listings, but if links to the business website are no longer active, there are no listings on larger company databases and there is no company website, then a status of *not trading* would be allocated.

For each record an approximate time limit was set of up to 5 minutes to search. If searching for this amount of time yielded no conclusive results then a judgement was made on whether there was sufficient evidence to support a finding of trading. If this amount of time resulted in no information at all, then the record was revisited in another search and a judgement made on the final status of both search occasions. In the case of 91 organisations two rounds of searching were completed.

5.2 Organisations definitively allocated as trading or not trading

Out of the sample of 4,080 organisations, a total of 3,714 were definitively allocated as trading (3,315) or not trading (399). These included all non-corporate organisations and all but 366 corporates and are summarised in Table 5.1

Table 5.1 Sample definitively allocated as trading or not trading

	Trading	Not trading
Interviewed, screened, appointment made, refused to participate	2,818	-
Contact made on the given telephone number, and confirmed as no longer trading	-	71
RiskDisk – Found trading	126	-
RiskDisk – Found not trading	-	38
Corporates – Not Found on RiskDisk	-	54
Non-corporates – Found as trading in internet searches	371	-
Non-corporates – Not found as trading in internet searches	-	236
Total	3,315	399

5.3 Organisations allocated a ‘probability’ of trading

The remaining 366 sampled corporates, were given a **probability** of trading rather than an individual allocation of definitely trading or definitely not trading. They fell into two

groups, as explained in Sections 5.3.1 and 5.3.2. Overall, 340.1 were estimated to be trading and 25.9 were allocated a status of not trading.

5.3.1 Corporates with unobtainable or wrong numbers

There were 52 sampled corporates that did not require to be put through RiskDisk as they had phone numbers but where the number subsequently proved to be unobtainable or incorrect. These were considered to be equivalent to corporates that were put through RiskDisk because they lacked a telephone number at all.

Therefore, each of them was given a probability of trading in line with the outcome by cell (Pre CCA06 (2012) and Post CCA06 (2012)) for corporates without telephone numbers that had been checked in RiskDisk. The results are shown in Table 5.2.

Table 5.2 Corporates allocated a probability of trading based on overall RiskDisk outcomes

	Pre CCA06 (2012) corporates	Post CCA06 (2012) corporates
Number of records	2	50
Overall proportion found to be trading in all RiskDisk searches in the cell	94%	80%
Number allocated as trading	1.9	39.9
Number allocated as not trading	0.1	10.1

5.3.2 Corporates with no information

For a total of 314 corporates, no information was available on which to judge whether or not they might be trading. These were organisations which had not been contacted during the survey period or where the telephone line had been engaged or the call not answered.

In the absence of any other information, it was assumed that the same proportion of these would be trading as was the case for all other corporates from the same sample cell (i.e. Pre CCA06 (2012) or Post CCA06 (2012)); in other words, based on the definitive allocations detailed in Section 5.2 and the probability-based allocations shown in section 5.3.1.

The outcome of this allocation is shown in Table 5.3.

Table 5.3 Corporates allocated a probability of trading based on overall outcomes

	Pre CCA06 (2012) corporates	Post CCA06 (2012) corporates
Number of records	153	161
Overall proportion trading among all others in the cell	97%	93%
Number allocated as trading	148.5	149.8
Number allocated as not trading	4.5	11.2

5.4 Calculating the trading population

Following the processes detailed in Sections 5.1 to 5.3, all sampled organisations were treated in one of the following ways:

- Allocated as 'trading'.
- Allocated as 'not trading'.
- Given a calculated probability that they were trading, based on the information available for their specific sampling cell.

These results were then 'grossed up' based on the weight attached to each sampled organisation. The weights attached to each piece of sample for this process were simply, for each weighting cell: [Number of licensed organisations in the OFT total population ÷ number of organisations sampled]. The calculation of weights is shown in Table 5.4.

Table 5.4 Sample weighting

Legal formation	OFT total population	Sample	Weight
Pre CCA06 (2012)			
Sole traders	1,932	400	4.8
Partnerships	637	190	3.4
Corporates	5,163	460	11.2
Others	291	160	1.8
Post CCA06 (2012)			
Sole traders	18,558	800	14.6
Partnerships	4,737	210	5.7
Corporates	36,997	1,780	14.7
Others	1,235	80	4.8
Total			
Total	69,550	4,080	

The final outcome of this process was an estimate that 62,192 out of the 69,550 organisations in the OFT total population (89 per cent) were trading, as detailed in Table 5.5.

Table 5.5 Estimates of the number of trading organisations by weighting cell

Legal formation	OFT total population	Total random sample drawn	Number from sample identified or estimated as trading	Proportion of sample identified or estimated as trading	Estimated trading population
Pre CCA06 (2012)					
Sole traders	1,932	400	314.0	79%	1,517
Partnerships	637	190	173.0	91%	580
Corporates	5,163	460	446.3	97%	5,010
Others	291	160	156.0	98%	284
Post CCA06 (2012)					
Sole traders	18,558	800	640.0	80%	14,846
Partnerships	4,737	210	193.0	92%	4,354
Corporates	36,997	1,780	1655.7	93%	34,414
Others	1,235	80	77.0	96%	1,189
Total					
Total	69,550	4,080			62,192

Therefore, the 'trading' universe was estimated to comprise 62,192 organisations.

5.5 Calculating the trading population range

As the trading population is estimated from sample data, and additionally includes a correction factor for 'trading' versus 'not trading', it is prudent to report a confidence interval and hence a range within which the true trading population is likely to fall.

To achieve this, it is necessary to make a distinction between those we have *definitively allocated* as trading (n=3,315) versus those we have *given a probability of trading* (n=340.1).

This enabled us to estimate that 81.3% are definitively allocated as trading and 8.3% are estimated as trading based on probabilities of trading (with the balance of 10.4% not trading, either definitively allocated or based on probabilities of not trading).

Therefore, based on the OFT total population of 69,550 we were able to approximate the likely number of 'trading' organisations as 62,192 (89.6%), of which 57,719 were definitively allocated as trading and 4,473 were based on probabilities of trading).

Traditional confidence interval (CI) measures for estimating a (95%) range for the binomial variable (trading [p] v not trading [q]) were calculated separately for the 'definitively allocated' aspect (81.3%) and the 'probabilities of trading' aspect (8.3%).

The formula used for these calculations was:

$$CI = +/- DEFT * SE \sqrt{pq/n}$$

Standard error (SE) is 1.96 and is the 95% confidence interval multiplier that approximates the assumed binomial distribution. If a 90% confidence interval were required, the equivalent value would be 1.645; 'n' is the sample size.

The DEFT statistic is the 'design effect' necessary when the sample has not been selected using simple random sampling (SRS) procedures – in this case we used stratified random sampling. It adjusts the 'effective sample size' to take into account the actual sampling methodology employed. In this case the design effect measure is 1.04: the sample used would have to be 4% larger than a sample taken using simple random sampling (SRS) techniques to give an estimate with the same sampling variability.

The design effect is a measure of how much the sampling variability in a specific sample differs from the sampling variability in a Simple Random Sample (SRS). It is calculated as the ratio of two theoretical variances – the actual variance for the specific sample design compared to the variance assuming the same sample size but using a SRS selection scheme.

Using this formula, the following confidence intervals were calculated for figures based on 'definitively allocated' information obtained at the interview stage, and 'probability based' figures derived from the RiskDisk and internet search work:

The 95% CI for 'definitively allocated' was +/- 1.48% - giving us a range of 67.5% to 70.4%.

For 'probability based' the range was +/- 1.29%, i.e. a range of 19.2% to 21.8%.

Using the OFT total population figure for licence-holders (69,550), the estimated total trading range (at the 95% CI) was 60,268 to 64,116.

6 Segmenting the trading population

Three population estimates were required from within the total trading population:

- An estimate of the number of licence-holders wishing to remain regulated beyond March 2014, named the Retain population (i.e. the population to whom interim permission may be relevant).
- An estimate of the number of organisations who are likely to notify for interim permission (the IP population).
- An estimate of how many organisations are likely to apply for the Full Regime.

6.1 Estimating the Retain population and its component parts

The initial screening questions were used to establish what proportion of the 962 trading organisations interviewed wanted to remain regulated beyond March 2014 and who would, therefore, need to apply for Interim Permission in order to do so.²³

The screening questions used were:

- S3 Could you please confirm whether your organisation has made use of your licence in the **past 12 months** by undertaking one or more of the activities it covers?
- S4 And do you expect to undertake any consumer credit activities in the **next 12 months**?
- S5 Even though you may not / do not intend to undertake any consumer credit activities in the next 12 months do you plan to remain authorised to do so?
- S6 When do you expect to give up your licence so you are no longer authorised for consumer credit?
Do not read out (single code frame of months and years)

The Retain population was defined based on those who, from their responses to these questions (as appropriate), fell or did not fall into the groups summarised in Table 6.1.

²³ All these questions were asked in the context of the current OFT licensing regime and so took no account of any potential changes in plans that may occur once details of the proposed FCA regime were known.

Table 6.1 Organisations included in the Retain population

Segment	S3	S4	S5	S6	S6	Included in Retain population
	Used in past 12 months	Use in next 12 months	Intend to keep licence	Give up licence before 31/3/14	Give up licence after 31/3/14 or don't know	
Active	Yes	Yes	Assumed			Yes
Future	No	Yes	Assumed			Yes
Past/ Keep	Yes	No	Yes			Yes
Past/ Not Keep (1)	Yes	No	No		Yes	Yes
Past/ Not Keep (2)	Yes	No	No	Yes		No
Inactive/ Keep	No	No	Yes			Yes
Inactive/ Not Keep (1)	No	No	No		Yes	Yes
Inactive/ Not Keep (2)	No	No	No	Yes		No

Thus, the Retain population includes organisations:

- Actively using or intending to use their licence
- Not actively using their licence who, nevertheless, wish to remain authorised, perhaps on a contingency basis
- That intend to cease to be regulated but not before 1 April 2014

The only exclusions are those organisations which already intend to cease to be regulated for consumer credit business no later than 31 March 2014.

The total estimated Retain population was 60,936 with a confidence interval range of 59,433 to 62,439. The distribution by sample cell is shown in Table 6.2.

Table 6.2 Make-up of the estimated Retain population by sample cell

Legal formation	Pre CCA06 (2012)	Post CCA06 (2012)	Total
Sole traders	1,487	14,549	16,036
Partnerships	580	4,224	4,804
Corporates	4,936	33,688	38,624
Others	284	1,189	1,473
Total	7,287	53,650	60,937²⁴

²⁴ Total varies by one due to rounding.

6.2 Algorithms to estimate Interim Permission and Full Regime populations

6.2.1 Estimating the interim permission population

In a similar way to estimating the Retain population, survey results grossed up to the trading population can be used to estimate the number of organisations who are likely to notify for interim permission or to be authorised or an Appointed Representative under the Full Regime. However, answers to these question were based on a probability scale so cannot simply be reported. Previous studies²⁵ in the financial sector, have shown that probabilities can be applied to each of the options to estimate the proportions of those who claim they will act, that actually go on to behave that way. A review of these (selected) literature sources of papers in the public domain suggest that a frequently adopted algorithm for the specific question format adopted in the survey (certain; probably will; probably will not; certain not) is to assume that all those saying they will certainly or probably register/ apply will do so while all those who answer probably will not or certainly will not, do not do so. Further, those for whom there is no known response (e.g. Don't Know) are distributed in the same way as those who provided a definitive response. This is the basis of the algorithm that is adopted in the Key Findings report.²⁶

Other algorithms can be adopted if wished and part of the deliverables from the research was a 'calculator' spreadsheet which enabled the total populations to be re-estimated, including their associated confidence intervals, based on any alternative algorithm – allowing user selected probabilities to be attached to each specific response and different 'no response' assumptions to be tested.

²⁵ Albert C. Bemmaor, *Predicting Behaviour from Intention-to-Buy Measures: The Parametric Case*, Journal of Marketing Research, Vol XXXII (May 1995).

Linda F. Jamieson and Frank M. Bass, *Adjusting Stated Intention Measures to Predict Trial Purchase of New Products: A Comparison of Models and Methods*, Journal of Marketing Research, Vol XXVI (Aug 1989).

Martin Young et al., *The Stochastic Modeling of Purchase Intentions and Behaviour*, University Of Michigan Business School Working Paper 9612-25 (October 1996).

S Gupta, *Customer Metrics and Their Impact on Financial Performance*, Marketing Science, Vol 25 no. 6 (Nov/ Dec 2006).

²⁶ Specifically, in the Key Findings report those answering 'don't know' were allocated pro rata to the answers of all those who gave a definitive response, based on the distribution of responses at total sample level rather than for each individual analysis cell.

Using the distribution of answers and probabilities assigned to each code (i.e. answer option), it was possible to estimate the likely IP population. Table 6.3 below shows the code frame, the number of survey responses giving each answer and the probability of acting assigned to each code. As indicated, the probability allocated to 'don't know' is assigned based on the distribution of the substantive responses across the total sample and so varies according to those.

Table 6.3 Probability of acting on claimed behaviour for IP

Option	Estimated number of organisations	Probability of acting (p)
Certain to notify for interim permission	36,501	100%
Probably notify for interim permission	10,100	100%
Probably not notify for interim permission	5,513	0%
Certain not to notify for interim permission	3,530	0%
Don't know / prefer not to answer	5,292	84%
TOTAL	60,936	

Using this algorithm produces an estimate of 51,033 for the IP population.

In effect each response category is weighted based on the probability of acting and the resulting mean can be allocated a confidence interval using the following equations:

$$mean = \frac{\sum(n^i * p^i)}{\sum(n^i)}$$

$$CI = P * +/- * DEFT * SE \sqrt{\frac{(pq)}{n}}$$

This results in an Interim Permission population estimate of between 49,569 and 52,497 (at the 95% confidence level).

6.2.2 Full Regime population

In a similar way, intentions to act at the Full Regime stage can be estimated. Here the process is more complex as most participants were first asked how likely they were to apply to become directly authorised and then how likely they were to seek to become an Appointed Representative of a principal that was, itself, directly authorised.²⁷

An algorithm was constructed to identify the most likely course of action for each participant based on their most positive response to the following questions:²⁸

- D3/7a Based on this description, how likely do you think you will be to apply for full authorisation/ limited permission [**Code 1 @ B3a**: variation of permission], given that if you do not become authorised you will have to cease all consumer credit activities at the latest by end of March 2016 (unless your application for full authorisation is decided after that date).
- D4/8b Given what we have told you, do you now think you would be more likely to apply for full authorisation/ limited permission [**Code 1 @ B3a**: variation of permission], in your own right or try to become an appointed representative?
- D5/9a Based on the description, how likely do you think you will be to seek to become an Appointed Representative?

²⁷ A small number of participants (110 out of 944) were not eligible to become Appointed Representatives and so were asked only about their likelihood to become directly authorised. These were organisations whose primary business was either lending or acting as a credit reference agency.

²⁸ See the full questionnaire at Annex B for full routing and question response options

The allocations made are shown in Table 6.4.

Table 6.4 Algorithm to identify the most likely course of action

Response at D3a/D7a	Response at D5a/D9a	Allocation
Certain	Not certain	Full authorisation/ Limited permission ²⁹ – Certain
Probable	Not certain or probable	Full authorisation/ Limited permission – Probable
Not certain	Certain	Appointed Representative – Certain
Not certain or probable	Probable	Appointed Representative – Probable
Certain	Certain	Unsure ³⁰ – Certain
Probable	Probable	Unsure – Probable
Don't know	Don't know	Don't Know
All whose most positive response is Probably not at one of D3/7a or D5/9a		Will not apply – Probably not
All whose most positive response is Certain not at D3/7a and D5/9a		Will not apply – Certain not
All whose most positive response is either Probably not or Certain not at both D3/7a and D5/9a		Will not apply - Unsure

²⁹ Organisations undertaking 'higher risk' activities were asked about full authorisation while those involved only in lower risk activities were asked about limited permission

³⁰ Organisations were designated as unsure if they expressed an identical level of interest in full authorisation/ limited permission and becoming an Appointed Representative. In the *Key Findings* report, where separate population estimates are provided for full authorisation/ limited permission and Appointed Representatives, 'unsure' organisations are allocated 50:50 between the two options.

This allocation algorithm was used to distribute respondents to the grouped options shown in Table 6.5. The Table shows the code frame and probability of acting assigned to each code. As before, the probability allocated to 'don't know' is assigned based on the distribution of the substantive responses at total sample level so varies according to those.

Using this algorithm produces an estimate of 45,757 for the Full Regime population.

Table 6.5 Probability of acting on claimed behaviour for FR

Option ³¹	Estimated number of organisations ³²	Probability of acting (p)
Certain to apply for authorisation or AR	23,461	100%
Probably apply for authorisation or AR	20,126	100%
Probably not apply for authorisation or AR	5,944	0%
Certain not to apply for authorisation or AR	8,514	0%
Don't know / prefer not to answer	2,890	75%

Using the same equations as used for estimating the Interim Permission confidence intervals results in a Full Regime population estimate of between 44,171 and 47,344 (at the 95% confidence level).

6.3 Confirming the representative nature of the interviewed organisations

Checks were conducted to confirm that the organisations that took part in the interviews were representative of all sampled organisations, i.e. that those interviewed were representative of all those from the random sample who were not interviewed.

All the sampled were put into the following groups:

- Interviewed
 - ♦ The **962** organisations that completed the interview (of whom 944 claimed they will retain their licence).
- Refused
 - ♦ The **1,007** organisations successfully contacted but that declined to participate in the interview.
- Contacted, not interviewed

³¹ Respondents were allocated according to their most positive response to authorisation and applying to become an Appointed Representative, including those described as 'Unsure' as they gave the same response to both options.

³² These numbers include the 50:50 allocation of those designated 'unsure'. See preceding footnote.

The **1,444** organisations that were contacted but did not complete the interview, which included organisations with telephone numbers but where it was not possible, during the fieldwork period, to complete an interview. The reasons for this included engaged numbers, open appointments or where an appointment could only be made for after the fieldwork period had closed. It additionally includes those found not to be trading (**71**).

- Not contacted
 - ◆ The **596** organisations that were sampled but not called, which included organisations with no, or incorrect, contact information; ones that were not contacted before the fieldwork period closed or because quotas were reached, and those found on RiskDisk to be not trading.

Potentially there was a concern that those who could not be contacted, or who refused to participate, might differ in their behaviour from those who were interviewed meaning the latter were not truly representative of the total population.

Ordinarily, it might not be possible to compare interviewed and non-interviewed organisations since either limited or no information might be held on those that had not been interviewed.

Fortunately, in this instance, some insights into those sampled organisations that did not take part in the interviews were available. The OFT had conducted unpublished analysis of the proportion of licence-holders that actually renewed their licence when they were scheduled to do so.³³ This was considered to be a suitable proxy for the likely distribution of active and inactive licence-holders.

The OFT analysis revealed how renewal proportions (i.e. the proportion of those due to renew that actually did so) varied between different groups. The groups they analysed were based on legal formation and the length of time the licence had been held (i.e. the nth renewal that was due).

Their sample findings showed:

- Sole traders were less likely to renew their licence than other legal formations.
- The proportion renewing was lower for the first renewal than for subsequent ones.

From the OFT database, for all of our sampled organisations both their legal formation and how long they had held their licence were known, and therefore what number (nth) their next renewal would be. Consequently, by drawing on the OFT analysis a 'renewal probability' could be calculated for each sampled organisation regardless of whether or not they were interviewed.

When these were aggregated for each of the groups above, no significant difference emerged between them, as shown in Table 6.6.³⁴

³³ The analysis was based on just over 23,500 licences that were due for renewal during the calendar year 2011.

³⁴ There was insufficient data in the sample period for the OFT to provide separate analysis for the legal formation category 'Others' (charities, trades unions, others).

Table 6.6 Estimated likelihood to renew for different sample groups

	Pre CCA06 (2012)			Post CCA06 (2012)		
	Sole trader	Partnership	Corporate	Sole trader	Partnership	Corporate
Interviewed	26.1%	27.7%	42.0%	20.2%	24.3%	30.5%
Refused	27.1%	28.9%	42.1%	19.1%	25.9%	30.7%
Contacted, not interviewed	26.5%	27.8%	39.5%	18.4%	23.4%	28.3%
Not contacted	27.4%	27.7%	39.2%	16.4%	22.5%	24.1%
All	26.9%	27.9%	40.4%	18.6%	24.3%	29.2%

Consequently, as the results for those interviewed were similar to those that were not, it was concluded that it was safe to extrapolate findings from the interviewed organisations in the sample to the total universe.

7 Weighting the full survey and estimated confidence limits

The results of the random interviewing were weighted to the estimated total trading population figures derived from the sizing work (see Section 5).

Calculations were also made of the design effects so that confidence intervals could be calculated for key population estimates.

7.1 Weighting

As indicated, the study was stratified by legal formation, and by whether the licence was Pre or Post CCA06 (2012). Different sampling intervals within cells were employed, so that respondents, while selected at random, had different probabilities of selection depending on their individual sample cell. This differential approach was used since had simple random sampling techniques been used, then some strata with relatively small populations would not have been included within the survey in sufficient number for us to have drawn any conclusions about their behaviour.

Using the eight cell sample design, weights were calculated for respondents from the different sampling cells and allowances for differential response rates were made. The survey findings (based on the 962 interviews) were grossed up to the estimated trading population of 62,192 (see Table 5.5).

The eight cell population estimates and the distribution of the 962 achieved interviews were used to calculate an individual weight for each respondent. Details are provided in Table 7.1.

Table 7.1 Weighting of interviews with trading organisations by weighting cell

Legal formation	Trading population	Number of interviews	Weight
Pre CCA06 (2012)			
Sole traders	1,517	51	29.75
Partnerships	580	34	17.059
Corporates	5,010	68	73.676
Others	284	35	8.114
Post CCA06 (2012)			
Sole traders	14,846	200	74.230
Partnerships	4,354	67	64.985
Corporates	34,414	474	72.603
Others	1,189	33	36.030

7.2 Estimation of confidence intervals

Using the Simple Random Sample (SRS) techniques to calculate confidence intervals would underestimate the size of the interval as many of the assumptions on which such techniques are based do not exist in actual survey work. Thus, response rates are never 100%, the sample design is not based on SRS techniques and the need to

reweight individual respondents to produce reliable overall population figures impacts on findings. Consequently, when looking at the confidence intervals on results, it is necessary to take into account the impact of these factors.

In evaluating the statistical robustness of this study the following were reviewed:

- The impact of the sampling scheme used.
- The differential response rates across the eight cells (legal formation by Pre/Post CCA06 (2012) status).
- The weighting regime applied to create weighted information from the survey.

7.2.1 Implications of the weighting process: design effect

Design Effect (deff) is the ratio of the variance of a statistic with a complex sample design to the variance of that statistic within a simple random sample (SRS) of the same size. A design effect therefore represents the combined effect of a number of components such as stratification, clustering, unequal selection probabilities and weighting adjustment for non-response and non-coverage.

When calculating standard errors (as opposed to variances) for estimating confidence intervals, the DEFT statistic (the square root of deff) is used to simplify calculations.

The formulae used for deff are as follows:

$$deff = \frac{\text{variance}(\bar{y})}{(1 - f) * S^2/n}$$

Where:

$$S^2 = \frac{\sum_{i=1}^N (\bar{y}^i - \bar{Y})^2}{N - 1}$$

And hence:

$$DEFT \text{ statistic} = \sqrt{deff}$$

In these formulae, \bar{y} is an estimate of the population mean Y , with a sample size of n , f is the sampling fraction, and S is the estimate of the variance of the population.

A DEFT statistic of 1 would indicate that there is no difference between the variance of a statistic with a complex sample design and the variance achieved with a simple random design (SRS).

The DEFT statistic for this study was 1.04. This shows the differential sampling and consequential weighting has not impacted greatly on the net effective sample size, reducing the 962 interviews to an equivalent of 889 had SRS techniques been employed. The sample design therefore can be considered to be effective.

7.2.2 Confidence intervals for population estimates and survey results

When calculating confidence intervals for our study statistics, we applied the design effect (see Section 7.2.1) and thus are able to show the precision of our study estimates and also to indicate whether individual findings are statistically significant or not.

The overall Design Effect statistic (DEFT) for the interview programme and hence for the population estimates (sample size of 962) was, as indicated, estimated to be 1.04. Consequently, the results from those interviews had confidence intervals equivalent to those from a truly Simple Random Sample of 889. As a result, the confidence interval

for overall survey estimates from the interviews (for an estimate of 50%) is +/- 2.4% at the 95% level³⁵ (including the impact of the Design Effect).

Despite careful design, and calculation of the impact of this design on the precision of the results, some sub-groups are represented by so few interviews that they are not sufficiently reliable to draw conclusions.

Examples of confidence intervals for population estimates are shown in Table 7.2 below. Sub-groups with fewer than 50 interviews have large confidence intervals and results are considered indicative only.

Table 7.2 Example confidence intervals for smaller samples

Unweighted base	Survey result	CI (at 95%)
50	10% / 90%	+/- 9.1%
50	50%	+/- 15.2%
100	10% / 90%	+/- 6.4%
100	50%	+/- 10.7%
200	10% / 90%	+/- 4.6%
200	50%	+/- 7.6%
500	10% / 90%	+/- 2.9%
500	50%	+/- 4.8%

³⁵ Traditionally, when looking at confidence intervals for sample estimates, we look at the 95% confidence interval for an estimate, and thus are able to state that statistically we are 95% confident that the likely population statistic is within the calculated range, or that when comparing sample statistics they are likely to be significantly different or not.

Appendix A Reassurance letter to licence-holders



Ref: xxx
Licensed Company: xxx
Licence Number: xxx

Survey of Consumer Credit Licensees

Dear xxx

I would like to ask for your help with an important research survey on behalf of the Financial Conduct Authority and supported by the Office of Fair Trading. You can read the OFT's endorsement of the research at <http://www.oft.gov.uk/OFTwork/credit-licensing/>.

This explains that **Critical Research Limited** has been asked to conduct research among organisations who offer consumer credit, in order to help develop policy and improve communications with you.

Your organisation has been selected at random to take part. The survey is being conducted among a representative sample of organisations drawn from all parts of the marketplace that hold a consumer credit licence. This is important to ensure we cover the full breadth and depth of this market.

The survey is designed to be completed over the phone, taking about 15 minutes.

The research is being conducted according to the Market Research Society's (MRS) Code of Conduct, and your answers will not be attributed to your organisation by Critical Research.

I very much hope that you will agree to take part in this research. If you have any questions about the survey, you are welcome to email us at consumercredit@criticalsurveys.co.uk or you can telephone our helpline on 0800 085 1071.

We look forward to your co-operation with this research, and to talking with you soon.

Yours sincerely,

James Hopkins
Director, Critical Research

Appendix B Questionnaire

Screening questions

Telephone screening

Hello, my name is _____ and I am calling from Critical Research, an independent research agency, on behalf of the Office of Fair Trading and the FCA, about forthcoming changes that may affect your business. We are looking to conduct research with organisations that hold a consumer credit licence. May I speak to <sample name> or the person who deals with compliance issues for your organisation?

(If necessary: This could be the owner / director / the compliance officer)

On reaching main respondent

Hello, my name is _____, and I am calling from Critical Research, an independent research agency, working on behalf of the Office of Fair Trading and the FCA. May I please confirm that you are the person best placed within your organisation to speak to about your organisation's consumer credit licence?

We would like to ask you some brief questions relevant to your consumer credit activities, about forthcoming changes that may affect your business.

The research is being conducted according to the Market Research Society's Code of Conduct. We can guarantee that your answers will not be attributed to your organisation. *(If necessary: The information you and other organisations provide will be used only for policy and communications purposes).*

The results of the research will be published on a completely aggregated and anonymous basis; that is, the organisations who took part would not be named, and results from individual organisations would not be published.

Firstly, I just have a few brief questions to see if our survey is relevant to your organisation.

Are you willing to take part? *(If necessary: I can email you a letter telling you more about the research and a link to the OFT website, which also describes the research, if you wish to verify its authenticity).*

Continue if yes; otherwise thank and close.

Letter or link emailed, if required

Ask all

S1 Our records show that you've got a consumer credit licence. Are you aware that your organisation holds a consumer credit licence issued by the OFT?

Single code

1	Yes, I am aware we have a consumer credit licence	Skip to S3
2	No, I am unaware whether we have a consumer credit licence	Continue (to seek referral)
3	I am aware that we do not have a consumer credit licence	Thank and close
98	Prefer not to answer	Thank and close

S2 May I just check, is there someone better placed to speak to within your organisation about the consumer credit licence?

Single code

1	Yes	Ask for referral
2	No	Thank and close
98	Prefer not to answer	
99	Don't know	

S3 Could you please confirm whether your organisation has made use of your licence in the **past 12 months** by undertaking one or more of the activities it covers?

Single code

1	Yes	Continue
2	No	
98	Prefer not to answer	Thank and close
99	Don't know	Ask for referral

S4 And do you expect to undertake any consumer credit activities in the **next 12 months**?

Single code

1	Yes	
2	No	
98	Prefer not to answer	THANK AND CLOSE
99	Don't know	

If S4 = 98, thank and close

If S3 = 1 and S4 = 1 or 99, Skip to recruitment - retain in ACTIVE CC population (= *businesses currently using CC licence: have been in last 12 months and intending to do so or don't know in next 12 months*)

(If S3 = 1 and S4 = 2) OR (S3 = 2 and S4 = 2 or 99) continue

If S3 = 2 and S4 = 1, skip to Recruitment

If S3 = 99, ask for referral

- S5 Even though you [**CODE 99 @ S4:** may not] [**OTHERS:** do not intend to] undertake any consumer credit activities in the next 12 months do you plan to remain authorised to do so?

Single code

1	Yes	SKIP TO RECRUITMENT
2	No	CONTINUE
99	Don't know	SKIP TO RECRUITMENT

- S6 When do you expect to give up your licence so you are no longer authorised for consumer credit?

Do not read out (single code frame of months and years)

2013	1	Jan – Mar	1
2014	2	Apr – Jun	2
Later	3	July – Sep	3
Don't know	4	Oct - Dec	4

IF BEFORE APR 2014, THANK AND CLOSE; OTHERWISE CONTINUE

Recruitment

Thank you. Your organisation is relevant to our survey and we would like to invite you to participate; this will take approximately 15 minutes on the phone, depending on your answers.

**Main interview
MAIN SURVEY**

**OFT DATABASE INFORMATION REQUIRED TO BE ADDED TO INTERVIEW
RECORD**

Legal status
Number of licence renewals to date/ Next nth renewal
Next maintenance payment date – including whether before or after 1 April 2016
Pre/ Post CCA06 status at time of 2012 survey
Postcode of principal place of business

First some general questions about your organisation and your consumer credit licence and activities.

Ask all

A1a Is your organisation a member of any trade body or association?

A1b If so, which one(s)? **MULTICODE POSSIBLE. DO NOT PROMPT**

1	Yes	CODE LIST OF TRADE BODIES
2	No	
99	Don't know	

Association of British Credit Unions Limited	ABCUL	1
Association of British Insurers	ABI	2
British Bankers Association	BBA	3
British Insurance Brokers Association	BIBA	4
British Retail Consortium	BRC	5
Consumer Credit Association	CCA	6
Consumer Credit Trade Association	CCTA	7
Consumer Finance Association	CFA	8
Council of Mortgage Lenders	CML	9
Credit Services Association and Debt Buyers and Sellers Group	CSA/ DBSG	10
Debt Managers Standards Association	DMSA	11
Debt Resolution Forum	DRF	12
Finance and Leasing Association	FLA	13
National Pawnbrokers Association	NPA	14
The UK Cards Association	UKCA	15
Other (Specify)		16

A2 Is your organisation's **primary** business the provision of some form of financial services or consumer credit services? **DON'T KNOW NOT ALLOWED**

1	Yes	CONTINUE
2	No	Skip to A4a

A3a Which of the following best describes your **primary** business? **MUST ANSWER ONE OF THESE**

1	You are a lender for profit, using your own funds to provide either secured or unsecured loans, either directly or via brokers	ASK A3b; DO NOT ASK A5 AUTOMATICALLY HIGHER RISK <i>Comms segment 'Lenders'</i>
2	You are a credit broker or credit intermediary	ASK A3c; DO NOT ASK A5 AUTOMATICALLY HIGHER RISK <i>Comms segment 'Brokers'</i>
3	You are involved in debt counselling (debt advice), debt adjusting or in debt administration on behalf of a lender	ASK A3d & A3e; DO NOT ASK A5 AUTOMATICALLY HIGHER RISK <i>Comms segment 'Debt advisers'</i>
4	You are involved in debt collection on behalf of third parties	ASK A3g; DO NOT ASK A5 AUTOMATICALLY HIGHER RISK
5	You are involved in hiring cars, tools or other goods	ASK A3h
6	You provide financial services as an accountant, solicitor, insolvency practitioner or stockbroker	ASK A3k
7	You provide a credit information service (which may include credit repair services) or act as a credit reference agency or operate a peer-to-peer lending system	ASK A3m; DO NOT ASK A5 AUTOMATICALLY HIGHER RISK
8	You provide other financial services we have not mentioned	ASK A3n

A3b Is your primary business activity a ...?

1	Bank
2	Building society
3	Credit union
4	Credit/ Store card issuer
5	Hire purchase company
6	Pawnbroker
7	Logbook lender
8	Cheque cashing company
9	Payday lender
10	Home collected credit provider
11	Other (specify)

SKIP TO B1a

A3c Is your primary business activity a ...?

1	Mortgage broker
2	Insurance broker
3	Financial adviser
4	Credit or loan broker
5	Retail finance broker
4	Home collected credit broker
5	Comparison website or aggregator
6	Other (specify)

SKIP TO B1a

A3d Which of the following are you involved in?

A3e IF MORE THAN ONE. Which of these is your primary activity?

		A3d	A3e	
1	Debt counselling/ debt advice			AUTOMATICALLY HIGHER RISK
2	Debt adjusting			ASK A3f
3	Debt administration on behalf of a lender			AUTOMATICALLY HIGHER RISK
4	Other (specify)			DO NOT ASK A5. SKIP TO B1a
5	Don't know			AUTOMATICALLY HIGHER RISK ASK A3f

A3f Are you a debt management company?

1	Yes
2	No

SKIP TO B1a

A3gi Is your organisation a ...?

1	Bailiff	SKIP TO B1a
2	Debt collector (but not a bailiff)	CONTINUE
3	Vehicle repossession company	SKIP TO B1a
4	Other (specify)	CONTINUE
5	Don't know	CONTINUE

A3gii Do you collect debts arising from consumer credit agreements?

1	Yes
2	No

SKIP TO B1a

A3h Is your primary business activity ...?

1	Car hire
2	Tool hire
3	Other hire (specify)

A3i Is hiring goods the only activity you undertake using your consumer credit licence?

1	Yes	CONTINUE
2	No	SKIP TO A5

A3j So, just to confirm, you are not involved in anything like lending for profit, credit broking, debt counselling, debt adjusting, collecting debts owed to other firms, debt administration, and credit information services or acting as a credit reference agency?

1	Correct, not involved in any of these	LOWER RISK SKIP TO B1a
2	Wrong, involved in one or more of these	SKIP TO A5

A3k Is your primary business activity a ...?

1	Accountant	ASK A3I
2	Insolvency practitioner	SKIP TO A5
3	Solicitor	
4	Stockbroker	

A3l Do you act as an insolvency practitioner?

1	Yes	SKIP TO A5
2	No	

A3m Is your primary business activity?

1	Credit information service, including credit repair services	DO NOT ASK A5. SKIP TO B1a AUTOMATICALLY HIGHER RISK
2	Credit reference agency	
3	Peer-to-peer lending service	

A3n What type of financial service is that?

OPEN-ENDED

DEVELOP LIST OF POSTCODES AFTER FIRST c 100 INTERVIEWS

1	Debt purchaser	SKIP TO A5
2	Claims management company	
3	Insurance company, not a broker	
4	Other (specify)	

A4a Which of the following best describes your **primary** business activity? **MUST ANSWER ONE OF THESE**

1	You are primarily a seller or provider of goods or non-financial services	CONTINUE <i>Comms segment 'Sellers'</i>
2	You are a solicitor	SKIP TO A5
3	You are involved in hiring goods	LOOP TO ASK A3h THEN FOLLOW ROUTING
4	You are involved in debt collection on behalf of third parties	LOOP TO ASK A3gi HIGHER RISK. DO NOT ASK A5
5	You are a claims management company	SKIP TO A5
6	You are involved in an activity I have not mentioned	CONTINUE

A4b What type of business are you?

Dental practice		COMPLETE ALPHABETICAL PRE-CODE LIST BASED ON OFT DATABASE INFORMATION	IF ROUTED FROM Code 6 @ A4a, SKIP TO A5 OTHERWISE CONTINUE
Golf/ Sports club			
Health club or Gym			
Retail store			
etc.			

A4c Do you provide access to credit or allow payment by instalments to some or all of your customers?

1	Yes	CONTINUE
2	No	SKIP TO A4I

A4d Where you make goods (or services) available on credit and/ or installment terms, do you provide the credit yourself from your own resources or do you have an arrangement whereby you introduce the purchaser of the goods (or services) to a finance provider, or do you do both of these?

Single code

1	Provide credit yourself, from your own resources (only)	CONTINUE
2	Introduce to a finance provider (only)	SKIP TO A4h
3	Both	CONTINUE

A4e When you provide the credit yourself from your own resources, do you levy charges or interest or charge people more to pay by instalments than if they paid upfront?

Single code

1	Yes, levy charges or interest or higher costs for instalments	DO NOT ASK A5 AUTOMATICALLY HIGHER RISK SKIP TO B1a
2	No, do not levy charges or interest or higher costs for instalments	CONTINUE
3	Don't know	DO NOT ASK A5 AUTOMATICALLY HIGHER RISK SKIP TO B1a

A4f **A4d code 1 AND A4e code 2:** Are providing credit from your own resources and/or allowing consumers to pay by installments at no extra charge the only activities you undertake using your consumer credit licence?

1	Yes	CONTINUE
2	No	SKIP TO A5

A4g So, just to confirm, you are not involved in anything like debt counselling, debt adjusting, collecting debts owed to other firms, debt administration, credit information services or acting as a credit reference agency?

1	Correct, not involved in any of these	LOWER RISK SKIP TO B1a
2	Wrong, involved in one or more of these	SKIP TO A5

A4h **A4d code 2:** Is referring customers to finance providers the only activity you undertake using your consumer credit licence?

1	Yes	CONTINUE
2	No	SKIP TO A5

A4i So, just to confirm, you are not involved in anything like lending for profit from your own resources, debt counselling, debt adjusting, collecting debts owed to other firms, debt administration, credit information services or acting as a credit reference agency?

1	Correct, not involved in any of these	LOWER RISK SKIP TO B1a
2	Wrong, involved in one or more of these	SKIP TO A5

A4j **A4d code 3 AND A4e code 2:** Are providing credit from your own resources and/or allowing consumers to pay by installments at no extra charge AND referring customers to finance providers the only activities you undertake using your consumer credit licence?

1	Yes	CONTINUE
2	No	SKIP TO A5

- A4k So, just to confirm, you are not involved in anything like lending for profit from your own resources, debt counselling, debt adjusting, collecting debts owed to other firms, debt administration, credit information services or acting as a credit reference agency?

1	Correct, not involved in any of these	LOWER RISK SKIP TO B1a
2	Wrong, involved in one or more of these	SKIP TO A5

- A4l **A4c Code 2:** If you do not provide access to credit or allow payment by instalments, for what purposes do you hold a consumer credit licence?

1	Contingency basis only	Continue
2	Other consumer credit activities	Skip to A5
3	Other reason (specify)	

- A4m So, just to confirm again, you are not involved in any of lending for profit from your own resources, acting as a credit broker or intermediary, debt counselling, debt adjusting, collecting debts owed to other firms, debt administration, credit information services or acting as a credit reference agency?

1	Correct, not involved in any of these	SKIP TO B1b
2	Wrong, involved in one or more of these	SKIP TO A5

A5 Now thinking of **all your activities**, not just your primary business activity, are you involved in any of the following?

1	Lending, using your own funds, for which you levy interest or other charges	HIGHER RISK
2	Allowing people to pay for goods or services by instalments at a higher cost than if they paid upfront	HIGHER RISK
3	Introducing consumers to credit providers [IF PRIMARY BUSINESS IS SELLER OF GOODS OR NON-FINANCIAL SERVICES: other than as a secondary activity supporting a primary business of selling goods or non-financial services, or as a solicitor]	IF Code 1 @ A4a, ASK A7a IF Code 3 @ A3k OR Code 2 @ A4a, ASK A7b OTHERWISE HIGHER RISK
4	Debt adjusting, that is helping people with their debt problems by taking over their debts or negotiating on their behalf	HIGHER RISK ASK A6
5	Debt counselling, that is advising people on discharging specific consumer credit debts	HIGHER RISK ASK A6
6	Collecting debts due to other firms	HIGHER RISK
7	Debt administration, that is carrying out activities relating to consumer credit agreements on behalf of a lender	HIGHER RISK
8	Credit information services: either obtaining information about someone's credit record or helping them change their record	HIGHER RISK
9	Acting as a credit reference agency	HIGHER RISK
10	Operating a peer-to-peer lending platform	HIGHER RISK
11	None of these	LOWER RISK

A6 Are you a debt management company?

1	Yes	
2	No	

A7a Do you only introduce consumers to credit providers as a secondary activity supporting a primary business of selling goods or non-financial services?

1	Yes	LOWER RISK FOR THIS ACTIVITY
2	No	HIGHER RISK

A7b Do you only introduce consumers to credit providers as a secondary activity supporting a primary business of acting as a solicitor?

1	Yes	LOWER RISK FOR THIS ACTIVITY
2	No	HIGHER RISK

Changes to consumer credit regulation

Next I have some brief questions about consumer credit regulation.

B1a Are you aware of any forthcoming changes regarding consumer credit regulation?

1	Yes	CONTINUE
2	No	SKIP TO B2a
99	Don't know	SKIP TO B2a

B1b What changes are you aware of?

OPEN-ENDED

**POSTCODES TO BE FINALISED AFTER INITIAL c.100 INTERVIEWS.
MULTICODE POSSIBLE**

1	Mentions transfer to FCA	ANY MENTION OF CODE 1 OR 2, ASK B1c THEN SKIP TO B3a, ELSE CONTINUE
2	Mentions transfer to FSA	
3	Mentions transfer from OFT but does not mention FCA	
4	Aware transfer occurring in 2014	
5	Aware transfer occurring but does not say when	
6	Aware transfer occurring but gives wrong year	
7	Aware regulations changing	
8	Others (specify)	

B1c IF AWARE OF ANY CHANGES. Where did you learn about these changes or see information about them? **UNPROMPTED – MULTICODE POSSIBLE**

1	FCA website	SKIP TO B2a
2	Other FCA communications	
3	OFT website	
4	Other OFT communications	
5	Trade body	
6	Specialist trade press or website	CONTINUE
7	Other press or website	SKIP TO B2a
8	Adviser (Accountant, solicitor, etc.)	
9	Finance providers	
10	Word of mouth / peers	
11	Trading standards	
12	Others (specify)	

B1d In the case of specialist trade press, was this in print or on a website or both?

1	In print/ Hardcopy
2	Website
3	Both

B2a In fact, regulation of consumer credit is going to move from the OFT to the Financial Conduct Authority, the FCA (formerly the Financial Services Authority, the FSA)? Had you heard about this transfer before today?

1	Yes	ASK B2b
2	No	SKIP TO B3a

B2b Can you recall how you heard about this?
UNPROMPTED – MULTICODE POSSIBLE

1	FCA website
2	Other FCA communications
3	OFT website
4	Other OFT communications
5	Trade body
6	Specialist trade press or website
7	Other press or website
8	Adviser (Accountant, solicitor, etc.)
9	Finance providers
10	Word of mouth / peers
11	Trading standards
12	Others (specify)

Ask all

B3a Is your organisation currently **directly authorised** by the Financial Conduct Authority?

1	Yes, organisation is directly authorised	WILL BE SHOWN REDUCED APPLICATION FEE FOR AUTHORISATION (50%) SKIP TO B3c
2	No, organisation is not directly authorised	CONTINUE
98	Prefer not to answer	SKIP TO B4
99	Don't know	CONTINUE

B3b Is your organisation an **appointed representative** of an FCA directly authorised firm?

1	Yes, is an Appointed Representative	CONTINUE
2	No	SKIP TO B4
98	Prefer not to answer	
99	Don't know	

B3c Could you please provide your organisation's Financial Conduct Authority 6 digit FRN (Firm Registration Number)? This will help us to put your information into the context of your FCA regulated activities. It will not be used for any other purpose.

IF NEEDED: This is **not** your consumer credit licence number.

6-digit integer, add boxes for don't know and prefer not to answer

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SKIP TO B5a

Ask only of non-FCA firms, i.e. ask if: NOT code 1 @ B3a OR code 1 @ B3b

B4 How well, if at all, do you feel you know the Financial Conduct Authority or FCA (which was, previously, the FSA)?

1	Very well
2	Quite well
3	A little
4	Not at all
98	Prefer not to answer
99	Don't know

Ask all

B5a Given what you know currently about the FCA, what is your opinion of it?

1	Very favourable
2	Quite favourable
3	Quite unfavourable
4	Very unfavourable
97	No opinion DO NOT READ OUT
98	Prefer not to answer
99	Don't know

B5b Given what you know currently, what is your opinion of the decision to transfer responsibility for consumer credit regulation from the OFT to the FCA?

1	Very favourable	CONTINUE
2	Quite favourable	
3	Quite unfavourable	
4	Very unfavourable	
97	No opinion DO NOT READ OUT	SKIP TO B6
98	Prefer not to answer	
99	Don't know	

B5c Why do you say that?

OPEN-ENDED

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B6 Do you know when the transfer of consumer credit regulation from the OFT to the FCA will occur? **UNPROMPTED**

System automatically codes “don’t know” if unaware of any forthcoming changes AND had not heard of changes after prompting (ie: if B1a not 1 AND B2a not 1)

1	During 2013
2	During 2014 – January to February
3	During 2014 – March
4	31 March 2014
5	1 April 2014
6	During 2014 – April
7	During 2014 – May
8	During 2014 – June to December
9	During 2014 – unspecified
10	During 2015
11	During 2016
12	Later than 2016
98	Prefer not to answer
99	Don’t know

B7 Given the transfer of regulation to the FCA, which of the following do you expect will happen? **RANDOMISE**

1	You can continue to conduct consumer credit activities without any further action by you
2	You’ll have to provide some basic information and a small fee to the FCA to continue to conduct consumer credit activities
3	You’ll have to submit a new full consumer credit application and a fee to the FCA to continue to conduct consumer credit activities
99	Don’t know (DO NOT READ OUT)

Transfer to the FCA

The current expectation is that transfer to the Financial Conduct Authority will occur on 1st April 2014.

If that happens and you wish to continue carrying on regulated consumer credit activities after this date you will need to notify the FCA before April 1st to obtain **interim permission** to do so.

Notification will usually be online only and you will have to provide the following information:

- Name, address & email of the person providing the information
- Your consumer credit licence number

You will then be shown the company name, any trading names and legal formation information held by the OFT. You will have to confirm it is correct, or contact the OFT to have it changed if it is not.

You will also have to confirm, by tick boxes, what consumer credit activities you are undertaking.

Options

[OFT DATABASE FLAG IS 'SOLE TRADER']

You will also have to pay a fee and the current proposal is that this will be £150. The fee will usually only be payable online by credit or debit card

[ALL OTHERS]

You will also have to pay a fee and the current proposal is that this will be £350. The fee will usually only be payable online by credit or debit card

If you meet the requirements to obtain interim permission (including paying the relevant fee), that will allow you to continue to carry on consumer credit activities covered by your current OFT licence until a deadline set by the FCA.

The current expectation is that you will then be required to make a more detailed application for what is to be called **authorisation** in the period October 2014 to October 2015 (**If already FCA directly authorised ie: code 1 @ B3a, add:** , but as you are already directly authorised by the FCA this would be a Variation of Permission). A further fee will be payable at that time. If you fail to make an application by the date specified by the FCA you will have to cease your consumer credit activities by March 2016 at the latest and possibly earlier.

- C1a Given that you will have to notify the FCA in order to continue your regulated consumer credit activities after March 2014, how likely are you to do so? Will you:

IF INITIAL RESPONSE IS 'DON'T KNOW', ASK FOR A BEST GUESS AND RECODE IF POSSIBLE. SYSTEM TO RECORD ORIGINAL AND AMENDED RESPONSES.

	C1a-i Initial response	C1a-ii Amended response if initial reply was 'don't know'	
Certain to notify them	1	1	SKIP TO C2
Probably notify them	2	2	SKIP TO C2
Probably not notify them	3	3	CONTINUE
Certain not to notify them	4	4	ASK C1b THEN THANK AND CLOSE
Prefer not to answer	98	98	SKIP TO C2
Don't know	99	99	CONTINUE

- C1b Why do you say that?

Probe if necessary: Can you explain that in a bit more detail please?

OPEN-ENDED. POST CODE

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1	Cost related
2	Regulatory changes related
3	Change of regulator related
4	Specifically FCA/ FSA related
5	Process related (e.g. Online application)
6	Only have licence currently on a contingency basis
7	Going to stop using licence anyway
8	Have already stopped using licence
9	Other (Specify)

Now some brief questions about information.

- C2 Would you want to receive detailed information about the transfer from?
PROMPTED.

		Yes	No	Don't know
a	The FCA	1	2	99
b	The OFT	1	2	99
c	A relevant trade body	1	2	99
d	Anyone else (Specify)	1	2	99

- C3 How useful would it be for you to receive or access information about the transfer in the following ways?

In each case, please say if it would be very useful, quite useful, not very useful or not at all useful. **Randomise**

		Very useful	Quite useful	Not very useful	Not at all useful	Don't know
a	By post	1	2	3	4	99
b	On the FCA website	1	2	3	4	99
c	On the OFT website	1	2	3	4	99
d	On a trade body website	1	2	3	4	99
e	Via the trade press	1	2	3	4	99
f	By email	1	2	3	4	99
g	By calling the FCA call centre on a low rate telephone number	1	2	3	4	99
h	By attending a free regional FCA roadshow	1	2	3	4	99
i	Via the FCA twitter channel	1	2	3	4	99
j	Via other social media	1	2	3	4	99

- C4 From what we have been able to tell you today, what further information about notifying the FCA do you think it would be useful for you to be given through these means? **UNPROMPTED. MULTICODE POSSIBLE**

1	Guidance on how to apply
2	Timings for notification
3	Costs
4	Any changes to rules or regulations
5	Possible dates for authorization
6	Costs of authorization
7	Other (specify)
8	None
9	Don't know

- C5. When do you think the FCA will start accepting notifications for interim permission?

UNPROMPTED

1	Summer 2013	10	Sep 2013
2	Autumn 2013	11	Oct 2013
3	Winter 2013/14	12	Nov 2013
4	Spring 2014	13	Dec 2013
5	2013	14	Jan 2014
6	2014	15	Feb 2014
7	June 2013	16	March 2014
8	July 2013	99	Don't know
9	Aug 2013		

C6a In fact, the current expectation is you will be able to choose when to notify between September 2013 and March 2014. **USE £150 IF SOLE TRADER:** You would have to pay the £150/£350 fee when you do so and the process would take about 10 minutes online. By when would you expect to go online to notify?

IF INITIAL RESPONSE IS ‘DON’T KNOW’ PROMPT FOR BEST ESTIMATE SYSTEM TO RECORD ORIGINAL AND AMENDED RESPONSES.

	C6a-i Original response	C6a-ii Amended response		C6a-i Original response	C6a-ii Amended response
Sept 2013	1	1	Feb 2014	6	6
Oct 2013	2	2	Mar 2014	7	7
Nov 2013	3	3	Later	8	8
Dec 2013	4	4	Will not notify	9	9
Jan 2014	5	5	Don't know	99	99

IF ‘WILL NOT NOTIFY’: ASK C6b THEN THANK AND CLOSE

C6b Why do you say that?

OPEN-ENDED

1	Deal with as soon as possible
2	Pay as late as possible
3	No incentive/ reason to notify early
4	Want to ensure successful before deadline so can continue trading
5	Want to see if worth continuing to be authorised
6	Other (Specify)

ASK C6C IF LIKELY NOTIFICATION DATE IS DECEMBER ONWARDS (C6ai/ii not 1-3)

C6c Is there anything that would encourage you to apply early in the process, or in a specific timeslot, to help the FCA avoid bottlenecks caused by a last-minute rush?

OPEN-ENDED

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ADD POSTCODES AFTER FIRST c 100 INTERVIEWS

C7 Although current expectation is that notification will be allowed at any point up to the end of March 2014, if the FCA suggested to you a voluntary two month 'slot' at some point before January 2014, how likely would you be to register during that slot? This could help avoid bottlenecks and delays due to organisations all applying at roughly the same time.

IF ANYONE, UNPROMPTED, ANSWERS 'I WILL NOT NOTIFY' RECODE C6a-ii as 9.

1	Would definitely notify in the slot
2	Would probably notify in the slot
3	Would probably not notify in the slot
4	Would definitely not notify in the slot
99	Don't know

C8 What brief reminder contact from the FCA, if any, would you find useful, to ensure you notify them in time? Would you like to receive? **MULTICODE POSSIBLE**

1	Email
2	Text message
3	Tweets or via other social media
4	Letter
5	Phone call
6	None of these / do not want or need reminding

Authorisation process

As I said earlier, all organisations that receive **interim permission** will subsequently need to apply for **authorisation (IF FCA DA = code 1 @ B3a:** or variation of permission) or possibly to become an Appointed Representative (which I will explain shortly) before a date directed by the FCA.

The current expectation is that the date will be in the period October 2014 to October 2015 and that organisations that do not apply to become authorised or an Appointed Representative will have to cease their consumer credit activities by March 2016 at the latest and possibly earlier.

ROUTING INSTRUCTIONS

- *Full Authorisation only [HIGHER RISK LENDERS OR CREDIT REFERENCE AGENCIES]*
 - Lenders ruled out of being ARs = Code 1 @ A3a OR Code 1 or 3 @ A4e OR Codes 1 or 2 @ A5 (This is a wider segment than Comms segment 'Lenders' which is based only on primary activity)
 - Credit reference agencies = Code 2 @ A3m OR Code 9 @ A5
- *Full Authorisation AND Appointed Representative [HIGHER RISK, NOT A LENDER OR CREDIT REFERENCE AGENCY]*
- *Limited Permissions AND Appointed Representative [LOWER RISK]*

Before I tell you more about the authorisation process it would help to obtain a brief idea of the scale of your current consumer credit activities.

D1a **ASK OF ALL EXCEPT DEBT MANAGEMENT COMPANIES: Code 1 @ A6 AND/OR Code 1 @ A3f:** Thinking only of the **activities covered by your consumer credit licence**, approximately how many **new** customers did you have, in your last financial year (OR in the past 12 months if that is easier to estimate)?

Please only include those who took out **new** credit from you or you **began** advising or you referred to a lender or with whom you otherwise started new business **during the year**

Integer, add box for don't know. Code to appropriate range.

Single code

0	None
1	Up to 10
2	11 to 100
3	101 to 500
4	501 to 1,000
5	1,001 to 2,000
6	2,001 to 20,000
7	20,001 to 100,000
8	100,001 to 500,000
9	500,001 to 1,000,000
10	Over 1,000,000
98	Prefer not to answer
99	Don't know

- D1b **ASK ONLY OF DEBT MANAGEMENT COMPANIES: Code 1 @ A3f OR Code 1 @ A6:** How many debts became the subject of management arrangements, in your last financial year (OR in the past 12 months if that is easier to estimate)?
Integer, add box for don't know. Code to appropriate range.

Single code

0	None
1	Up to 10
2	11 to 100
3	101 to 500
4	501 to 1,000
5	1,001 to 2,000
6	2,001 to 20,000
7	20,001 to 100,000
8	100,001 to 500,000
9	500,001 to 1,000,000
10	Over 1,000,000
98	Prefer not to answer
99	Don't know

- D2a Approximately what was your organisation's total **income** specifically from your consumer credit licensed activities in your last financial year (OR, in the past 12 months if that is easier to estimate)? Please include all **fees, commission, interest and any other forms of income**.

Integer, add box for don't know. Code to appropriate range.

Single code

1	Up to £50,000
2	Over £50,000 to £100,000
3	Over £100,000 to £250,000
4	Over £250,000 to £500,000
5	Over £500,000 to £1 million
6	Over £1 million to £2.5 million
7	Over £2.5 million to £5 million
8	Over £5 million to £10 million
9	Over £10 million to £40 million
10	Over £40 million to £60 million
11	Over £60 million to £80 million
12	Over £80 million to £100 million
13	Over £100 million to £200 million
14	Over £200 million to £300 million
15	Over £300 million to £400 million
16	Over £400 million to £500 million
17	Over £500 million
98	Prefer not to answer
99	Don't know

D2b **DO NOT ASK IF CODES 98 OR 99 @ D2a:** And what was your organisation's **turnover** specifically from your consumer credit licensed activities in your last financial year (OR, in the past 12 months if that is easier to estimate)? Is it the same figure as for income, or do you measure turnover differently from income?

1	Same figure	SYSTEM TO TAKE D2a ANSWER AND CODE IT ALSO AT D2c DEBT MANAGEMENT COMPANIES (Code 1 @ A3f OR Code 1 @ A6) SKIP TO D2e OTHERS SKIP TO (HIGHER RISK) FULL AUTHORISATION OR (LOWER RISK) LIMITED PERMISSIONS INTRO
2	Different	CONTINUE
98	Prefer not to answer	DEBT MANAGEMENT COMPANIES (Code 1 @ A3f OR Code 1 @ A6) SKIP TO D2e OTHERS SKIP TO (HIGHER RISK) FULL AUTHORISATION OR (LOWER RISK) LIMITED PERMISSIONS INTRO
99	Don't know	

- D2c What was your organisation's **turnover** specifically from your consumer credit licensed activities in your last financial year (OR, in the past 12 months if that is easier to estimate)?

Integer, add box for don't know. Code to appropriate range.

--

Single code

1	Up to £50,000
2	Over £50,000 to £100,000
3	Over £100,000 to £250,000
4	Over £250,000 to £500,000
5	Over £500,000 to £1 million
6	Over £1 million to £2.5 million
7	Over £2.5 million to £5 million
8	Over £5 million to £10 million
9	Over £10 million to £40 million
10	Over £40 million to £60 million
11	Over £60 million to £80 million
12	Over £80 million to £100 million
13	Over £100 million to £200 million
14	Over £200 million to £300 million
15	Over £300 million to £400 million
16	Over £400 million to £500 million
17	Over £500 million
98	Prefer not to answer
99	Don't know

- D2d What items do you include in turnover that are not counted in income?

1	Value of loans/ credit advanced
2	Value of loan repayments
3	Other (Specify)

DEBT MANAGEMENT COMPANIES (Code 1 @ A3f OR Code 1 @ A6) CONTINUE

OTHERS SKIP TO (HIGHER RISK) FULL AUTHORISATION OR (LOWER RISK) LIMITED PERMISSIONS INTRO

D2e **DEBT MANAGEMENT COMPANIES ONLY (Code 1 @ A3f OR Code 1 @ A6)**
 What is the total value of debts you have under management?

Integer, add box for don't know. Code to appropriate range.

Single code

1	Up to £50,000
2	Over £50,000 to £100,000
3	Over £100,000 to £250,000
4	Over £250,000 to £500,000
5	Over £500,000 to £1 million
6	Over £1 million to £2.5 million
7	Over £2.5 million to £5 million
8	Over £5 million to £10 million
9	Over £10 million to £40 million
10	Over £40 million to £60 million
11	Over £60 million to £80 million
12	Over £80 million to £100 million
13	Over £100 million to £200 million
14	Over £200 million to £300 million
15	Over £300 million to £400 million
16	Over £400 million to £500 million
17	Over £500 million
98	Prefer not to answer
99	Don't know

Full Authorisation: HIGHER RISK ONLY

Returning now to authorisation. If you decide to apply for authorisation [**FCA DA = Code 1 @ B3a**: a variation of permission] the current expectation is that you will have to submit an application between October 2014 and October 2015 providing details of your consumer credit activities including a full business plan and details of the organisation's owners.

There would also be a non-refundable application fee. The level of this is not decided and will be the subject of a consultation in the Autumn. However, for now, imagine it might be approximately [SYSTEM TO GENERATE ACCORDING TO RULES BELOW]

FCA DA (Code 1 @ B3a)	£500
Other	£1,000

If you are granted full authorisation [**Code 1 @ B3a**: variation of permission], you will then have to provide (**ADD IF NOT FCA DA i.e. NOT Code 1 @ B3a**: detailed) reports to the FCA about your consumer credit activities on an at least annual basis.

There would also be an annual fee payable. Again, this has not been set and will be the subject of a consultation in 2014. However, for now, imagine it might be in the region of £1,000 [**ADD IF EITHER D2a OR D2c IS Code 4 to 17 i.e. Turnover or income is £250,000 or above**: plus an extra turnover related amount]:

D3a Based on this description, how likely do you think you will be to apply for full authorisation [**Code 1 @ B3a**: variation of permission], given that if you do not become authorised you will have to cease all consumer credit activities at the latest by end of March 2016 (unless your application for full authorisation is decided after that date).

1	Certain to apply	SKIP TO INTRO TO AR UNLESS LENDER OR CREDIT REFERENCE AGENCY. SKIP TO E1 IF LENDER OR CREDIT REFERENCE AGENCY
2	Will probably apply	
3	Will probably not apply	CONTINUE
4	Certain not to apply	CONTINUE
99	Don't know	TRY TO ENCOURAGE A RESPONSE. IF STILL DON'T KNOW, CONTINUE

D3b Why do you say that?

OPEN-ENDED

IF LENDER OR CREDIT REFERENCE AGENCY (Lenders: A3a = 1 or A4e = 1,3 or A5 = 1,2; Credit Reference Agency: A3m = 2 or A5 = 9), SKIP TO D6a

Introduction to Appointed Representative

As an alternative to full authorisation, the current intention is you could consider becoming an Appointed Representative of one or more organisations that have themselves got full authorisation for their consumer credit activity. It would make sense for them to be organisations with whom you work regularly.

If an organisation appointed you as an Appointed Representative they would be responsible to the FCA for your behaviour and you would not, yourself, have to be authorised by the FCA. You would come to a commercial agreement with the organisation as to the services they would provide for you and the fees you would pay to them.

If FCA AR (Code 1 @ B3b): Please note that, although you currently have FCA Appointed Representative status, you would still have to become an Appointed Representative for your consumer credit activity and may need to do so with a different principal.

D4a Do you have in mind one or more organisations you could approach to see if they would take on this role and appoint you as an Appointed Representative?

1	Yes
2	Unsure
3	No

Pilot only

D4a1 Which organisation do you have in mind? What type of organisation are they?

OPEN-ENDED

D4b Given what we have told you, do you now think you would be more likely to apply for full authorisation [**Code 1 @ B3a**: variation of permission], in your own right or try to become an appointed representative?

1	More likely to apply for full authorisation	SKIP TO D6a IF CODES 3 or 4 or 99 @ D3a, OTHERWISE SKIP TO SECTION E
2	More likely to seek to become an appointed representative	CONTINUE
3	Uncertain which option	CONTINUE
4	Certain not to apply for either	SKIP TO D6a

D5a Based on the description, how likely do you think you will be to seek to become an **Appointed Representative**?

1	Certain to apply as Appointed Representative	SKIP TO SECTION E
2	Probably will apply as Appointed Representative	SKIP TO SECTION E
3	Probably will not apply as Appointed Representative	CONTINUE
4	Certain not to apply as Appointed Representative	CONTINUE
99	Don't know	CONTINUE

D5b Why do you say that?

OPEN ENDED

D6a **IF NOT EITHER 'CERTAIN TO APPLY' OR 'PROBABLY WILL APPLY' FOR AT LEAST ONE OF FULL AUTHORISATION OR APPOINTED REPRESENTATIVE]** As you may well not apply [to be authorised] [or if **Code 1 @ B3a**: for a variation of permission], or an Appointed Representative and so would have to cease your regulated consumer credit activities no later than March 2016 and possibly earlier, does that have any impact on how likely you are to apply for **interim permission**? Earlier you said that you would [ANSWER @ C1a]? What do you say now?

1	Certain to notify	IF RESPONSE HAS NOT CHANGED SKIP TO SECTION E
2	Probably notify	
3	Probably not notify	
4	Certain not to notify	
99	Don't know	

D6b What, in particular, has changed your mind?

OPEN-ENDED

Limited Permissions: LOWER RISK ONLY

Your organisation is likely to be eligible to apply for [something called limited permissions authorisation] [FCA DA = Code 1 @ B3a: a variation of permission]

The current intention is you would have to submit an application providing some details of your consumer credit activities and of the organisation’s owners.

There would also be a non-refundable application fee. The level of this is not decided and will be the subject of a consultation in the Autumn. However, for now, imagine it might be approximately [SYSTEM TO GENERATE ACCORDING TO RULES BELOW]

FCA DA (Code 1 @ B3a)	£250
Other	£500

If you are granted limited permissions authorisation [Code 1 @B3a: variation of permission], you will have to provide reports to the FCA about your consumer credit activities on an annual basis.

There would also be an annual fee payable. Again, this has not been set and will be the subject of a consultation in 2014. However, for now, imagine it might be in the region of £500 [ADD IF EITHER D2a OR D2c IS Code 4 to 17 i.e. Turnover or income is £250,000 or above: plus an extra turnover related amount]:

D7a Based on this description, how likely do you think you will be to apply for limited permissions authorisation [Code 1 @B3a: variation of permission], given that if you do not become authorised you will have to cease all consumer credit activities at the latest by end of March 2016 (unless your application for limited permissions is decided after that date).

1	Certain to apply	SKIP TO INTRO TO AR
2	Will probably apply	
3	Will probably not apply	CONTINUE
4	Certain not to apply	CONTINUE
99	Don't know	TRY TO ENCOURAGE A RESPONSE. IF STILL DON'T KNOW, CONTINUE

D7b Why do you say that?

Introduction to Appointed Representative

As an alternative to full authorisation, the current intention is you could consider becoming an Appointed Representative of one or more organisations that are themselves authorised for their consumer credit activity. It would make sense for them to be organisations with whom you work regularly.

If an organisation appointed you as an Appointed Representative they would be responsible to the FCA for your behaviour and you would not, yourself, have to be authorised by the FCA. You would come to a commercial agreement with the organisation as to the services they would provide for you and the fees you would pay to them.

If FCA AR (Code 1 @ B3b): Please note that, although you currently have FCA Appointed Representative status, you would still have to become an Appointed Representative for your consumer credit activity and may need to do so with a different principal.

D8a Do you have in mind one or more organisations you could approach to see if they would take on this role and appoint you as an Appointed Representative?

1	Yes
2	Unsure
3	No

Pilot only

D8a1 Which organisation do you have in mind? What type of organisation are they?

OPEN-ENDED

D8b Given what we have told you, do you now think you would be more likely to apply for limited permissions authorisation [**Code 1 @ B3a**: variation of permission] or to become an appointed representative?

1	More likely to apply for limited permission	SKIP TO D10a IF CODES 3 or 4 or 99 @ D7a, OTHERWISE SKIP TO SECTION E
2	More likely to seek to become an appointed representative	CONTINUE
3	Uncertain which option	CONTINUE
4	Certain not to apply for either	SKIP TO D10a

D9a Based on the description, how likely do you think you will be to apply to be an **Appointed Representative**?

1	Certain to apply as Appointed Representative	SKIP TO SECTION E
2	Probably will apply as Appointed Representative	SKIP TO SECTION E
3	Probably will not apply as Appointed Representative	CONTINUE
4	Certain not to apply as Appointed Representative	CONTINUE
99	Don't know	CONTINUE

D9b Why do you say that?

OPEN-ENDED

D10a CODES 3, 4 OR 99 @ D7a OR CODES 3, 4 OR 99 @ D9a. As you may well not apply [to be authorised] [or if **Code 1 @ B3a**: for a variation of permission], or to be an Appointed Representative and so would have to cease your regulated consumer credit activities no later than March 2016 and possibly earlier, does that have any impact on how likely you are to apply for **interim permission**? Earlier you said that you would [ANSWER @ C1a]? What do you say now?

1	Certain to notify	IF RESPONSE HAS NOT CHANGED SKIP TO SECTION E
2	Probably notify	
3	Probably not notify	
4	Certain not to notify	
99	Don't know	

D10b What, in particular, has changed your mind?

OPEN-ENDED

Re-contact

Lastly ...

- E1** This survey is being carried out by Critical Research, an independent research company. Occasionally we need to speak to people more than once. If we need to come back to you with any questions relating to this survey or to help with other connected research, would you be willing to help us?

IF NECESSARY, ADD: You can be assured that your name will never be passed to anyone outside our organisation.

1	Yes – willing to be re-contacted
2	No – not willing to be re-contacted

- E2** If follow up research was being carried out for the Financial Conduct Authority would you be willing for us to pass your name and contact details and information from this survey to another research organisation so they could contact you?

1	Yes – willing to be re-contacted
2	No – not willing to be re-contacted

Pilot only

- SP** Scratchpad. Finally, as you are one of the first to help with this questionnaire, do you have any comments about any of the questions? Were any difficult to answer?

THANK AND CLOSE