



FCA consumer credit regulation:

Financial Promotions Consumer Credit sourcebook (CONC) Introduction

LS Consultancy has created this guidance as an overview of the FCA's Consumer Credit sourcebook (CONC). Content also identifies other parts of the FCA Handbook that are relevant to firms carrying on consumer credit activities.

FCA regulated organisations which carry on consumer credit – related activities are required to comply with the FCA Consumer Credit sourcebook (CONC). The overview will provide you with a high-level understanding of the requirements in CONC.

CONC operates alongside retained provisions of the *Consumer Credit Act 1974 (CCA)*.

Who does CONC apply to?

CONC applies to organisations carrying on credit-related regulated activities and connected activities.

General principles for credit-related regulated activities

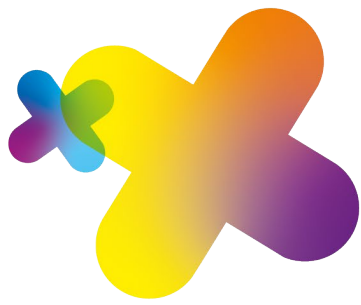
Principle 6 of the FCA's high-level Principles for Businesses (PRIN) requires a firm to pay due regard to the interests of its customers and treat them fairly. The following are examples of behaviour by (or on behalf of a firm) that is likely to contravene Principle 6:

- Targeting customers with regulated credit agreements that are unsuitable for them by virtue of their indebtedness, poor credit history, age, health, disability or any other reason.
- Subjecting customers to high pressure selling, aggressive or oppressive behaviour, or unfair coercion.
- Not allowing customers who are unable to make payments a reasonable time and opportunity to meet repayments.
- Taking steps to repossess a customer's home, other than as a last resort.



Structure of CONC

1	Application and purpose, and guidance on financial difficulties
2	Conduct of business standards: general
3	Financial promotions and communications with customers
4	Pre-contractual requirements (including content of quotations)
5	Responsible lending
5a	Cost cap for high-cost short-term credit (HCSTC)
5b	Cost cap for rent-to-own agreements
5c	Overdraft pricing
5d	Overdraft repeat use
6	Post-contractual requirements
7	Arrears, default and recovery (including repossessions)
8	Debt advice
10	Prudential rules for debt management firm
11	Cancellation
13	Guidance on the duty to give information under sections 77, 78 and 79 of the CC
14	Requirements in relation to agents
15	Agreements secured on land
CONC App 1	Total charge for credit rules and certain exemptions
Transitional provisions	Transitional provisions and schedules



Financial promotions and communications with customers (CONC 3)

Financial promotions will include any advertisement that is an invitation or inducement to enter into a credit agreement that is communicated during business. Financial promotions are not:

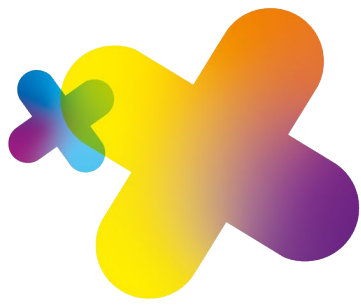
- Application forms that do not include marketing content.
- Copies of terms and conditions.
- Marketing material relating to the product already taken by a borrower where it is included in:
 - execution copies of terms and conditions;
 - statements;
 - welcome packs sent to borrowers after the credit agreement has been entered into describing elements of the credit product and how it can be used; or
 - other direct mailings to existing borrowers with promotional offers relating to that credit product.
- Staff training manuals and other internal materials where the purpose is to train staff rather than offer them the credit product.

What about the content of a financial promotion?

The content and presentation of credit advertisements for consumer credit lending must comply with CONC 3.

All financial promotions must:

- be clear, fair and not misleading;
- be accurate;
- be clearly identifiable as a financial promotion;
- be balanced and, in particular, must not emphasise any potential benefit of a product or service without also giving a fair and prominent indication of any relevant risks;
- be sufficient for and presented in a way that is likely to be understood by the average member of the target audience;
- not disguise, diminish, or obscure important information, statements or warnings.
- be in plain and intelligible language;
- be easily legible or, where applicable, audible; and
- include the name of the advertiser.
- not state or imply that credit is available regardless of the customer's financial



circumstances or status (other than in very limited specified circumstances).

- not contain the following (or similar) expressions, except where the statements are true: overdraft; interest free, gift or present, no deposit, loan guaranteed or pre-approved, and weekly equivalent.
- not include content that amounts to the unfair business practices set out in *CONC 3.8.2R*, which include pre-completing the amount of credit in an application for credit that is not based on a creditworthiness assessment, and not stating or implying that the credit depends solely on the value of equity in property secured under the agreement.

Any comparison or contrast in the financial promotion must be presented in a fair and balanced way and must be meaningful.

If the financial promotion includes a rate of interest or other amount relating to the cost of credit it must:

- include specified information by way of a representative example; and
 - include a postal address at which the advertiser can be contacted (except where the advertisement is a radio or TV advertisement, or if it includes the name and address of a dealer or credit broker).
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- If the financial promotion includes an incentive (including statements about speed of processing) or indicates that credit is available where credit is otherwise restricted or available on more favourable terms or in a more favourable way, it must include a representative annual percentage rate (APR).
 - Where this is the case, the representative APR is not treated as "a rate of interest or other amount relating to the cost of credit" and, as a result, does not trigger the requirement to include a representative example if no other information relating to a rate of interest or other amount relating to the cost of credit is included in that financial promotion.
 - The representative example must include:
 - the rate of interest, whether fixed, variable or both, expressed on an annual basis (where there are different rates of drawdown, the rate of interest must be the highest rate applying to the most common drawdown mechanism);
 - the nature and amount of any other charge included in the total charge for credit;
 - the total amount of credit (for running-account agreements a credit limit of £1,200 must be assumed (unless the advertiser knows the maximum amount will be less)).



- the representative APR (although this is not required where the facility is an overdraft).
- where the credit is in the form of a deferred payment for specific goods or services, the cash price, and any advance payment; and
- where the credit is for a fixed term: the duration; and
- the total amount payable and the amount of each repayment.

Specific guidance is given in CONC 3.5.6G on the representative example, including for authorised non-business overdraft agreements

What should the representative look like?

It must be:

- specified in a clear, concise, and prominent way;
- termed "representative example";
- presented together with each item of required information with equal prominence; and
- given no less prominence than any other information relating to the cost of credit or any incentive.

Consumer credit regulation outside of CONC

In addition to CONC, firms that carry on consumer credit business must also comply with other parts of the FCA Handbook, as well as retained parts of the CCA.

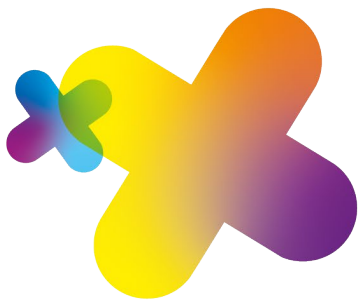
Other parts of FCA Handbook

CONC, as the title suggests, focuses on rules and guidance relating to conduct of business issues that are relevant to firms carrying on consumer credit activities. Other parts of the FCA Handbook are also relevant to firms carrying on such activity. These include:

High-level standards

This includes the following sourcebooks and manuals:

- Principles for Business (PRIN)
- Senior Management Arrangements, Systems and Controls: overview
- General provisions (GEN).



Business standards

In addition to CONC, there is also:

- Client Assets Sourcebook section of the FCA Handbook sets out rules and guidance relating to client money that apply, in certain circumstances, to firms carrying on a consumer credit regulated activity; and
- ICOBS specifies how insurers, reinsurers and insurance intermediaries should interact with customers in relation to the sale and administration of certain insurance contracts.

Regulatory processes

This includes FCA Supervision section of the FCA Handbook, which sets out rules and guidance relating to the arrangements for supervising firms, including the applicable reporting obligations.

Redress

[FCA Dispute Resolution section of the FCA Handbook](#) sets out detailed requirements for firms' handling of complaints.

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