



HM Treasury

# Consumer Credit Act Reform – Phase 1

## **Consultation**

---

May 2025



# Consumer Credit Act Reform – Phase 1

## **Consultation**

---



© Crown copyright 2025

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://nationalarchives.gov.uk/doc/open-government-licence/version/3).

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at: [www.gov.uk/official-documents](https://www.gov.uk/official-documents).

Any enquiries regarding this publication should be sent to us at [public.enquiries@hmtreasury.gov.uk](mailto:public.enquiries@hmtreasury.gov.uk)

ISBN: 978-1-917638-11-1 PU: 3514

# Contents

<b>Ministerial Foreword</b>	<b>6</b>
<b>Chapter 1: Introduction</b>	<b>7</b>
<b>Chapter 2: Vision and case for CCA Reform</b>	<b>13</b>
<b>Chapter 3: Delivery of reform</b>	<b>17</b>
<b>Chapter 4: Information Requirements</b>	<b>21</b>
<b>Chapter 5: Sanctions</b>	<b>28</b>
<b>Chapter 6: Criminal Offences</b>	<b>42</b>
<b>Chapter 7: Look ahead to Phase 2</b>	<b>45</b>
<b>Chapter 8: Financial Inclusion and Equality Impact Assessment</b>	<b>49</b>
<b>Chapter 9: How to respond to this consultation</b>	<b>55</b>
<b>Annex A – List of questions</b>	<b>58</b>
<b>Annex B – CCA provisions proposed to be repealed for Phase 1</b>	<b>59</b>

# Ministerial Foreword

Last year marked the 50th anniversary of the passage of the Consumer Credit Act 1974 (CCA). The world, the way people interact with their finances, and the consumer credit market is dramatically different today and the transformation in 50 years is vast. The non-mortgage lending market has grown to over £200 billion<sup>1</sup>, 84% of the public now hold credit products,<sup>2</sup> and over 28,000 firms are authorised to carry out credit activities by the Financial Conduct Authority (FCA).<sup>3</sup> New products have come to the market, and digital technology has transformed how people use and take out credit. And, with that, many new challenges and opportunities have emerged, such as the rapid emergence and growth of Buy-Now-Pay-Later (BNPL) products<sup>4</sup>. HMT has recently published its final consultation response on BNPL to bring much needed protections for consumers.

Perhaps inevitably, the legislation has not kept up. While it was well designed for its time, the CCA is increasingly under strain to deliver a 21st century customer experience. The existing legislation and supporting regulations are poorly adapted to technology that was not even conceived of 50 years ago. Successive updates over time have created a complex and often confusing regime which now runs alongside the FCA regulatory regime. It is time to review what remains in the CCA and bring forward a simpler, more agile regime that puts consumers at its heart. The consumer credit regime must allow firms the flexibility to grow, innovate and utilise technology to bring new products and services which deliver good consumer outcomes without being compromised by outdated legislation. The Government therefore intends to create a new consumer credit regime that takes the best aspects of the CCA, while moving it into the 21st century.

This Government is committed to delivering this much needed overhaul of the consumer credit regime and will move at pace to implement real change which will support growth and innovation in this sector whilst ensuring consumers remain appropriately protected. HMT will work closely with the sector and the FCA to ensure the new consumer credit regime is fit for the next 50 years of change and beyond.



---

<sup>1</sup> [Bank of England Database](#)

<sup>2</sup> [Financial Lives 2024: Key findings from the FCA's Financial Lives May 2024 survey](#)

<sup>3</sup> According to FCA Data

<sup>4</sup> [Financial Lives 2024: Key findings from the FCA's Financial Lives May 2024 survey](#)

# Chapter 1: Introduction

- 1.1 Consumer credit is an important financial product. When provided responsibly, it can help consumers manage their finances with flexibility, allow them to spread the cost of purchases, provide access to funds (especially in an emergency) and contribute to broader economic participation.
- 1.2 The consumer credit sector is also a key contributor to innovation and growth of the UK economy. Ready access to credit can enhance consumer confidence, encouraging spending, support financial inclusion and investment in the economy, which in turn boosts businesses and can lead to expansion and job creation.
- 1.3 It is vital that the UK has a modern, agile and proportionate regulatory regime for consumer credit that is equipped to provide robust protection for consumers. It must promote a competitive, responsible and innovative credit market which will support growth of the UK economy. That is why the Government is bringing forward reforms to the CCA and accompanying statutory instruments.
- 1.4 This consultation provides an update on the Government's detailed proposals for phased reform of the CCA.

## Recap of CCA Reform progress to date

- 1.5 The CCA applies to an array of regulated consumer credit products including personal loans, credit cards, store cards, motor finance, hire purchase, conditional sale agreements, consumer hire (leasing) agreements, overdrafts, high-cost-short-term credit and pawn. It also applies to lending to small businesses, including sole traders and small unincorporated partnerships of 2 or 3 partners where the loan is less than £25,000. Certain aspects of the CCA can also apply to some exempt credit agreements.
- 1.6 On 16 June 2022, the Government set out its intention to reform the consumer credit regime within the CCA and accompanying statutory instruments.<sup>5</sup> In this announcement, HM Treasury set out an intention to repeal much of the existing legislation, to allow the framework to be updated and recast where deemed necessary into rules to be made and enforced by the regulator, the FCA.
- 1.7 Made in 1974, the CCA was a landmark piece of legislation. It provided consumers with new and robust protections that were needed at that time and replaced a confused and disparate

---

<sup>5</sup> [UK commits to reform of the Consumer Credit Act - GOV.UK](#)

regime.<sup>6</sup> Compliance with the CCA was originally overseen by the Office of Fair Trading (OFT) which had very limited supervisory and enforcement powers. However, it was developed at a time before a modern financial regulation regime. Although changes have been made over time (such as those following the Government's Consumer Credit White Paper in 2003 which led to an array of new statutory instruments on forms of agreement, advertising, early settlement, etc. as well as the CCA 2006 and the Consumer Credit Directive), it has still not managed to keep up with new developments in the market, technology and consumer behaviour.

- 1.8 In 2014, consumer credit regulation was moved into the wider financial services regime under the Financial Services and Markets Act 2000 (FSMA), to be regulated by the FCA rather than the OFT. The objective of this was to bring conduct of business regulation under a single financial services regulator, ending confusion for consumers and duplication for many firms, while ensuring a single strategic regulatory view across retail financial services.<sup>7</sup> As part of this transfer, 82 sections of the CCA were repealed, though 167 sections were retained. Consequently, the consumer credit regime is currently partly regulated in FCA rules under FSMA, and partly in the CCA and associated secondary legislation.
- 1.9 To modernise regulation in this area, the Government intends to repeal many of the remaining CCA provisions and much of the associated secondary legislation. The FCA will then be responsible for recasting conduct requirements where appropriate in its Handbook. The Government does not envisage CCA provisions being precisely replicated in FCA rules, instead the FCA will consider what appropriate requirements should be put in place, considering its statutory objectives and its existing principles and rules. The Government expects some provisions, which are not capable of being recreated in FCA rules (such provisions may create third party rights and obligations) but are nevertheless important, to be retained in legislation to ensure robust consumer protection.
- 1.10 This approach will create a more flexible regime in FCA rules with more outcomes-based principles and less prescription, allowing firms to tailor products and consumer journeys to achieve good consumer outcomes in line with the broader FCA Consumer Duty principle. This also brings consumer credit in line with modern financial services regulation and completing the process of reform that began in 2014.

---

<sup>6</sup> The Crowther Report on Consumer Credit: recommendations  
(<https://discovery.nationalarchives.gov.uk/details/r/C6091900>)

<sup>7</sup> [A new approach to regulation: transferring consumer credit regulation to the Financial Conduct Authority](#)  
[CP13/7: High-level proposals for an FCA regime for consumer credit](#)



1.11 On 9 December 2022, HM Treasury published a consultation to seek views on the strategic approach to this reform, including the objectives, principles and overall direction. The consultation set out that reform would take account of several developments, including:

- **FCA's Retained Provisions Report in 2019** (the "Report")<sup>8</sup>: The objective of the Report was for the FCA to review the statutory question<sup>9</sup> of whether the repeal (in whole or in part) of provisions of the CCA would adversely affect the appropriate degree of protection for consumers. The Report has served as an important resource for internal Government policymaking, but it is important to note there have been several important developments since the Report was prepared, including the Consumer Duty, Covid-19, the Woolard Review, the emergence and imminent regulation of the Buy-Now, Pay-Later market, and the FCA's move to a more principles-based rulebook with less reliance on prescriptive rules.
- **Woolard Review in 2021**: This explored changes in the consumer credit market and how regulation can work most effectively. One of the Review's key recommendations was that Government and FCA work together to prioritise CCA reform to deliver a more outcomes-based regime.
- **FCA's Consumer Duty**: In July 2023, the FCA introduced new rules and guidance seeking to clarify and raise expectations of financial services firms ensuring that they act to deliver good outcomes for consumers.
- **FCAs Secondary International Competitiveness and Growth Objective**<sup>10</sup>: This objective came into effect in August 2023 and requires the FCA to consider how its decisions impact on the international competitiveness of the UK economy, including the financial services sector, and its growth in the medium to long term. This means that while their primary focus remains on protecting the integrity of the UK financial system, protecting consumers and promoting competition in the interests of consumers, the FCA must also consider how their actions impact the UK's global standing and economic growth.

1.12 The document also set out five principles that Government intends to use to guide its approach to CCA reform. These principles are outlined below:

---

<sup>8</sup> [Review of retained provisions of the Consumer Credit Act: Final report](#)

<sup>9</sup> The Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2014, 20(2)

<sup>10</sup> The Financial Services and Markets Act 2023

**Proportionate** – The reform will ensure that levels of consumer protection will be appropriate, whilst balancing the need to ensure that the reform places proportionate burdens on business. Some customers in this market may be vulnerable and due care will be given to ensure that robust consumer protection is provided.

**Aligned** – The reform will ensure consumer credit regulation broadly aligns with the style and substance of current financial services regulation, whilst recognising that due to the nature of consumer credit, a tailored approach may be required in specific areas. The reform will also align with wider duties and obligations, such as the Public Sector Equality Duty, see Chapter 8 for more details.

**Forward-looking** – The reform will be mindful that changes made to the consumer credit regulatory landscape should be adaptable to future ways of delivering credit to consumers and to the needs of consumers and businesses.

**Deliverable** – The reform will be designed to be deliverable for the FCA and industry. The Government is conscious that significant change may be required to internal processes and will ensure that adequate time is given for changes to take effect.

**Simplified** – The creation of a regulatory regime that simplifies and modernises ambiguous technical terms used in the CCA to make it clear to consumers what protections they have and to make it easier for firms to communicate these protections and comply with requirements placed on them.

- 1.13 The previous consultation also invited views on how the Government should approach discrete areas of the CCA, such as the provision of information, key rights and protections, sanctions, and issues around scope. It also sought stakeholder views on key cross-cutting issues, such as Green Finance, Islamic Finance, and what factors it may want to consider as part of its obligations under the Public Sector Equality Duty.
- 1.14 The Government received engagement from 84 stakeholders, ranging from consumer groups, debt charities, trade bodies, and firms. This feedback has been crucial in helping understand stakeholder views and consider the approach to reform. The

Government's response was published in July 2023<sup>11</sup>, which set out key themes in the feedback received. Overall, there was broad support for reforming the CCA and, given this, the Government set out that it planned to move forward with an ambitious overhaul of the CCA, guided by the principles set out above.

## The Government approach to further consultation

- 1.15 Through engagement to date, it is clear that stakeholders recognise that this is a once in a generation opportunity to design a new regulatory regime for consumer credit and they appreciate the complexity and size of the task ahead. Stakeholders want the Government and FCA to take a careful and considered approach to reform, and to fully reflect on the views of stakeholders and the empirical evidence available. While Government is keen to realise the benefits of reform as soon as possible, it also recognises the importance of engaging widely with stakeholders and taking the time and care to design a regime that works for the next 50 years and beyond.
- 1.16 Given the scale and complexity of the CCA and the desire to move forward at pace, the Government intends to take a phased approach to consulting on its policy approach. Specifically, it intends to outline its detailed proposals for a new regime across two consultations:
- **Phase 1:** This consultation outlines the Government's overall vision for a reformed regime, as well as its approach to information requirements, sanctions, and criminal offences.
  - **Phase 2:** A further consultation will follow which will set out how the Government intends to reform the scope of regulation and rights and protections under the CCA.
- 1.17 There is substantial overlap between Phase 1 and 2 so it is the Government's aim that both phases of the policy work are carried out prior to implementation of changes.
- 1.18 Implementation of any changes will require primary legislation and may also require secondary legislation, as well as a detailed rulemaking process by the FCA, and appropriate transitional periods to allow industry to prepare and adapt to new rules. The Government's approach to phasing and implementation is outlined in more detail in Chapter 3.
- 1.19 The remainder of this consultation document is structured as follows:

---

<sup>11</sup> [CCA\\_consultation\\_response\\_-\\_v7\\_new\\_format\\_.pdf](#)

- Chapter two: the case for reforming the CCA and HMT's broad vision for a reformed regime;
- Chapter three: how CCA reform will be phased and key process points, including HMT's approach to legislation and transitional provision;
- Chapter four: proposals on information requirements;
- Chapter five: proposals on sanctions;
- Chapter six: proposals on criminal offences; and
- Chapter seven: initial thoughts on issues to be considered in phase two;
- Chapter eight: Public Sector Equality Duty considerations; and
- Chapter nine: how to respond.

# Chapter 2: Vision and case for CCA Reform

- 2.1 This chapter sets out the Government's overall vision for a reformed consumer credit regime. It details a broad structure of an end state regime which will provide a clear framework for Government to consider policy issues in a clear and consistent way.
- 2.2 The CCA has served the UK well for many decades and continues to provide important protections, but it has failed to keep up with developments of new products, innovation in technology and the changing ways in which people engage with credit. For example, an increasing number of consumers now take credit out online or via a mobile device.
- 2.3 Attempts have been made to update and adapt the CCA to reflect developments in the market, consumer behaviour, and the wider regulatory framework (including legislation which implemented EU directives).<sup>12</sup> However, this has created a cumbersome and disjointed regime which the Government does not believe is fit for the future.
- 2.4 HMT considers that some of the key issues with the CCA include:
- **Prescriptive, confusing and duplicative:** For example, some of the existing disclosure requirements can be confusing for consumers (e.g. statutory references in documents such as the credit agreement and technical legal language in pre-contract information, arrears and default notices), potentially leading to poor outcomes for consumers. Some provisions require excessive prescription, duplicative information and a rigid approach, preventing firms from adapting information and journeys to consumers' needs.
  - **Inflexible:** The CCA is often inflexible and it can be difficult for firms to develop new products or deliver the best consumer outcomes, especially in the context of increased digital usage of credit. For example, innovative technological developments that could enhance the consumer journey and experience are often restricted by the prescriptive information requirements. The rigidity of certain definitions and the specific

---

<sup>12</sup> The Consumer Credit (EU Directive) Regulations 2010

requirements attached to them have often caused difficulties and complexity for firms developing innovative products.

- **Complex:** Conduct requirements are now spread across multiple sources, with several overlapping requirements (e.g. many of the consumer onboarding documents contain similar information). In addition, the arrears and default process in the CCA is very prescriptive but there are also further requirements under CONC 7 of the FCA Handbook on arrears, default and recovery. This complexity has led to confusion for consumers and firms, hampering innovation and competition, especially for new market entrants.
- **Disproportionate:** Certain provisions of the CCA that have sanctions attached for non-compliance are disproportionate as these do not focus on consumer harm and ensuring good consumer outcomes.

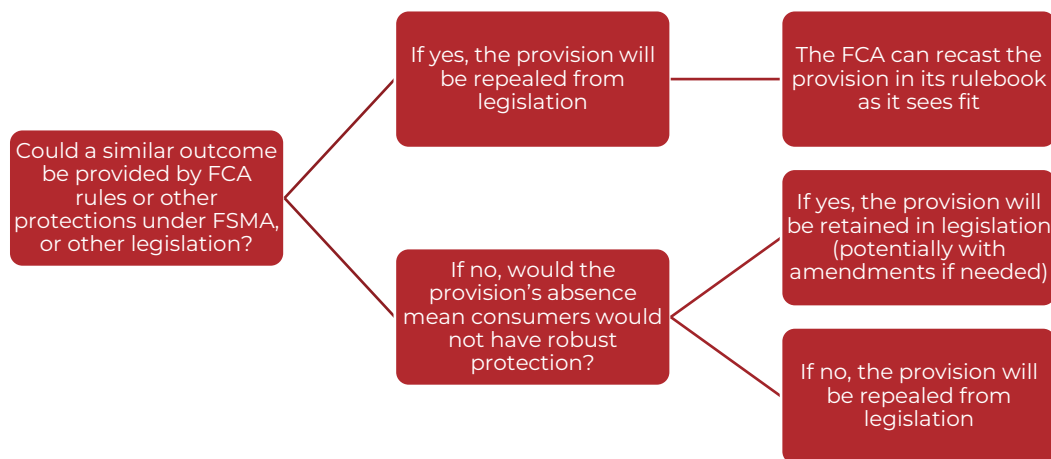
- 2.5 The Government has engaged with stakeholders and understands that while they feel there are some issues with the CCA, they are broadly supportive of the consumer protection it provides. Stakeholders are keen to ensure that a reformed regime continues to deliver high standards of consumer protection. In particular, there is support for the clear rights the CCA provides, many of which are well-known and regularly used by consumers. HMT will ensure that its approach to reform delivers robust consumer protection, even if there is a shift away from the CCA's model of regulation to a more principles, outcomes-based regime under the FCA.
- 2.6 The Government acknowledges that there are differing views between consumer groups and industry on the level of consumer protection sanctions provide beyond the protections afforded by the FCA Regime, which we discuss further in Chapter 5 of this Consultation Paper.

## The regulatory approach

- 2.7 To modernise consumer credit regulation, the Government intends to repeal many of the CCA's provisions (including much of the secondary legislation) (see Annex B for more details) and for these to be recast as appropriate into FCA Handbook rules and principles, while recognising that some provisions may have to remain in legislation to ensure that key consumer protections are retained. This approach will create a more flexible regime, bringing it in line with wider modern financial services regulation, and completing the process begun in 2014.
- 2.8 When considering whether provisions can be repealed, the Government is assessing the CCA to understand whether:

- A similar outcome could be provided (where desirable) by FCA rules or other protections under the FSMA regime.
- If not, whether the provision's absence would mean consumers would not have robust consumer protection.

2.9 Where the removal of a provision would mean consumers would not have a robust level of protection which could not be replicated by FCA rules and guidance, HMT will look to retain the provision in legislation or modify it as appropriate. This approach is illustrated in the diagram below.



2.10 A key part of reforming the CCA is to align it more with the Government's wider regulatory approach. The current model of UK financial services regulation was introduced by FSMA. This FSMA model splits responsibilities across Parliament, HM Treasury, and the regulators as follows:

- Parliament, through primary legislation, sets the overall approach and institutional architecture for financial services regulation, including the regulators' objectives.
- Parliament, through primary legislation, has empowered HM Treasury to set the 'regulatory perimeter' through secondary legislation, specifying in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the "RAO") which financial activities should be regulated and the circumstances in which regulation should apply.
- The expert and operationally independent regulators, namely the Prudential Regulation Authority (PRA) and FCA have

statutory responsibility for setting the regulatory provisions that apply to firms which carry on regulated activities, using the powers given to them by FSMA.

- 2.11 Some provisions will be repealed where the FCA's regime, such as the Consumer Duty<sup>13</sup>, complaints processes and rules around forbearance, provides robust consumer protection.
- 2.12 Where HMT does decide provisions need to be retained in legislation, these may not be retained exactly as they currently appear in the CCA. The intended 'outcome' of the provision will be considered and the requirements will reflect this but may apply in a different way. HMT will ensure any amendments are clear for consumers and proportionate for firms.
- 2.13 The Government will therefore generally look to adopt an approach consistent with FSMA, where HMT sets key definitions and perimeter issues in legislation, while allowing the FCA to set conduct and disclosure requirements as it deems appropriate.
- 2.14 While this provides a broad framework, the Government will consider provisions in detail on a case-by-case basis.
- 2.15 The broad structure of the Government's proposed regime is set out below.

#### Repeal CCA provisions (Government led)

- HMT's intention is to repeal many CCA provisions.

#### Amend FSMA (Government led)

- Key perimeter defining definitions and thresholds to sit in legislation (e.g. credit, hire, scope of business lending).
- Update and reform rights and protections that cannot be repealed without an adverse impact on consumer protection.

#### New provisions in FCA rules (FCA led)

- FCA will revisit their Consumer Credit Sourcebook (CONC). Any recasting of the CCA provisions into FCA rules will require changes to CONC and other relevant provisions of the Handbook.

### Question 1: Do you agree with our vision for a reformed regime?

---

<sup>13</sup> [PS22/9: A new Consumer Duty](#)



# Chapter 3: Delivery of reform

- 3.1 The Government is carefully considering how it can deliver reform in a timely and efficient manner, whilst developing policy carefully and in conjunction with stakeholders. This chapter sets out HMT's approach to developing and consulting on its policy approach, and current considerations around legislation and transitional provisions.

## Phasing of policy work

- 3.2 The Government and FCA will take a careful and considered approach to reform and fully reflect on the views of stakeholders as well as the empirical evidence available.
- 3.3 While the Government is keen to realise the benefits of reform as soon as possible, it also recognises the importance of engaging widely with stakeholders and taking the time and care to design a suitable regime.
- 3.4 Stakeholder feedback has indicated that information requirements are an area of the CCA particularly ripe for reform. There is broadly acceptance among many stakeholders that the existing regime is causing issues for both consumers and firms. Sanctions are inextricably linked, with the CCA's sanctions applying primarily to breaches of information requirements. It is therefore logical to consider sanctions alongside information requirements.
- 3.5 The Government intends to take a phased approach to consulting on its policy proposals. Specifically, it intends to outline these in detail for a new regime:
- **Phase 1:** This consultation outlines the Government's overall vision for a reformed regime and seeks views on the Government's proposed approach to information requirements, sanctions, and criminal offences.
  - **Phase 2:** A further consultation, in due course, will set out how the Government intends to reform the scope of regulation, definitions, rights and protections. We will also look at any consequential changes needed to other legislation where this is required.
- 3.6 The table below sets out the key topics that will be covered in each consultation for Phase 1 and Phase 2.

Phase 1	
Overview	Policy issues
<b>General framework</b>	Provide a clear articulation of the 'end state' vision that reform will deliver.
<b>Information requirements</b>	Set out proposals on how to deal with prescriptive disclosure requirements (e.g. contents of Pre-Contractual Information document, terms and conditions, statements and arrears notice, etc.), which many stakeholders tell us often leads to poor outcomes.
<b>Sanctions and criminal offences</b>	Set out proposals on criminal offences and certain automatic sanctions for non-compliance by firms.

Phase 2	
Overview	Policy issues
<b>Rights and Protections</b>  Provide consumer rights like Section 75 (e.g. allows consumers to claim for refunds when paying for items on a credit card) and Section 140A (which allows for claims for unfair relationships).	HMT will set out proposals on each consumer right and protection, identifying where similar outcomes could be delivered by the FCA rulebook, or where they will need to be retained or updated in legislation.
<b>Scope and key definitions</b>  Establish key concepts within the CCA (such as defining different types of credit agreement) and the perimeter of regulation.	Policy work is required on the scope of the regulated credit regime in particular on consumer hire and business lending to sole traders and small partnerships. Decisions will need to be made on whether and how they should be regulated. HMT will also need to review the key credit definitions to reflect market developments which may also require broader changes to the RAO.

<b>Consequential changes to other legislation</b>	The Government will consider what consequential changes are required to other legislation such as the RAO, Payment Services Regulations 2017 and the Financial Services (Distance Marketing) Regulations 2004.
---	--

## Impact Assessment

- 3.7 HMT will complete an impact assessment for CCA Reform as a whole as part of the Phase 2 Consultation Paper due to much of the policy work and proposals overlapping between the two phases.
- 3.8 However, HMT would welcome feedback from stakeholders (including quantitative data) on the costs and benefits of the CCA, as well as the proposals outlined in the rest of this document.

## Approach to legislation

- 3.9 Implementation of any changes will require Government to repeal a range of provisions in the CCA alongside potential amendments, which will require primary legislation. There will also be a detailed rulemaking process by the FCA, and appropriate transitional periods to allow industry to prepare and adapt to new rules.
- 3.10 The Government has considered whether it should look to legislate in phases or deliver reform of the CCA through one legislative vehicle.
- 3.11 The preferred approach at this stage is to use one primary legislative vehicle for both Phases 1 and 2, given the interconnectedness of the CCA and the potential challenges of a phased legislative approach. It is possible that further secondary legislation may be needed following primary legislative changes.
- 3.12 These changes will be subject to the availability of Parliamentary time and the Government cannot provide more detailed commentary on legislative timelines at this stage.

## Transitional provisions

- 3.13 It is crucial to ensure a smooth transition to a new regime that achieves robust consumer protection, legal certainty and fairness. The Government is cognisant that the move to a new regime could be particularly disruptive, given the central role of the CCA in the market. The Government and the FCA will therefore need to consider transitional provisions carefully.
- 3.14 When drafting transitional provisions for changes to the CCA, HMT are aware that there may be ongoing non-compliance by firms that

exists under the current regime prior to the future implementation of any changes to the CCA and that this may continue after implementation and need remediation and/or redress by firms.

3.15 HMT and the FCA will provide clarity on when the transitional provisions will come into effect and any deadlines for compliance. Key points HMT will explore further include:

- the extent to which repeal of any CCA provisions will substantively interfere with consumer and firm rights for pre-existing agreements;
- whether the impact of removal of any CCA provisions could be acceptable and would not adversely impact the robust consumer protection that the consumer could reasonably expect to enjoy when the agreement was originated;
- whether any CCA provisions should or could be retained for historic non-compliance under pre-existing agreements, or whether they could be sufficiently covered elsewhere in legislation or FCA rules.

3.16 By considering these key points, transitional provisions can be drafted to facilitate a smooth and fair transition, ensuring that both consumers and businesses are robustly protected and informed throughout the process. HMT will explore this in more detail as part of its policy work for Phase 2.

**Question 2: Do you agree with our preferred approach to legislation?**

**Question 3: Do you think the challenges in relation to the transitional provisions have been captured and what further thoughts do you have on possible appropriate transitional provisions?**

# Chapter 4: Information Requirements

- 4.1 This chapter summarises the current CCA framework relating to information requirements, and Government's proposals in this area.
- 4.2 The CCA and accompanying statutory instruments contain detailed information provisions that require firms to provide specific information to consumers often in prescribed formats and at specified times during the lifecycle of the consumer journey. These may include the following, dependent on the type of credit:
- **Pre-contractual information** – information provided to consumers prior to and including the signing of the agreement (e.g. Pre-Contract Credit Information document, the agreement and a copy of the agreement);
  - **Post-contractual information** – information provided at various points during the lifecycle of the agreement – statements, requests for information, copy agreements, early settlement information and variations to rates and terms;
  - **Arrears, default and forbearance information** – information provided to consumers where they experience financial difficulty (e.g. arrears information where payments are missed and default notices where arrears are not cleared down and the agreement may be terminated and make a formal demand for early payment of the outstanding balance as part of any debt recovery action).
- 4.3 The FCA has also made rules that impose additional information requirements on firms, these can be found in CONC.
- 4.4 HMT's first consultation<sup>14</sup> on CCA Reform highlighted that the information requirements often do not promote the best consumer outcomes. Some information required to be provided is complex and confusing and does not always assist consumer understanding, potentially leading to too much information being provided to consumers, information provided at inappropriate times or duplicated. In addition, the lack of flexibility impacts innovation particularly in digital journeys and the utilisation of technology.
- 4.5 Respondents to that consultation broadly agreed with HMT's assessment of the information requirements in the CCA. They highlighted requirements that they thought should be updated, including Pre-Contract Credit Information document, Notices of

---

<sup>14</sup> [CCA\\_CP\\_211122\\_Final\\_Review.pdf](#) p28

Sums in Arrears (NOSIAs) and Default Notices, arguing that they can lead to poor customer outcomes. A number of respondents highlighted the negative mental health impacts of the current regime for NOSIAs and Default Notices.

- 4.6 In relation to information disclosure requirements, the FCA's Report<sup>15</sup> concluded that many requirements could be moved into the FCA rulebook (but not the associated sanctions). The Report stated that although the FCA considered that most information requirements do not impose disproportionate burdens and restrictions when compared to the benefits to consumers, amendments may make information more relevant and readily comprehensible for customers in different situations. The Government therefore believes that there is clear rationale for moving information requirement provisions from the CCA into the remit of FCA rules.

## A consumer credit regime based on FCA rules

- 4.7 The Government considers that information requirements guided by FCA principles and rules would be a more effective, flexible and proportionate way to regulate the sector, ensuring the focus is on achieving good consumer outcomes and in turn maximising consumer understanding of their credit product key features and how these operate. It believes that a regime based in FCA rules would achieve a number of benefits:

- **Alignment with the Consumer Duty:** Under the Consumer Duty, firms must act to deliver good consumer outcomes, including supporting their customers by helping them make informed decisions about financial products and services. The Consumer Duty is focused on outcomes rather than prescription, and whilst the Government recognises that some prescription can be beneficial, there is an increasing role for firms to play in knowing and understanding their customers, tailoring their communications accordingly and continuing to test and learn, especially when dealing with vulnerable consumers. The Government considers that there is an important role for the Consumer Duty in delivering a new consumer credit regime which works for this ever-changing and developing credit landscape.
- **Flexibility:** Moving CCA information requirements from legislation to the FCA Handbook would mean they are simpler to amend in the future. Changes would still be subject to FCA consultation, a cost benefit analysis and stakeholder engagement (as appropriate). However, the FCA would be able

---

<sup>15</sup> [Review of retained provisions of the Consumer Credit Act: Final report](#)

to respond and implement changes more easily as consumer journeys, credit products and markets evolve over time. This would ensure better consumer protection where any risks or harm emerge. This will also help support future innovation with regulation that is adaptable and flexible.

- **Digital technology developments:** With the significant advancement in digital technologies, many credit agreements are now taken out online, with an increasing number via mobile devices. Smartphones and other mobile devices are also regularly used by consumers to keep up-to-date with the information about their credit products. Engaging with information on a mobile device is a very different experience to reading documents in paper or on a large screen. The Government wants to ensure that the consumer credit regulatory regime is forward-looking for further technological developments and innovation such that consumers can engage with credit products and information about those products in whichever way is most suitable for their needs.

- 4.8 In view of above, HMT's intention is to repeal all of the information provisions in the CCA and accompanying regulations (see table in Annex B for details), and for these to be recast where required into FCA rules. The Government would not expect this to be a simple copy and paste of requirements from legislation into FCA rules but instead the FCA will undertake a review and consult as necessary on any specific rules covering the information provided to consumers which it considers should be required to apply alongside its Principles (including the Consumer Duty).
- 4.9 The FCA will consult in due course on changes to its Rulebook it considers appropriate to ensure good consumer outcomes. These will need to strike the right balance between consumer protection and proportionate regulation. The FCA may carry out consumer research and testing to establish the right level of information required, how that should be provided and the right times for this to be provided so consumers are engaged and informed. The FCA will consider as part of its consultation to what extent any specific information disclosure requirements are needed in the FCA Consumer Credit Sourcebook<sup>16</sup> CONC beyond existing rules and the principles including the Consumer Duty.
- 4.10 The table below provides a list of provisions for repeal and a summary of stakeholder feedback received so far on each of the areas.

---

<sup>16</sup> [CONC 1 - FCA Handbook](#)

Customer journey	Legislation – Proposal to repeal	Requirement	Stakeholder feedback
<b>Pre-contract</b>	S.17 S.18 S.55-55C S.60-61 S.61A-61B S.62 - 65 S.74	<ul style="list-style-type: none"> <li>• Pre-Contract Credit Information</li> <li>• Credit Agreement</li> <li>• Copy Agreement</li> <li>• Small Agreements</li> <li>• Multiple Agreements</li> </ul>	<ul style="list-style-type: none"> <li>• Pre-Contract Credit Information not often used as a comparison tool compared to price comparison sites</li> <li>• Prescribed form, content and timing – limited ability to tailor to consumers</li> <li>• Legalistic – statutory references &amp; language</li> <li>• Duplicative (Pre-Contract Credit Information and credit agreement overlap with Adequate Explanations document – CONC 4)</li> <li>• Multiple agreements complex and unnecessary</li> </ul>
<b>Post-contract</b>	S.76-77, S.77A-77B S.78, 78A 79-80  S.82  S.85  S.97, 97A, 98, 98A S.103  S.105  S.176 & 176A	<ul style="list-style-type: none"> <li>• Statements</li> <li>• Notices of Variation</li> <li>• Termination</li> <li>• Service and electronic disclosure</li> </ul>	<ul style="list-style-type: none"> <li>• Prescribed form, content and timing – limited ability to tailor to consumers</li> <li>• Legalistic – statutory references &amp; language</li> <li>• Modifying agreements confusing</li> <li>• Complex and ambiguous requirements</li> </ul>
<b>Arrears &amp; default</b>	S.86A-F S.87-89	<ul style="list-style-type: none"> <li>• Notices of Sums in Arrears (NOSIAs)</li> <li>• Default Notices</li> <li>• Notice of Default Sums (NODS)</li> </ul>	<ul style="list-style-type: none"> <li>• Prescribed form, content and timing –</li> <li>• Legalistic – statutory references &amp; jargon and language that is often perceived as threatening.</li> <li>• Complex and ambiguous requirements</li> <li>• Inconsistent with information on informal repayment plans</li> <li>• Consumer confusion, stress and anxiety</li> <li>• FCA Information Sheets – prescribed format, content and timing &amp; practical difficulties when updated.</li> </ul>



			Consumer Groups consider these useful documents and FCA will be able to consider if they should be replicated in their rules.
--	--	--	---

## Technical matters

4.11 The CCA also contains a number of key provisions relating to information requirements. This section sets out how HMT intends to address some of the technical aspects of the provisions.

- **Small agreements** - Some parts of the CCA do not apply to 'small agreements'. A small agreement is defined in Section 17 of the CCA as a regulated consumer credit agreement for credit not exceeding £50, other than a hire-purchase or conditional sale agreement. The issue of small agreements was considered in the Government's BNPL consultation<sup>17</sup> where it was decided that to ensure consistency in consumer protection across current exempt BNPL agreements captured by the scope of regulation, the Government will disapply Section 17 of the CCA for these agreements when they are brought into regulation. The Government considered that this was necessary because BNPL is frequently used for agreements below £50. However, the result of this would mean that lenders offering agreements for interest-bearing credit not exceeding £50 would not be subject to, for example, CCA requirements relating to the form and content of agreements or FCA rules on creditworthiness assessments in relation to those small agreements, while lenders offering BNPL agreements would be subject to these requirements. Given this inconsistency, the Government proposes repeal of the small agreements provision in Section 17 across all regulated agreements. It will be for the FCA to consult as to whether and how its rules should apply to small agreements.
- **Modifying agreements** – There are many legitimate scenarios where lenders need to amend the terms of an agreement after it has been entered into (e.g. change the interest rate, term of the agreement or monthly payment). This usually gives rise to a unilateral variation under Section 82(1) CCA or a modifying agreement under Section 82(2) CCA. The latter is deemed, for the purposes of the CCA, to revoke the original agreement with its terms being subsumed into a (notional) new agreement. This often means firms issue consumers with the full suite of relevant pre-contract and contractual information requirements again.

---

<sup>17</sup> [Regulation of Buy-Now, Pay-Later: consultation on draft legislation \(October 2024\) - GOV.UK](#)

The original intention behind modifying agreements was to provide a legal framework for varying the terms of a credit agreement, ensuring that both the lender and borrower had clarity and protection when changes to an agreement were necessary or agreed between firm and consumer.

The provision currently results in a lot of unnecessary complexity which makes it difficult for firms and consumers to agree changes to their credit agreement and the Government proposes to repeal this provision. Repeal would mean that firms may no longer have to reissue all the disclosure documentation but can instead agree changes with consumers in a much simpler, more flexible way.

The Government is of the view that similar protections are provided elsewhere. Firms would still need to comply with the FCA's Consumer Duty principle, as well as contractual legal principles, and the Consumer Rights Act 2015 which requires firms to comply with additional provisions in relation to the fairness of terms in consumer agreements. Therefore, the current regime provides a robust and flexible framework to ensure consumers receive the necessary information in a clear and simple way at the right time and the Government proposes to repeal the whole of this provision. The FCA will also be able to consult on any further changes it may consider necessary to its rules.

- **Multiple agreements** – Section 18 of the CCA refers to situations where a single credit agreement covers more than one type of credit or financial arrangement (e.g. part of an agreement might be a 'fixed sum' loan and the other might be a 'running account' credit facility with a credit limit like a credit card). Each of the parts of the single agreement fall under different regulatory categories or have different terms and conditions, and different requirements and consumer protections apply.

The original purpose behind Section 18 was to prevent the combining of distinct categories of CCA agreements, one or more of which would be within the statutory financial limit. The intention was to provide a framework that accommodates the complexity of credit agreements involving multiple types of credit while safeguarding consumer interests and ensuring compliance with the specific requirements of the CCA applying to each part. However, many stakeholders have told us that requirements for multiple agreements can often be unduly complex, and hard to comply with, and this can lead to documentation that is unclear or difficult for consumers to follow, or firms avoiding designing products with multiple parts limiting innovation and product choice.

The Government proposes to repeal this provision along with the other information provisions; further considerations will

need to be given to the interaction of these provisions with other aspects of the wider regulatory framework. The FCA may consult on any changes it considers necessary to its rules to ensure consumers receive information in a clear way.

- **Electronic disclosure** - Section 176A of the CCA provides for the electronic transmission of documents, subject to certain conditions including that the customer has agreed to the specific form of communication. The provisions lack flexibility and regard could be given to the consumer's preferred or usual choice of communication with firms, allowing use of technology and future proofing for further innovation and developments in communication methods and channels. Stakeholders have raised concerns around the implications of explicit consent and the impact of this in practice. The Government proposes to delete these requirements and the FCA will consider this further and consult on any changes it considers necessary to its rules.
- **'Gone away' consumers** – Stakeholders have consistently raised concerns around the strict information disclosure requirements within the CCA which require firms to send documents (e.g. annual loan statements and arrears notices) to the last known address even if the consumer no longer lives there, hence they are “gone away”. Often, new householders notify the firm that the previous occupants no longer live at the address, but firms are still required to continue to send documents to the last known address, despite this being inconsistent with the requirements of UK General Data Protection Regulation 2016 (GDPR) and the Data Protection Act 2018. The Government acknowledges the difficulties firms face in managing such “gone aways” and our proposals to repeal the majority of the information disclosure requirements from legislation will enable the FCA to consider the matter of gone aways further and consult on any changes it considers necessary in its rules.

**Question 4: Do you agree with our proposal to repeal the information provisions from the legislation and for these to be recast, as appropriate, into FCA rules?**

# Chapter 5: Sanctions

- 5.1 This chapter summarises sanctions, providing details of what they are and the background as to why they were developed. It covers the consumer protections under the FCA regime which run alongside the sanctions within the CCA. It also sets out stakeholder feedback from consumer groups and industry, and the Government's policy proposals.

## Background to sanctions

- 5.2 The CCA contains several sanctions<sup>18</sup> which apply where firms have failed to comply with certain information requirements. These do not apply generally to all information provisions and different types of sanctions apply to different provisions. Annex B sets out which sanctions apply to which provisions.
- 5.3 Where a firm breaches certain information requirements in the CCA, a sanction may apply which means that the agreement may be unenforceable. There are different types of unenforceability for different breaches. For example, if an arrears notice or annual loan statement does not contain the correct information, the lender may be unable to enforce the credit agreement until the breach is remedied. In addition, the lender may be unable to charge interest and default sums in respect of the period of non-compliance. There is no consideration as to whether there has been any demonstrable harm to the consumer.
- 5.4 While this deliberately punitive approach made sense in an era with little regulatory oversight and few other consumer protections, firms argue they are now disproportionate given strong protections are in place, including the ability for individuals to complain to the Financial Ombudsman Service (FOS) and receive redress for harm suffered. While consumer groups have suggested that sanctions provide important court-based protections, the Government considers that the evidence is currently insufficient to support the view that sanctions provide protections beyond that offered by the FOS, FCA regime or usual court process.
- 5.5 The approach to sanctions set out in the CCA is notably different from the modern approach to regulating financial services and the landscape has changed considerably since they were introduced (and since the Consumer Credit Act 2006 changes which extended unenforceability sanctions and introduced disentanglement sanctions). The OFT was the regulator at the time and its supervisory and enforcement powers were much more limited

---

<sup>18</sup> Consumer Credit Act 1974

than the FCA. Consumers also lacked access to the Financial Ombudsman Service until 2007,<sup>19</sup> meaning complaints were dealt with via firms' internal processes or through the court process. Strong and punitive sanctions were therefore necessary to provide an incentive for firms to comply and provide a degree of recourse when things went wrong.

- 5.6 It was not until 2014 that the regulation of consumer credit was moved from the OFT to the FCA and with that came more robust consumer protections with their full supervisory and enforcement toolkit. Some provisions were moved out of the CCA and into the FCA Handbook, but many provisions were retained in the CCA relating to information requirements and the accompanying sanctions. The FCA Handbook rules and principles<sup>20</sup> applied including the FCA Principles of clear, fair and not misleading, and Treating Customers Fairly. CONC recast many provisions from the CCA as well as creating further rules and guidance on information to be provided to consumers throughout the consumer journey, as well as new rules and guidance on consumers in arrears and treating them with forbearance.
- 5.7 A lot has changed since 1974 and the UK now has a very different regulatory regime for financial services under FSMA and the FCA, with its broad outcomes-based principles including, more recently, the introduction of the Consumer Duty. There are a range of consumer rights and protections, as well as an extensive FCA supervisory and enforcement toolkit, in addition to consumers' ability to complain to the FOS, as detailed below.

## **FCA regime and powers**

- 5.8 The FCA is the conduct regulator responsible for regulating financial markets and firms in the UK, enhancing market integrity, protecting consumers, and promoting competition. It also has a broad range of supervisory and enforcement powers.
- 5.9 Firms must comply with rules and guidance set out in the FCA Handbook, as well as broad outcomes-based principles, including the Consumer Duty. In addition, consumers can complain to the FOS free of charge if they are not happy with a firm's response to their issue, as well as there being comprehensive rules and guidance which are set out in the FCA Dispute Resolution: Complaints Sourcebook (DISP).
- 5.10 The FCA's functions and powers<sup>21</sup> relevant to the regulatory oversight of firms include the following:

---

<sup>19</sup> Consumer Credit Act 2006

<sup>20</sup> [CONC 1 - FCA Handbook](#)

<sup>21</sup> PROF 3: The FCA's duties and powers [3.pdf](#)

- **Authorisation:** The FCA authorises firms to conduct regulated financial activities. It assesses applications to ensure that firms meet required standards.
- **Monitoring and Supervision:** The FCA conducts ongoing supervision of regulated firms to ensure compliance with regulatory requirements in accordance with its 'Approach to Supervision'. The FCA evaluates risks posed by firms to consumers and the financial market. It uses risk-based supervision to focus resources on areas of greatest concern.
- **Policy making:** The FCA makes rules and provides guidance to firms.
- **Information Gathering:** The FCA has the power to request information and documents from firms where reasonably required in connection with the exercise of its functions under FSMA.

5.11 The FCA's enforcement powers<sup>22</sup> include the following:

- **Investigations:** The FCA can investigate firms and individuals for potential regulatory and criminal breaches. The powers an investigator may exercise will be determined by the statutory provision under which they are appointed. They include the power to compel testimony or require information and obtain documents.
- **Sanctions and Penalties:** The FCA can impose a range of sanctions, including financial penalties, public censures, prohibiting a person from carrying on regulated activities, varying, cancelling, or imposing requirements on a firm's permissions, or cancelling a firm's authorisation.
- **Injunctions and Orders:** The FCA can seek court injunctions and orders to protect consumers, maintain confidence in the financial systems and reduce financial crime.
- **Redress and Compensation:** The FCA can require firms to provide redress to consumers where there has been widespread or regular failure by a firm to comply with applicable requirements, consumers have suffered loss or damage in respect of which a remedy would be available if they brought legal proceedings, and it is desirable to do so.

---

<sup>22</sup> [EG 1 - FCA Handbook](#)

- **Prosecution:** The FCA is responsible for the investigation and prosecution of the range of criminal offences set out in FSMA, including relating to misleading statements and practices and fraud.
- **Publicity:** The FCA will ordinarily publicise enforcement action where a final notice has been issued. The FCA can, in exceptional circumstances, publicise the fact it is or is not conducting an investigation to protect consumers or investors, or prevent widespread malpractice. It will not usually announce an investigation into an individual.

5.12 Taken together, these powers mean that the FCA has considerably more control than the OFT did over which firms are permitted to undertake consumer credit activity and far greater oversight of the firms, with powers to monitor and enforce compliance with the rules. These powers are designed to maintain confidence in the UK financial system, protect consumers, and promote competition. By holding firms accountable and enforcing regulations, the FCA aims to prevent misconduct and ensure that financial markets function effectively and fairly. However, the FCA has finite resources and notwithstanding these powers it does not follow that the FCA will be able to identify each breach or failing by every firm all the time.

## The FCA Consumer Duty Principle

5.13 The FCA Consumer Duty requires that firms act to deliver good outcomes for retail customers (Principle 12, PRIN 2.1).

5.14 The Duty includes three cross-cutting rules which articulate the standards of conduct that the FCA expects under Principle 12. These require firms to act in good faith towards retail customers, avoid causing foreseeable harm to retail customers; and enable and support retail customers to pursue their financial objectives. The cross-cutting rules also inform and are supported by the four outcomes which set out more detailed rules and guidance in four areas that represent key areas of the customer relationship:

- **Consumer Understanding:** Firms must ensure that communications are likely to be understood by consumers and equip them to make decisions that are effective, timely and properly informed. This includes the requirement that communications are clear, fair, and not misleading.
- **Customer Support:** Support that meets the needs of retail customers must be provided to consumers throughout their relationship with the firm. This includes ensuring that retail customers do not face unreasonable barriers when they want to access help and resolve issues or make a complaint.



- **Price and value:** These rules focus on ensuring the price the customer pays for a product or service is reasonable compared to the overall benefits of the product.
- **Governance of products and services:** Relevant firms must ensure that: the design of the product or service meets the needs, characteristics and objectives of customers in the identified target market; the intended distribution strategy for the product or service is appropriate; and they carry out regular reviews to ensure that the product or service continues to be fit for purpose.

Firms are expected to have robust governance processes in place to ensure compliance with the Consumer Duty. Senior management is held accountable for embedding the principle into business practices.

- 5.15 The Consumer Duty aims to enhance consumer protection by fostering a customer-centric culture within financial firms. By firms prioritising consumer interests and delivering good outcomes, the FCA seeks to build trust and confidence in the financial services industry.
- 5.16 In addition to the Consumer Duty, firms are specifically required under the FCA Relations with Regulators Principle<sup>23</sup> and the rules and guidance in Chapter 15 of the Supervision Manual<sup>24</sup> to report significant breaches of the CCA or CONC to the FCA as regulator. Under Chapter 2A of the Principles Manual (PRIN) (see also the guidance on Principle 6 at Section 1.3.6 of the Dispute Resolution Manual (DISP)<sup>25</sup>), there is an obligation on firms to rectify breaches and ensure prompt redress payments are made to consumers where harm is identified. This requires a significant level of proactivity from firms, ensuring they regularly monitor compliance and redress breaches resulting in consumer harm in a timely manner.
- 5.17 The Consumer Duty seeks to mitigate the extent to which consumers suffer foreseeable harm. Firms should be proactive in delivering good customer outcomes and take action to avoid causing foreseeable harm. When firms cause harm, the Consumer Duty requires them to be proactive and take action to remedy the situation, including providing redress where appropriate. In addition, the consumer understanding outcome requires firms to support retail customer understanding of their communications in order that they can make informed decisions.
- 5.18 HMT considers the existing FCA regime and Consumer Duty principle provide a robust regulatory regime which encourages

---

<sup>23</sup> Principle 11 - [PRIN 2.1 The Principles - FCA Handbook](#)

<sup>24</sup> [SUP 15 - FCA Handbook](#)

<sup>25</sup> [DISP 1.3 Complaints handling rules - FCA Handbook](#)



good consumer outcomes. The Government is also of the opinion that the risk of FCA action including redress, regulatory fines and the wider negative reputational impacts operate as strong incentives for firms to comply with requirements. In addition, the liability under the Senior Managers Regime<sup>26</sup> is also a key driver to ensure compliance by ensuring senior managers understand their responsibilities and are held accountable for their actions, with potential penalties for misconduct or regulatory breaches.

## The sanctions

5.19 There are 3 types of sanction which apply where a firm breaches certain information provisions. These are set out in the table below.

Sanction	Explanation
<b>Unenforceability without a court order</b>	<p>Firms are prevented from enforcing agreements without first applying for a court order which allows them to take enforcement action. This applies where a firm does not provide the consumer with a compliant Pre-Contract Credit Information document<sup>27</sup> (described in the previous chapter).</p> <p>This sanction also applies in the following scenarios:</p> <ul style="list-style-type: none"> <li>• The agreement does not contain the prescribed terms and conditions, does not embody all the terms of the agreement, and/or is not legible.</li> <li>• The agreement is improperly executed<sup>28</sup>.</li> <li>• The consumer does not receive the required copy of their credit agreement or notice of cancellation rights<sup>29</sup>.</li> </ul> <p>The firm must apply for a court order prior to taking enforcement action and the court will consider if it is just to allow that firm to enforce, having regard to any prejudice</p>

---

<sup>26</sup> [SYSC 23.1 Purpose - FCA Handbook](#)

<sup>27</sup> Section 55 of the Consumer Credit Act 1974

<sup>28</sup> Sections 61 and 65 of the Consumer Credit Act 1974

<sup>29</sup> Sections 61A-64 and 65 of the Consumer Credit Act 1974

	<p>caused to the consumer and the degree of culpability of the firm for the breach.</p> <p>The court may also choose to alter terms of the agreement to compensate the consumer for any harm suffered as a result of the contravention, such as reducing the sum payable.</p>
<b>Unenforceability until breach remedied by firm</b>	<p>Firms are prevented from enforcing an agreement against a consumer until it has properly remedied the breach. This applies for certain breaches including errors in arrears notices, default sum notices, and annual statements<sup>30</sup>. Firms cannot obtain a court order to enforce the agreements against consumers and instead must correct the breach and end the period of non-compliance. This is often done by firms sending consumers correcting documents such as a compliant arrears notice.</p>
<b>Disentitlement to interest and default sums</b>	<p>For certain breaches (e.g. non-compliant arrears notices and annual statements<sup>31</sup>), an additional sanction applies which results in the consumer having no liability to pay interest or default sums charged during the period of non-compliance from the date of the breach until it is remedied.</p>

5.20 When the CCA was introduced in 1974, the first two types of sanctions applied. In addition, there was another type of sanction called 'irredeemable unenforceability' which meant for certain breaches firms would be permanently prevented from enforcing the credit agreement against the consumer. This sanction was removed in 2006 because it was considered disproportionate.

5.21 The sanction of "disentitlement to interest and default sums" was added in 2006<sup>32</sup>. Additional information requirements where consumers went into arrears<sup>33</sup> or defaulted on their credit

---

<sup>30</sup> Sections 77A, 86B-86E & Section 87 of the Consumer Credit Act 1974

<sup>31</sup> Sections 86B-86E and Section 77A of the Consumer Credit Act 1974

<sup>32</sup> [Consumer Credit Act 2006](#)

<sup>33</sup> Consumer Credit (Information Requirements and Duration of Licences and Charges) Regulations 2007

agreements<sup>34</sup> were also added. Prior to this there had been minimal requirements on firms where consumers were in arrears or had defaulted and a lack of consumer awareness and understanding of their debts and the actions firms were able to take. This sanction requires firms to repay any interest and default sums charged to consumers during a period of non-compliance, and consumers were not required to pay interest and fees until breaches were remediated. This change was designed to be punitive in nature and was introduced to address issues in the credit market where consumers were missing payments and incurring interest with limited knowledge of their debts and how they were increasing due to arrears.

## Meaning of unenforceability

- 5.22 The meaning of unenforceability under the different sanctions and what constitutes enforcement action is complex and often unclear as it is not defined in the legislation. There are differing views and interpretations over the steps firms can take if credit agreements are unenforceable (e.g. whether firms can continue to chase for payment). In addition, consumers are often confused over the terminology and what it means for them in practice including their obligation to repay, the amount to be repaid and the impact on their credit file.
- 5.23 The CCA does not generally define actions a firm may or may not undertake during a period when an agreement is unenforceable.
- 5.24 In the case of *McGuffick*<sup>35</sup>, the court held that passing details of a debt to a credit reference agency did not constitute enforcement under the CCA and that steps taken with a view to enforcement, including demanding payment, issuing a default notice, threatening legal action and the actual bringing of proceedings, were not themselves enforcement. There are differing views as to how widely applicable this case is to all cases of unenforceability under the CCA or whether it applies in a narrow way only to information requests about personal loans in Section 77(4).
- 5.25 Although firms are prevented by the sanctions from taking enforcement action in certain cases (i.e. obtaining a court judgment to recover the debt such as an attachment of earnings order), HMT understands it is standard market practice that firms continue to chase late payments, report to credit reference agencies, issue default notices and instruct debt collectors. Based on our discussions with some firms, HMT understands that many often do not take enforcement action in the courts against consumers in relation to unsecured debts, as often it is too costly or consumers

---

<sup>34</sup> Consumer Credit (Enforcement, Default and Termination Notices) Regulations 1983

<sup>35</sup> *McGuffick v Royal Bank of Scotland* [2009] EWHC 2386 (Comm)

do not have the means to be able to pay any judgment amount. In addition, where there is any non-compliance which results in consumer harm, firms are required to provide consumers with redress proactively in a timely manner under the FCA regime. This means that in the event cases do go to court (which HMT understands tends to be in motor finances cases where a vehicle needs to be repossessed), court orders are routinely granted without conditions attached as compensation for any losses has already been paid out to consumers.

## **The FCA's CCA Retained Provisions Report 2019**

- 5.26 The FCA's CCA Retained Provisions Report (Report)<sup>36</sup> examined various aspects of sanctions within the retained provisions of the Consumer Credit Act.
- 5.27 On reviewing the statutory question<sup>37</sup>, the FCA concluded that the sanctions should be retained or that consideration should be given to extending the FCA's powers in order to do so. The Report said that it would not be possible for the FCA to replicate or replace the sanctions under their current FSMA rule-making powers. However, the Report highlighted that the FCA did recognise some force in the argument that the application of the current sanctions can raise difficulties and may be disproportionate in some cases. The Report also noted that there may be merit in reformulating the unenforceability sanction or its scope, to ensure that its impact has the intended effect.

## **Stakeholder feedback**

- 5.28 HMT has carried out extensive engagement with stakeholders from across the consumer credit market, including a series of roundtables attended by representatives from consumer groups and industry. In addition, HMT has had bilateral conversations with consumer groups and industry to aid its understanding of the key issues with the CCA and to discuss the impact of possible changes as part of our CCA reform policy work. HMT understand there are differing views from consumer groups and industry whether sanctions are required and how effective they are in practice.
- 5.29 Many consumer groups HMT has engaged with are strongly supportive of sanctions and consider they provide important protection from unfair lending practices. The key reasons put forward include:

---

<sup>36</sup> [Review of retained provisions of the Consumer Credit Act: Final report](#)

<sup>37</sup> Article 20(5)(a) of Part 5 of the Financial Services and Markets Act (Regulated Activities) (Amendment) Order 2014

- **Self-policing:** Many consumer groups strongly believe that because the sanctions are automatic that this means they are self-policing in a way that provides more consumer protection than the FCA rules and principles which also require proactive self-regulation from firms, in addition to the supervisory and enforcement role of the FCA. Consumer Groups consider these automatic sanctions protect consumers without the need for consumers or the FCA to take specific action. Consumers do not need to actively bring a complaint or wait for the FCA to take action where there is non-compliance. Whilst there may be an automatic right to a statutory remedy, either the lender or consumer must take steps to identify the non-compliance.
- **Court-based protection:** The sanctions provide statutory, court-based remedies for consumers alongside other consumer protections (e.g. FOS, FCA regime, etc.). Many consumer groups believe these are important additional protections which protect the consumer in the event of non-compliance by firms, especially where this has not been picked up proactively by the FCA as part of their supervisory and enforcement work. Where consumers are taken to court by firms seeking to recover the debt owed, the sanctions operate automatically to protect consumers rather than the consumer needing to take proactive court action. Consumer groups argue that retaining court-based remedies like unenforceability is crucial for several reasons:
  - **Empowerment of consumers:** These rights empower consumers to seek redress and assert their rights without having to rely solely on the FCA and FOS, which have limited resources and lack capacity to address every individual complaint.
  - **Deterrence of non-compliance:** The possibility of facing a court action serves as a strong deterrent for firms against non-compliance with the CCA. Knowing that consumers can take legal action, firms are more likely to adhere to legal standards and ensure their agreements are fair and transparent.

5.30 Industry stakeholders have put forward several arguments for why automatic sanctions are no longer necessary. Some argue that, while appropriate for their time, automatic sanctions are causing a number of problems in the consumer credit market:

- **Disproportionate:** Many industry stakeholders believe that the financial cost of sanctions is often disproportionate to the

breach. They apply in an 'all or nothing' way, often with amounts of redress not relating to any harm suffered by consumers. Many examples were highlighted where minor administrative or technical errors, lead to significant financial losses even when the consumer has not suffered any real harm. Industry stakeholders tell us this can create wider negative economic impacts for firms including additional administrative costs as well as negatively impacting securitisations and debt sales, which adds to the cost of credit provided to consumers.

- **Poor consumer outcomes:** Industry stakeholders believe sanctions can create unnecessary negative practical consequences for consumers especially those in financial difficulty. Examples highlighted included remediations involving numerous historical documents (for example arrears notices) being sent to consumers which are often out-of-date, unhelpful and confusing as they do not relate to the current position of the consumer's account. Some consumers may have paid off their arrears and already got their accounts back on track and some may have a higher level of arrears than shown in the documentation. Other examples include where consumers are sent formal arrears notices, even though informal repayment plans have been put in place, which again causes consumer confusion.
- **Barrier to innovation:** There have been significant changes in the financial services market and wider environment over the last few years. Many industry stakeholders believe the CCA has failed to be flexible and adaptable to these changes and the automatic nature of the sanctions attaching to prescriptive information requirements has resulted in firms having to take risk-based decisions between compliance and ensuring good consumer outcomes. Many industry stakeholders have highlighted that this often leads them to prioritising compliance over consumer outcomes, potentially stifling the development of new and beneficial financial products and services.

There has also been a significant advancement in technology, especially in the digital space, with many industry stakeholders raising that the CCA has struggled to adapt to and keep pace with new credit products and services. Firms have told us they are regularly restricted from making improvements to consumer journeys, information engagement and communicating with consumers via communication channels of their choice. The automatic sanctions attaching to the prescriptive information requirements often prevents firms

from utilising digital technology to continue to improve consumer outcomes.

- **Legal uncertainty:** The complexity and ambiguity surrounding the application of these sanctions can create legal uncertainty for firms. This may result in increased litigation costs and operational challenges as firms seek to ensure compliance with intricate legal requirements.

5.31 While many industry stakeholders acknowledge the importance of consumer protection, they often advocate for a more balanced approach that considers both consumer rights and the practical challenges faced by firms in the credit market.

## The practical effect of sanctions

5.32 Under its current powers, the FCA would not be able to replicate the automatic sanctions in the CCA for breaches of any future rules on provision of information. The Government has therefore considered whether they are necessary to deliver robust protection for consumers.

5.33 The Government has seen little evidence to suggest that firms regularly bring court-based enforcement proceedings for unsecured credit agreements or that there is a significant amount of litigation involving breach of information requirements. It is likely that most issues are resolved by firms or the FOS, rather than via the courts.

5.34 Where consumers are taken to court by lenders taking enforcement action to recover the debt due, HMT considers that robust protections exist in the wider court process, regardless of whether sanctions apply. HMT understands that non-compliance identified by lenders is often proactively rectified prior to the court process commencing in accordance with FCA rules and principles, which means generally in practice court orders are granted with minimal conditions.

5.35 Many CCA provisions do not actually have sanctions attached and HMT has seen very little evidence to suggest that the current FCA regime and court process does not offer robust consumer protection.

5.36 Under the current court process, firms must disclose anything which is material, such as a breach of FCA rules. A court will take account of any breaches and any consumer harm where loss has been suffered, irrespective of whether sanctions apply, as well as any remediation already provided by the firm. Firms are required to

make the court aware of FCA Handbook breaches that affect their right to enforce the credit agreement<sup>38</sup>.

5.37 While it is challenging for an individual consumer to identify a breach, they could challenge the enforcement action by detailing the relevant rule breach by way of defence and/or counterclaim under Section 138D of FSMA. In practice, this means that where a breach occurred, consumers could inform the court of the breach, explain the harm they have suffered as a result and request the court to reduce the amount they owe.

5.38 Automatic sanctions were designed for a very different regime under the OFT with limited regulatory powers to ensure a mechanism for consumer protection and redress in a broadly 'self-governing' system. The FSMA and FCA regime, as well as other statutory schemes, provide a range of consumer protections (FOS, breathing space, CONC and FCA principles including the Consumer Duty), in addition to the FCA being equipped with a wide range of supervisory and enforcement powers to regulate the industry. The Government wishes to achieve an appropriate balance between robust consumer protection and ensuring reform places proportionate regulatory burdens on firms. In view of this, the Government believes the sanctions are not needed to continue to achieve this aim.

Overall, the Government therefore considers the sanctions are not needed in the event of a breach of requirements by a firm, and that the existing FCA regime and court process provides robust consumer protection. In addition, the FCA's expansive supervision and enforcement powers provide a significant deterrent for firms.

5.39 In view of this, HMT concludes that this means sanctions are providing little practical benefit directly for consumers, or at the strategic or pre-emptive level to drive up standards in the market. The Government therefore considers that it is no longer necessary or appropriate to include a set of sanctions that were designed to be deliberately punitive and not commensurate with the level of harm suffered by consumers.

5.40 Finally, the Government notes that such sanctions may not be compatible with the prevailing direction of the FCA's approach to proportionate regulation. The sanctions by their automatic nature would generally need to attach to rules that are highly prescriptive and without any assessment of the consumer harm suffered. This is inconsistent with the move towards more principles, outcomes-based proportionate regulatory requirements which allow firms the flexibility to tailor their communications to ensure consumer understanding and engagement as part of the Consumer Duty. Removing the sanctions regime will bring the regulation of

---

<sup>38</sup> [SUP 15.3 General notification requirements - FCA Handbook](#)



consumer credit into line with other financial services and mean that firms' liability for redress in the event of any wrongdoing is commensurate with the level of consumer harm.

**Question 5: Do you agree with our conclusion that the FCA regime without sanctions provides a robust consumer protection?**

# Chapter 6: Criminal Offences

## The offences

- 6.1 This chapter provides an overview of the criminal offences in the CCA regime and outlines options for reform in this area.
- 6.2 Some CCA provisions give rise to criminal offences. These offences are set out in the table below.

Offence	Purpose
<b>Section 48 - 49 – Canvassing off trade premises</b>	<p>Section 48 defines canvassing off trade premises (regulated agreements). Section 49 makes it an offence in certain situations to canvass a regulated borrower-lender agreement off trade premises, including door-to-door sales and locations where the business is not conducted by the relevant parties. The only exemption is if the consumer made a written request for the visit; oral requests are not sufficient.</p> <p>This offence was introduced to protect vulnerable consumers because, when canvassed at home, the individual “is likely to find it most difficult ending the conversation should he want to”.</p> <p>There is only one recorded conviction under s49(2) dating back to 1984 whereby a lender discussed lending terms within the prospective debtors homes following an oral invitation – the court held a written invitation was necessary.</p>
<b>Section 50 – Circulars to Minors</b>	<p>Section 50 makes it an offence to send a person under 18, for financial gain, any document inviting the recipient to obtain credit, or goods or services on credit.</p> <p>There is only one recorded conviction which was overturned as the defendant (a building society) had no knowledge the recipient was under 18 nor would their computer system allow the recipient to be registered.</p>
<b>Section 157-160 – CRAs</b>	<p>Section 157 makes it an offence if a creditor or owner fails to provide details of the credit reference agency consulted either upon request or when making a decision to reject a credit application.</p> <p>Offences in Section 158-60 are for when a CRA fails to disclose filed information upon request or fails to correct wrong information. The Government is not aware of any convictions under these offences.</p>

<b>Section 114(2) &amp; 119 – Pawnbroking</b>	<p>Section 114(2) makes it an offence to take an article in pawn from a person whom he knows to be (or appears to be and is) a minor.</p> <p>Section 119 makes it an offence for a person to refuse, without reasonable cause, for a pawn item to be redeemed.</p>
<b>Section 80 – Debtor or hirer to give information about goods.</b>	<p>Section 80 makes it an offence if a consumer fails to inform a firm within 7 working days about the location of goods that a regulated agreement requires them to keep in their possession e.g. a consumer may be required to confirm the location of a vehicle under a motor finance agreement.</p> <p>The Government is not aware of any convictions under these offences.</p>

- 6.3 The FCA Report<sup>39</sup> sets out that the FCA could not, under their current rule-making powers, reproduce criminal offences in FCA rules. However, the FCA view was that, in general, the criminal offences in the CCA are no longer needed given the FSMA regulatory toolkit. The FCA have a range of disciplinary powers, including powers to require remediation or impose fines, that they can use for authorised firms. In addition, where a person is acting in breach of the general prohibition under FSMA, this is itself a criminal offence. Since the Report, the FCA's new Consumer Duty has come into force, setting higher standards for consumer protection, requiring firms to prioritise customers' needs.
- 6.4 There are different views from consumer groups and industry whether the above criminal offences serve much purpose. Industry is generally comfortable with the repeal of the offences. While some consumer group stakeholders also think they are obsolete, some argue that the offences act as a deterrent against particularly harmful practice, especially offences against minors (s50 & s114(2)) and canvassing off trade premises (s49). Consumer groups argue that the lack of prosecutions demonstrates the deterrent effect.
- 6.5 The Ministry of Justice's policy is that the law should be clear, accessible, and regularly reviewed. Unnecessary offences should be repealed if they are no longer needed or if alternative sanctions are available. FSMA generally limits criminal liability to where regulated activities are undertaken by persons outside the regulatory perimeter, which means that the approach taken to offences in CCA are generally inconsistent with the approach taken in modern financial services regulation.

---

<sup>39</sup>[Review of retained provisions of the Consumer Credit Act: Final report](#) p10

## Options for reform

- 6.6 The Government is keen to explore whether it is necessary to retain some or all of the criminal offences in the CCA, or whether they can all be repealed.
- 6.7 If criminal offences were repealed, the FCA could provide additional rules for authorised firms where appropriate, prohibiting each of the activities targeted by the offences. The FCA's supervisory and enforcement toolkit, including the Senior Managers Regime, will enable FCA to take enforcement action against the firm, and where appropriate, senior responsible managers.
- 6.8 Where unauthorised firms carry out such practices, they would be in breach of Section 19 of FSMA, which makes it a criminal offence to carry out a regulated activity without authorisation. The offence carries a penalty of up to two years in prison. In such a scenario, a criminal offence would remain for unauthorised firms even if all criminal offences in the CCA were repealed.
- 6.9 The Government also considers that there may be value in retaining some or all criminal offences to continue to serve as a strong deterrent against harmful business practices, especially those which relate to promoting credit to minors and door-to-door selling of credit.
- 6.10 The Government is clear that any proposal to repeal any criminal offence in the CCA would in no way be an endorsement of the types of activities that they seek to deter. Instead, the consideration is whether the wider regulatory and supervisory FCA regime, which includes the ability to hold senior managers to account for their actions, provides a strong deterrent and therefore robust consumer protection.

**Question 6: What are your views on the following approaches for criminal offences? Officials would need to review these options in the context of the wider CCA Reform proposals.**

- (a) Repealing all the criminal offences in the CCA, allowing the FCA to take enforcement action where possible;**
- (b) Keeping all the criminal offences in the CCA;**
- (c) Repealing all criminal offences (allowing the FCA to take enforcement action where possible) except those that relate to minors and canvassing off trade premises where criminal offences would remain.**

# Chapter 7: Look ahead to Phase 2

- 7.1 As noted in chapter 3, the Government is taking a phased approach so that it is able to consider the issues in sufficient detail while not causing unnecessary delays to the reform programme.
- 7.2 Phase 2 will be focused on exploring rights and protections, as well as key definitions and the scope of consumer credit regulation. The table below summarises our policy development work.

Phase 2	
Overview	Policy development
<b>Rights and Protections</b>  Provide consumer rights like Section 75 (e.g. which allows consumer to claim for refunds when paying for items on a credit card) and Section 140A (allows court to make an order that the relationship between the lender and the consumer is unfair).	The CCA contains a range of consumer rights and protections. Some of these may not be able to be replicated in the FCA's Rulebook. HMT will need to set out its position on each consumer right and protection, identifying where similar outcomes could be delivered by the FCA rulebook, or where they will need to be retained or updated in legislation.
<b>Scope and key definitions</b>  Establish key concepts within the CCA (such as defining different types of credit agreement) and the perimeter of regulation.	Policy work is required on the scope of the regulated credit regime in particular on consumer hire and business lending to sole traders and small partnerships. Decisions will need to be made on whether and how they should be regulated. HMT will also need to review the key credit definitions to reflect market developments which may also require broader changes to the RAO.
<b>Consequential changes to other legislation</b>	The Government will consider what consequential changes are required to other legislation such as the RAO, Payment Services Regulations 2017 and

	the Financial Services (Distance Marketing) Regulations 2004.
--	---

- 7.3 The Government is not yet in a position to set out its detailed proposals on Phase 2 but is keen to provide stakeholders with a high level indication of its direction of travel.
- 7.4 In particular, while the Phase 1 policy proposals have broadly involved the repeal of provisions, it is likely that a number of provisions considered later will have to remain in legislation in order to ensure consumers still have robust consumer protections.
- 7.5 Indeed, a number of provisions determining the scope of the regulatory perimeter will remain in legislation rather than in FCA rules.
- 7.6 Other provisions also provide consumers with key rights and protections, and it may not be possible to repeal them without a material loss of consumer protection. For example, section 75 is one of the most well-known provisions in the Act. This provision makes providers of certain types of regulated credit (for example, a regulated credit card or point of sale loan) jointly and severally liable with a supplier for a misrepresentation or breach of contract in relation to goods or services financed by the credit agreement. Feedback to HMT's previous consultation was clear that consumer groups believe this is an important provision which could not be replicated by FCA rules.
- 7.7 HMT will need to consider provisions on a case-by-case basis and will be engaging with stakeholders further. However, even where HMT retains provisions in legislation, it will be looking at whether any changes are required to support the broader objectives of CCA Reform.
- 7.8 The Government will publish its consultation on Phase 2 in due course.

## Phase 2 cross-cutting themes

- 7.9 HMT have also identified 4 important cross-cutting areas which it will consider across Phase 1 and 2 consultations. These cover:
1. **Islamic Finance** – The Government is considering how a reformed consumer credit regime can remove barriers to enable Sharia compliant finance to be offered by firms and address any unmet need within the market. Islamic finance products must adhere to Sharia law principles, which prohibit interest (riba) and require an underlying asset for the agreement to attach to. HMT understands from stakeholders that some of the prescription and terminology required in

disclosure documents relating to interest, settlements and rebates is not easily reconciled with the principles of Islamic Finance. HMT will explore this further as part of its policy work for Phase 2.

2. **Green Finance** – The Government is looking at how CCA Reform can help support the rollout of green finance products as part of the Government’s wider net zero green agenda, while also maintaining robust consumer protection. Green finance credit products are designed to support environmentally sustainable projects and initiatives. Stakeholders have raised a number of barriers that the CCA presents. These include prescriptive requirements in disclosure documentation and some rights and obligations which can restrict the scope and availability of green finance products, as well as those with installation costs, registration or qualification schemes. Consumer groups have raised the importance of many consumer protections like Section 75 (connected lender liability) as helping to give consumers confidence in purchasing green finance products where firms are less established or products involve new technology. Some firms have raised concerns that they face several increased risks when dealing with certain sections of the CCA, specifically Sections 75 (connected lender liability), 56 (antecedent negotiations), and 140A (unfair relationships). Issues highlighted include reputation risk, joint liability risk with green technology suppliers and how this works in practice where there is misleading statements / mis-selling or suppliers go insolvent. In addition, issues like the devaluation of underlying assets and the recovery of technology where consumers miss payments and default on their agreements can be problematic. HMT will explore this further as part of its policy work for Phase 2.
3. **Technology** – The Government intends to future proof the regime as much as possible so it will support and enable developments in technology to facilitate innovation allowing for new and diverse products and a consumer journey that achieves good consumer outcomes throughout the lifecycle of the credit products. The key areas to review raised include complexity in digital and electronic communications, electronic signatures and digital contracts, and more flexible, less prescriptive consumer journeys and communications. The Government is keen to build flexibility into the consumer credit regime to help support future technological advancements. HMT will continue to explore this further as part of its policy work for Phase 2.
4. **Public Sector Equality Duty (PSED) & Environmental Principles Policy Statement (EPPS) Duty** - HMT has a legal obligation to consider how reform will impact people with

protected characteristics. It must also have regard to the Environmental Principles Policy Statement (EPPS) when developing policies. See Chapter 8 for more details.

**Question 7:**

**a: Has this paper captured the key issues and barriers for each of the cross-cutting themes of:**

- **Green Finance: [Yes/No]**
- **Islamic Finance: [Yes/No]**
- **Technology: [Yes/No]**

**b: Is there anything else you think needs to be considered in our Phase 2 policy work? [free text]**



# Chapter 8: Financial Inclusion and Equality Impact Assessment

## Public Sector Equality Duty (PSED) and protected characteristics

- 8.1 When developing a policy proposal, the Government must comply with the PSED in Section 149 of the Equality Act 2010. The PSED requires the Government to have due regard to the need to:
- eliminate unlawful discrimination;
  - advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
  - foster good relations between people who share a protected characteristic and people who do not share it when carrying out their activities.
- 8.2 The PSED protected characteristics are age, disability, race, gender reassignment, marriage and civil partnership, pregnancy and maternity, religion or belief, sex and sexual orientation. This chapter sets out HMT's assessment of how its proposals in phase 1 would impact on those sharing protected characteristics.
- 8.3 As part of its assessment, HMT has considered wider cross-cutting themes, such as financial inclusion, literacy and numeracy, and financial vulnerability.
- 8.4 Overall, HMT is committed to ensuring that people, regardless of their background or income, have access to useful and affordable financial products and services, while having robust protections. It believes that the proposals in this consultation will contribute positively to this.

## FCA Financial Lives survey<sup>40</sup>

- 8.5 The FCA's Financial Lives survey (FLS) is a comprehensive and nationally representative survey of UK consumers. It provides insight into consumers' attitudes towards managing their money,

---

<sup>40</sup> [Financial Lives 2024: Key findings from the FCA's Financial Lives May 2024 survey](#)

the financial products they have and their experience of engaging with financial services firms. The last FLS was published in May 2025.

8.6 The FCA identify a number of factors that can contribute to a consumer being vulnerable (and hence at greater risk of harm)<sup>41</sup>. These include:

- **Poor health:** i.e. health conditions or illnesses that greatly reduce one's ability to carry out day to day activities (in the view of the respondent) e.g. deafness, reduced mobility, memory problems, or having cancer, multiple sclerosis, or HIV.
- **Negative Life events:** such as bereavement, job loss, relationship breakdown and suffering economic control or financial abuse.
- **Low resilience:** including those with low ability to withstand financial or emotional shocks.
- **Low capability:** low knowledge of financial matters or low confidence in managing money (financial capability), low English language skills and low capability in other relevant areas such as digital skill or having a learning difficulty (e.g. dyslexia, dyscalculia or dyspraxia).

8.7 In May 2024, 26.4 million adults showed one or more characteristics of vulnerability – just under half (49%) of all UK adults. Certain demographic groups are more likely to display vulnerability than others, including:

- Household income of less than £15,000 (73%), unemployed adults (76%), Black and Black British adults (56%) and those of mixed/multiple ethnicity (59%).
- Women (53%) were much more likely to have characteristics of vulnerability than men (44%) they were more likely to have low capability (20% vs 14%) and resilience (29% vs 23%), and more likely to be in poor health (10% vs 7%).

8.8 17% of adults had a mental health condition or illness, and 81% of them said that their condition creates one or more difficulties when interacting with financial services providers or dealing with their finances. For example, they may have put off dealing with financial matters or have fallen into debt because they have not wanted to deal with difficult financial situations.

8.9 17% of adults (9.3m) had low capability. This could include low financial capability, limited English skills or learning difficulties. 22% of all UK adults reported low confidence in managing their money.

---

<sup>41</sup>[FG21/1: Guidance for firms on the fair treatment of vulnerable customers](#) p9

For example, 62% of those suffering from addiction reported low confidence, while 40% of adults aged 18-24 report low confidence.

- 8.10 26% of adults had low financial or emotional resilience. Those most likely to have low resilience included: adults with a household income of less than £15,000 a year (51%), unemployed adults (56%), renters (48%), adults with 'other' working status (ie those not working because they were a student, permanently sick, temporarily sick, looking after the home, or a carer) (49%), and Black and Black British adults (42%).

## Information disclosure proposals

- 8.11 A significant percentage of consumers find financial documentation difficult to understand. According to FCA data<sup>42</sup>, approximately 36% of adults felt they had low levels of knowledge about financial matters, with 59% of those in financial difficulty reporting low levels of knowledge. The effectiveness of disclosures in aiding consumer understanding is variable.
- 8.12 The prescriptive content and format of many disclosure requirements in the CCA means it is more difficult for lenders to be able to tailor disclosure requirements to the needs of consumers to ensure sufficient consumer understanding. Often technical compliance with CCA disclosure requirements overrides lenders being able to ensure good consumer outcomes in line with Consumer Duty as the CCA does not permit deviation from certain requirements. For example, pre-contract credit information documents must be laid out in a table format which does not display in an easy way for consumers to engage in digitally. The wording of arrears notices and default notice is highly prescriptive and often unsuitable for many consumers to understand and engage with.
- 8.13 Individuals with specific accessibility needs report challenges in their provider making reasonable adjustments for their specific needs. Approximately 53% of adults with a specific accessibility need who had contacted their provider in the last 12 months said no adjustments were made and 20% reported that their preferred method of communication has been withdrawn in the last 12 months.
- 8.14 People respond much better to simple language that recognises the difficulty of their situation and focuses on resolving problems and helping them to feel better. Nearly 90% of respondents to a

---

<sup>42</sup> [Financial Lives 2024: Key findings from the FCA's Financial Lives May 2024 survey](#)

survey by StepChange said that creditor communications produced one or more negative feelings. Nearly three quarters said communications from creditors made them feel scared, anxious or depressed.<sup>43</sup> These statistics underscore the importance of enhancing information disclosure and documentation practices to ensure they are accessible and understandable for all consumers, including those from protected groups.

- 8.15 The Government considers its proposals to repeal the information requirements from the CCA and for these to be reviewed and recast into FCA rules where appropriate, will lead to a disclosure regime that is more flexible, tailored, and simplified. This could offer particular advantages for consumers with protected characteristics.
- 8.16 While a more flexible, tailored, and simplified consumer credit information disclosure regime offers many advantages, there are also potential disadvantages to consider. For example, in an effort to simplify, important details may be omitted, leading to consumers not being fully informed about the terms and conditions of credit products. In providing flexibility, there is also a risk that firms do not provide all essential information.
- 8.17 Overall, while a more flexible, tailored, and simplified disclosure regime has potential benefits, it is important for the FCA to carefully consider and address these disadvantages to ensure that its principles and rules effectively serve the needs of all consumers, including those with protected characteristics.
- 8.18 The Government believes the proposals to repeal the information disclosure requirements in the CCA, and review and recast these into FCA rules (where appropriate) will overall have a positive impact on those consumers with protected characteristics and is in alignment with the FCA's Consumer Duty. The Government considers that consumer understanding and accessibility will be improved with the removal of many barriers within the CCA which are currently faced by different groups with protected characteristics.

## **Automatic sanctions and criminal offences**

- 8.19 As set out in chapter 5, the Government does not intend to replicate the automatic sanctions of the CCA under a reformed regime. The government believes that the regulatory regime has evolved significantly, such that consumer protections exist, and has seen

---

<sup>43</sup> [mixed-messages-report-2022.pdf](#)

little evidence of the sanctions providing tangible protection to consumers on the ground.

8.20 When making this decision, HMT has considered the potential impact on those sharing protected characteristics.

8.21 Some of the automatic sanctions in the CCA are of relevance when a consumer is facing enforcement action, which would typically occur when they are in financial distress. Therefore, HMT has been particularly focussed on considering the impact on whether there are particular demographics that disproportionately face financial distress.

8.22 According to the Financial Lives survey:

- Approximately 8% of UK adults report being in financial difficulty (defined as having missed domestic bills and/or credit commitments in 3 or more of the previous 6 months). This is higher (18%) for adults in poor health.
- Younger adults (18-24) have a higher incidence of financial difficulty, with 12% reporting that they have missed domestic bills and/or credit commitments in 3 or more of the previous 6 months.
- Women are more likely to report being in financial difficulty than men, with 9% of women experiencing financial challenges, compared with 7% of men. This disparity is often linked to income gaps and caregiving responsibilities.<sup>44</sup>

8.23 As noted in chapter 5, some stakeholders argue that the automatic sanctions provide a key consumer protection, including as a deterrent against poor practice by lenders. They may therefore argue that this change could lead to increased detriment to those in financial distress (and therefore those sharing protected characteristics). However, HMT believes that this is of low likelihood and in practice the sanctions also pose a particular risk of poor and confusing outcomes for these individuals, for the reasons outlined in that chapter.

8.24 The automatic sanctions were an appropriate protection for their time. However, the regulatory regime has evolved significantly and there are now a range of other consumer rights and protections in place. There is an extensive FCA supervisory and enforcement toolkit, in addition to consumers being able to complain to the FOS. The Government therefore considers consumers could make use of other avenues to seek remedies from firms in the event of their

---

<sup>44</sup><https://www.fca.org.uk/publication/financial-lives/financial-lives-cost-of-living-jan-2024-recontact-survey-findings.pdf>

wrongdoing, and the FCA's expansive supervision and enforcement powers provide a significant deterrent for firms. It therefore considers that there is a low risk of those sharing protected characteristics facing increased detriment as a result of the changes proposed.

## Islamic Finance

8.25 The Government will consider, as part of its Phase 2 CCA Reform work, any barriers to enable Sharia compliant finance to be offered by firms and address any unmet need within the market.

8.26 HMT understands from stakeholders that some of the barriers include prescription in information disclosure documents (including terminology, references to interest and fees), as well as some broader consumer rights such as early settlement and rebates. HMT will explore this further as part of its policy work for Phase 2.

## Financial Inclusion Strategy

8.27 The reforms in this consultation seek to improve consumer understanding and, as such, are aligned with wider work the Government is taking forward to develop a Financial Inclusion Strategy. The Strategy will examine how to increase consumer access to appropriate and affordable financial products and services, including access to credit, and will be published later this year.

**Question 8: Do you agree with the provisional assessment that, on balance, the Government's proposed proportionate approach to reform mitigates the negative impacts on those sharing particular protected characteristics and retain the positive equalities impacts of the products?**

**Question 9: Do you have any further data you can provide on the potential impacts on persons sharing any of the protected characteristics?**

# Chapter 9: How to respond to this consultation

9.1 This consultation will remain open for nine weeks, closing on 21<sup>st</sup> July 2025. Given the Government's commitment to move forward with CCA Reform at pace and because HM Treasury has already undertaken a previous consultation on CCA Reform and received responses from a broad range of stakeholders, as well as continuing to engage with consumer groups and industry representatives — this consultation will be open for 9 weeks. The Government believes that this strikes an appropriate balance: it will provide stakeholders with sufficient time to comment on the Government's intended approach, while avoiding unnecessary delays to reform. The Government is inviting stakeholders to provide responses to the questions set out above and listed in Annex A, and to share their views on our proposals for reforming the Consumer Credit Act. After the consultation has closed HM Treasury will consider the responses. The Government will issue a response to the consultation and then aims to publish a further consultation on Phase 2 of CCA Reform in due course thereafter.

## Who should respond?

9.2 A wide range of stakeholders will be interested in the important issues presented in this document. Responses are welcome from all interested parties and stakeholders.

## How to respond to this consultation

9.3 Please submit your responses to:  
[consumercreditact@hmtreasury.gov.uk](mailto:consumercreditact@hmtreasury.gov.uk) or post to:

Consumer Credit Unit  
HM Treasury  
Horse Guards Road  
SW1A 2HQ

9.4 When responding, please state whether you are responding as an individual or representing the views of an organisation.

9.5 Responses to this consultation may be shared with the Financial Conduct Authority to assist with their design of the final rules for the CCA. Please indicate if you do not wish for your response to be shared in this way.

## **Processing of personal data**

9.6 This section sets out how we will use your personal data and explains your relevant rights under the UK General Data Protection Regulation (UK GDPR).

## **Data subjects**

9.7 The personal data we will collect relates to individuals responding to this call for evidence. Responses will come from a wide group of stakeholders with knowledge of a particular issue.

## **The personal data we collect**

9.8 The personal data will be collected through email submissions and are likely to include respondents' names, email addresses, their job titles, and employers as well as their opinions.

## **How we will use the personal data**

9.9 This personal data will only be processed for the purpose of obtaining opinions about government policies, proposals, or an issue of public interest.

9.10 Processing of this personal data is necessary to help us understand who has responded to the call for evidence and, in some cases, contact certain respondents to discuss their response.

9.11 HM Treasury will not include any personal data when publishing its response to this call for evidence.

## **Lawful basis for processing the personal data**

9.12 The lawful basis we are relying on to process the personal data is Article 6(1)(e) of the UK GDPR; processing is necessary for the performance of a task we are carrying out in the public interest. This task is seeking evidence for the development of departmental policies or proposals and obtaining evidence to help us to develop effective policies.

## **Who will have access to the personal data**

9.13 The personal data will only be made available to those with a legitimate need to see it as part of the call for evidence process.

9.14 We sometimes issue calls for evidence in partnership with other agencies and government departments and, when we do this, this will be apparent from the branding and wording of the call for evidence itself. For joint calls for evidence, personal data received in responses will be shared with these partner organisations in order for them to also understand who responded to them.

9.15 As the personal data is stored on our IT infrastructure, it will be accessible to our IT service providers. They will only process this data



for our purposes and in fulfilment with the contractual obligations they have with us.

### **How long we hold the personal data for**

9.16 We will retain the personal data until our work on the call for evidence is complete.

### **Your data protection rights**

9.17 You have the right to:

- request information about how we process your personal data and request a copy of it
- object to the processing of your personal data
- request that any inaccuracies in your personal data are rectified without delay
- request that your personal data are erased if there is no longer a justification for them to be processed
- complain to the Information Commissioner's Office if you are unhappy with the way in which we have processed your personal data

### **How to submit a data subject access request (DSAR)**

9.18 To request access to your personal data that HM Treasury holds, please email: [dsar@hmtreasury.gov.uk](mailto:dsar@hmtreasury.gov.uk)

## **Complaints**

9.19 If you have concerns about Treasury's use of your personal data, please contact our Data Protection Officer (DPO) in the first instance at: [privacy@hmtreasury.gov.uk](mailto:privacy@hmtreasury.gov.uk)

9.20 If we are unable to address your concerns to your satisfaction, you can make a complaint to the Information Commissioner at [casework@ico.org.uk](mailto:casework@ico.org.uk) or via this website: <https://ico.org.uk/make-a-complaint>.

# Annex A – List of questions

**Question 1: Do you agree with our vision for a reformed regime?**

**Question 2: Do you agree with our preferred approach to legislation?**

**Question 3: Do you think the challenges in relation to the transitional provisions have been captured and what further thoughts do you have on possible appropriate transitional provisions?**

**Question 4: Do you agree with our proposal to repeal the information provisions from the legislation and for these to be recast as appropriate into FCA rules?**

**Question 5: Do you agree with our conclusion that the FCA regime without sanctions provides a robust consumer protection?**

**Question 6: What are your views on the following approaches for criminal offences? Officials would need to review these options in the context of the wider CCA Reform proposals. (a) Repealing all the criminal offences in the CCA, allowing the FCA to take enforcement action where possible; (b) Keeping all the criminal offences in the CCA; (c) Repealing all criminal offences (allowing the FCA to take enforcement action where possible) except those that relate to minors and canvassing off trade premises where criminal offences would remain.**

**Question 7:**

**a: Has this paper captured the key issues and barriers for each of the cross-cutting themes of:**

- **Green Finance: [Yes/No]**
- **Islamic Finance: [Yes/No]**
- **Technology: [Yes/No]**

**b: Is there anything else you think needs to be considered in our Phase 2 policy work? [free text]**

**Question 8: Do you agree with the provisional assessment that, on balance, the Government's proposed proportionate approach to reform mitigates the negative impacts on those sharing particular protected characteristics and retain the positive equalities impacts of the products?**

**Question 9: Do you have any further data you can provide on the potential impacts on persons sharing any of the protected characteristics?**

# Annex B – CCA provisions proposed to be repealed for Phase 1

CCA Section	Description	Information Requirements	Sanctions	Criminal offences
17	Small agreements	Repeal		
18	Multiple agreements	Repeal		
19	Linked transactions	Repeal		
20	Total charge for credit	Repeal		
48	Definition of canvassing off trade premises (regulated agreements) Definition of canvassing off trade premises (regulated agreements)			TBC
49	Prohibition of canvassing debtor creditor agreements off trade premises			TBC
50	Circulars to minors			TBC
55	Disclosure of information	Repeal	Repeal	
55C	Copy of draft consumer credit agreement	Repeal	Repeal	
60	Form and content of agreements	Repeal	Repeal	
61	Signing of agreement	Repeal	Repeal	
61A	Duty to supply copy of executed consumer credit agreement	Repeal	Repeal	
61B	Duty to supply copy of overdraft agreement	Repeal	Repeal	
62	Duty to supply copy of unexecuted agreement: excluded agreements	Repeal	Repeal	
63	Duty to supply copy of executed agreement: excluded agreements	Repeal	Repeal	
64	Duty to give notice of cancellation rights	Repeal	Repeal	
65	Consequences of improper execution		Repeal	

74	Exclusion of certain agreements from Part 5	Repeal		
76	Duty to give notice before taking certain action	Repeal	Repeal	
77	Duty to give information to debtor under fixed-sum credit agreement	Repeal	Repeal	
77A	Statements to be provided in relation to fixed-sum credit agreements	Repeal	Repeal	
77B	Fixed-sum credit agreement: statement of account to be provided on request	Repeal	Repeal	
78	Duty to give information to debtor under running-account credit agreement	Repeal	Repeal	
78A	Duty to give information to debtor on change of rate of interest	Repeal		
79	Duty to give hirer information	Repeal	Repeal	
80	Debtor or hirer to give information about goods			TBC
82	Variation of agreements	Repeal		
85	Duty on issue of new credit-tokens	Repeal	Repeal	
86A	FCA to prepare information sheets on arrears and default	Repeal		
86B	Notice of sums in arrears under fixed sum credit agreements etc	Repeal	Repeal	
86C	Notice of sums in arrears under running-account credit agreements	Repeal	Repeal	
86D	Failure to give notice of sums in arrears		Repeal	
86E	Notice of default sums	Repeal	Repeal	
86F	Interest on default sums	Repeal		
87	Need for default notice	Repeal	Repeal	
88	Contents and effect of default notice	Repeal	Repeal	

89	Compliance with default notice	Repeal		
97	Duty to give information	Repeal	Repeal	
97A	Duty to give information on partial repayment	Repeal		
98	Duty to give notice of termination (non-default cases)	Repeal		
98A	Termination etc of open-end consumer credit agreements	Repeal		
103	Termination statements	Repeal	Repeal	
176	Service of documents	Repeal		
176A	Electronic transmission of documents	Repeal		

### **HM Treasury contacts**

This document can be downloaded from [www.gov.uk](http://www.gov.uk)

If you require this information in an alternative format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

Tel: 020 7270 5000

Email: [public.enquiries@hmtreasury.gov.uk](mailto:public.enquiries@hmtreasury.gov.uk)